

ORAVA RESIDENTIAL REIT PLC

INTERIM REPORT

1 JANUARY – 31 MARCH 2017



ORAVA

CONTENTS

CEO'S COMMENTS:	3	Consolidated Statement of Comprehensive Income	16	5.4 Contingent liabilities	42
OPERATING ENVIRONMENT	5	Consolidated statement of financial position	17	5.5 Management of financing risks	42
National economy	5	Consolidated statement of cash flows	18	Interest rate risk	42
Demand in the housing market	5	STATEMENT OF CHANGES IN EQUITY	19	Liquidity risk	43
Supply in the housing market	5	STATEMENT OF CHANGES IN EQUITY (CONTINUES)	20	Credit risk	43
Prices, rents and returns in the housing market	6	NOTES	21	Capital management	43
RENTAL OPERATIONS	6	1 CONSOLIDATION	21	5.6 Classification of liabilities	44
Acquisitions	7	1.2 Act on the Tax Exemption of Certain Limited Liability		Fair value hierarchy	44
Apartment sales	7	Companies Engaging in Apartment Rental Operations		5.7 Derivatives	44
Investment properties on 31 March 2017	7	(288/2009) ("the Tax Exemption Act")	21	5.8 Equity	45
THE GROUP'S FINANCIAL RESULT FOR THE FIRST		1.3 Accounting principles	22	Earnings per share	45
QUARTER	8	1.4 Consolidation principles	23	Dividend distribution obligation	45
Financing	9	1.5 Asset items available for sale	24	6 ADDITIONAL INFORMATION	46
SHARES AND SHAREHOLDERS OF ORAVA RESIDENTIAL		2 SEGMENTS AND INCOME	24	6.1 Related parties	46
REIT	10	3 OPERATING EXPENSES	27	6.2 New IFRS standards and interpretations	46
MANAGEMENT OF THE RESIDENTIAL REIT	12	Income Taxes	29	6.3 Accounting principles requiring management discretion	47
Personnel	12	4 INVESTMENT PROPERTIES	30	FINANCIAL INDICATORS FOR THE GROUP	48
Board of Directors and auditors	13	5 CAPITAL STRUCTURE AND		FINANCIAL INDICATORS FOR THE GROUP (CONTINUES)	49
Authorisations of the Board of Directors	13	FINANCIAL EXPENSES	39	FORMULAS FOR FINANCIAL INDICATORS (1/3)	50
Management	13	5.1 Finance income and expenses	39	FORMULAS FOR FINANCIAL INDICATORS (2/3)	51
Regulation	13	5.2 Financial assets	39	FORMULAS FOR FINANCIAL INDICATORS (3/3)	52
Near-term risks and uncertainties	13	5.3 Financial liabilities	40		
Major events 1 January – 31 March 2017	13	Non-current liabilities	40		
Events after the financial period	14	Current interest-bearing liabilities	41		
DIVIDEND	15	Convertible bond agreements	41		
FUTURE OUTLOOK 2017 (SPECIFIED)	15	Other current liabilities	42		





CEO'S COMMENTS:

The first quarter results of Orava Residential REIT were unsatisfactory. The value of the investment portfolio decreased slightly as in the previous quarter, and no apartments were acquired.

The prices of old apartments in the whole country still did not start rising. According to Statistics Finland, the prices decreased during the first quarter by 0.3 per cent from the previous quarter, while the six-month change was -0.9 per cent. In spite of the recovery of the general economic situation, the prices of old apartments in Finland are still lagging clearly behind the rest of Europe; according to the latest statistics by Eurostat, the prices of apartments rose during the last 12 months by 4.7 per cent in the whole EU, while the increase in Finland was exactly one per cent. Weaker price trends than that in Finland were reported for two Member States.

In Finland, the demand appears to have focussed on new apartments: according to Statistics Finland, their prices increased by 5.4 per cent during the last 12-month period. This

1 Jan – 31 Mar 2017

- Revenue: EUR 2.4 million (1 January – 31 March 2016: EUR 4.8 million)
- Result EUR -978 thousand (EUR 1.9 million)*
- Earnings per share: EUR -0.10 (EUR 0.23)
- Comprehensive profit: EUR -918 thousand (EUR 1.8 million)
- Economic occupancy rate: 93.8% (90.0%)
- Gross rental yield: 6.9% (6.8%)
- Net rental yield: 3.6% (3.6%)
- Profit from assignments and changes in fair value: EUR -0.9 million (EUR 1.9 million)
- Total dividends distributed during the period under review: EUR 0.03 per share (EUR 0.27 per share)

* Income statement item Profit/loss for the period.

Net assets per share of Orava Residential REIT plc amounted to EUR 9.97 on 31 March 2017, while they were EUR 10.11 at the beginning of 2017. The value of the company's investment properties was EUR 207.0 million at the end of the period under review (31 December 2016: EUR 210.9 million).

trend has persisted for a quite a while: according to Statistics Finland, the prices of new apartments have increased by 28 per cent during this decade while the prices of old apartments have only increased by 6 per cent. Of course, the difference between the price trends of new and old apartments must disappear one way or the other.

In order to cut the costs of the residential REIT, housing company loans worth EUR 24 million were subjected to competitive tendering, and the same process is expected to be completed for the balance of EUR 50 million by late autumn. We have succeeded in decreasing the already decided margins of housing company loans by an average of 0.5 percentage points, and we expect to achieve the same result with the rest of these loans. The competitive tendering processes regarding other service providers will be implemented starting from the second quarter.

The economic occupancy rate continued to improve during the first quarter and rose from 93.2 to 93.8 percent. As expected, the proportion of investment property maintenance and repair costs of the portfolio value increased again during the first quarter, largely due to seasonal fluctuation, from 2.9 per cent in the previous quarter to 3.1 per

cent. Correspondingly, net rental yield decreased by one-tenth of a per cent from the previous quarter to 3.6 per cent in the first quarter. The sum total of debt-free transaction prices of apartment sales was EUR 3.4 million, the second-best result in the history of the residential REIT.

Given the current price of our shares, we are of the opinion that acquisition of the company's own shares would be the most efficient way to increase the residential REIT's net assets per share. However, the information available indicates that the REIT Tax Exemption Act currently prevents the acquisition of the company's own shares. We are in the process of investigating the measures available and the prerequisites for acquiring the company's own shares.

At the end of the reporting period, Orava Residential REIT had just over 7,200 shareholders. The trading volume of the company's shares on the Helsinki Stock Exchange has remained almost unchanged: the average daily turnover in January-March was EUR 219,000.

The company specifies its future outlook and estimates that its result for 2017 would be in the range of +1 to +4 million euros.



OPERATING ENVIRONMENT

National economy

Finnish GDP growth is expected to settle between +1.2% and +1.7% this year and stay between +1.2% and +1.8% next year. The growth of private consumption, very important for the housing market, is expected to be between +0.9% and +1.4% this year, while it is expected to remain between +0.8% and +1.4% next year. The market interest rates in the euro area are still exceptionally low, and short-term market rates are also expected to remain below one percent for the next three to four years.

The estimate is based on the most recent economic forecasts by 15 parties drawing up forecasts on the Finnish economy, compiled by the Federation of Finnish Financial Services, and the market interest rate expectations calculated on the basis of the euro interest rate curve published by the European Central Bank.

We expect the slow strengthening of the housing market to continue.

Demand in the housing market

According to statistics from the Bank of Finland, households drew down EUR 4.1 billion in new mortgages during January-March, 11 per cent more than the year before. The euro-denominated mortgage base totalled EUR 94.3 billion at the end of December, and the annual growth in the mortgage base was 2.3 per cent.

According to the January-March statistics of the Central Federation of Finnish Real Estate Agencies, the number of transactions regarding old apartments was over 6.5 percent higher than in the corresponding period in the previous year. According to the Finnish Etuovi.com marketing service, the average marketing period of old apartments in the country as a whole decreased from 104 days in January to 66 days in April, while it was 67 days in April of the previous year.

The slight increase in the demand for apartments seems to have continued in the first quarter.

Supply in the housing market

According to Statistics Finland, building permits for apartment blocks were granted for 1,966 apartments in February, 35 per cent less than in the previous year. Correspondingly, in January-February, building permits for apartment blocks were granted for a total of 3,208 apartments, 24 per cent less than in the previous year. At the same time, the annual change in the sliding annual sum of building permits granted for apartment blocks decreased to +18 per cent.

The three-month change in the housing construction volume index that describes the value of on-going new construction was -13 per cent in February, and the change year-on-year was +12 per cent.

According to the May confidence indicator survey of the Confederation of Finnish Industries, the balance figure for construction production for the past three months was +23 points in the first quarter of the year, while it was +8 points in the previous quarter and +4 points a year before. The balance figure for the three-month production expectation was +34 points, compared to +9 points in the previous quarter and +41 points a year before. The

number of unsold residential apartments, compared to the normal situation, fell from -22 in the third quarter to -18 in the first quarter; a year ago, the balance figure was -50.

The increase of supply in the housing market has continued to slow down slightly during the first quarter.

Prices, rents and returns in the housing market

In the first quarter of 2017, the rents of non-subsidised apartments increased by 2.4 per cent year-on-year. According to the housing price index from Statistics Finland, the housing prices increased during the first quarter by 0.4 per cent year-on-year. The change in housing prices from the previous quarter calculated by Statistics Finland was -0.3 per cent, which we estimate to correspond to a change of approximately -0.6 per cent when seasonally adjusted. The ratio of housing prices to rents is slightly below the long-term average; the ratio calculated from the prices per square metre of apartment block apartments in the first quarter and the rents of non-subsidised apartments was 14.9. The 43-year average for the ratio of square metre prices to annual rents in Finland is 16.9.

We still expect housing prices in the country as a whole to increase by 1 to 3 per cent during the next 12 months, and the growth rate in rents for non-subsidised apartments to remain approximately the same if the market's interest rate expectations and economic forecasts are correct with regard to their essential components affecting the housing market.

RENTAL OPERATIONS

The economic occupancy rate of rental operations in the first quarter was 93.8 per cent, higher than in the previous quarter (93.2 per cent). The economic occupancy rate, adjusted by eliminating the acquisitions in the past six months, was 94.3 per cent. The gross rental yield for the first quarter was 6.9 per cent.

At the end of the period, there were a total of 1,672 residential apartments and business premises (Q1 2016: 1,732), 1,449 tenancy agreements (Q1 2016: 1,408) and 101 apartments were for sale. Approximately 99 per cent of the entire lease base for residential apartments is in agreements valid until further notice. A total of 139 agreements were terminated in the first quarter (Q1 2016: 102).

	1 Jan – 31 Mar 2017	1 Jan – 31 Mar 2016
Gross rental yield, %	6.9	6.8
Net rental yield, %	3.6	3.6
Economic occupancy rate, %	93.8	90.0
Operational occupancy rate, %	94.7	90.9
Tenant turnover/month, %	3.0	2.3

Age and regional distributions of the investment portfolio	31 Mar 2017	31 Mar 2016
Newer (1990 onwards)	70 %	67 %
Older (up to 1989)	30 %	33 %
Helsinki Region	38 %	39 %
Major cities	31 %	30 %
Medium-sized cities	31 %	31 %

Acquisitions

No agreements on acquisitions of apartments were made during the first quarter. The transactions regarding the 13 apartments acquired in December were completed during the first quarter.

Apartment sales

Apartment sales remained active during the first quarter and were in terms of euro the second-best in the company's history. During the first quarter, the company sold a total of 24 residential apartments from 19 different housing companies. The debt-free selling prices of the apartments totalled EUR 3.4 million, while the sales commissions were EUR 108,000.

Investment properties on 31 March 2017

At the end of the first quarter, the fair value of investment properties totalled EUR 207.0 million (31 December 2016: EUR 210.9 million). On 31 March 2017, Orava Residential REIT had a total of 1,672 apartments (31 December 2016: 1,696), with a total floor area of about 107,000 m² (31 December 2016: 109,000 m²). The apartments were located in 129 different housing companies, where the company's holding is 100% in 13 of the cases. More detailed information on the investment properties is presented in the tables section.

The values of the apartments owned by the REIT are measured at fair value at least on a monthly basis and are published at least on a quarterly

basis, and always when a change in the REIT's economic situation requires it or when changes in the condition of the real estate have a material impact on the value of the holdings of the REIT. A more detailed account of the apartment price measurement model is presented in the 2016 financial statements.





THE GROUP'S FINANCIAL RESULT FOR THE FIRST QUARTER

The Group's revenue for the first quarter totalled EUR 2.4 million (Q1 2016: EUR 4.8 million). The revenue was divided into income from rental operations of EUR 3.3 million (Q1 2016: EUR 2.9 million) and capital gains of EUR -0.9 million (Q1 2016: EUR 1.9 million). The returns on rental operations include rental income and compensation for use. Gains consist of the changes in the fair value of the apartments and the profit from sales of apartments less sales commissions for sold apartments.

Operating expenses for the first quarter totalled EUR 2.5 million (Q1 2016: EUR 2.3 million), of which

maintenance costs and annual repairs amounted to EUR 1.7 million (Q1 2016: EUR 1.6 million) and the performance-based management fee totalled 0.0 million (Q1 2016: EUR 0.0 million).

Operating profit for the first quarter amounted to EUR -78,000 (Q1 2016: EUR 2.5 million).

Financial income and expenses for the first quarter totalled EUR -0.9 million (Q1 2016: EUR -0.6 million), and taxes totalled EUR 38,000 (Q1 2016: EUR 7,000).

Profit for the first quarter was EUR -978,000 (Q1 2016: EUR 1.9 million). Comprehensive income items amounted to EUR 60,000 (Q1 2016: EUR -53,000), and comprehensive profit for the period totalled EUR -918,000 (Q1 2016: EUR 1.8 million).

Financing

Financial expenses (net) totalled EUR 0.9 million during the period 1 January – 31 March 2017 (Q1 2016: EUR 0.6 million).

On 31 March 2017, the interest-bearing liabilities of Orava Residential REIT amounted to EUR 374 million. The interest-bearing loans of Orava Residential REIT and the company loans allocated to the shares in housing companies totalled EUR 112.4 million on 31 March 2017 (31 December 2016: EUR 114.5 million).

In addition to the loans, the long-term liabilities in the statement of the financial position also include EUR 794,000 in rental deposits paid by tenants (31 December 2016: EUR 794,000).

During the period 1 January – 31 March 2017, the cash flow from operations totalled EUR 191,000 (Q1 2016: EUR -21,000).

The company's management is monitoring the development of sales of investment properties on a monthly basis as part of cash flow from operations. During the period 1 January – 31 March 2017, the cash flow from operations including the debt-free sales prices of investment properties totalled EUR 3,484,000 (Q1 2016: EUR 1,773,000).

Alternative cash flow statement

Cash flows from operations including income from sales	1 Jan–31 Mar 2017	1 Jan–31 Mar 2016
Cash flow from operations Before financial items	880	991
Income from sales of investment properties at debt-free prices	3,292	1,794
Taxes paid, as well as interest and other financial expenses, net	-688	-1,012
Cash flow from operations	3,484	1,773
Cash and cash equivalents, opening balance	4,141	2,790
Cash and cash equivalents, closing balance	3,382	4,880

The company's strategic target is a debt financing rate of approximately 50 percent, which means that the intention is to refinance the company loan proportions

of sold apartments and other loan repayments by taking out new loans. During the period under review no new loans has been taken out.

Cash flows from investments and financing	1 Jan–31 Mar 2017	1 Jan–31 Mar 2016
Acquisition of investment properties less acquired cash and cash equivalents	-1,374	-7,925
Cash flow from investments	-1,374	-7,925
Cash flows from financing, including the company loan proportions of sold apartments		
Increase in equity subject to payment	0	10,051
Payments received from the issue of convertible bonds	0	2,500
Loan repayments including the company loan proportions of sold apartments	-2,117	-3,832
Dividends paid	-751	-479
Cash flow from financing	-2,868	8,240





SHARES AND SHAREHOLDERS OF ORAVA RESIDENTIAL REIT

The company annulled all 58,657 treasury shares held by the company (ISIN code FI4000068614, trading code OREIT). When the annulment of shares was registered, the number of the company's shares decreased from 9,657,567 to 9,598,910.

The company can allocate shares to itself in charge-free share issues and use them to strengthen its capital structure, develop its business and widen its ownership base through both acquisition of investment properties and the issue of convertible bonds.

The company did not conclude any new convertible bond agreements during the first quarter,

nor does the company have any outstanding convertible bond agreements. On 31 March 2017, the shareholders' equity was EUR 95.7 million (31 December 2016: EUR 97.0 million). More detailed information on shareholders' equity is presented in the tables section, in paragraph 5.3.

The trading code for the company's shares is OREIT. During the reporting period, the average daily turnover of shares was approximately EUR 219,000.

At the end of March 2017, the company had over 7,200 shareholders. Of the total number of shares, 2.6 per cent were nominee registered.

Distribution of shareholding by owner category on 31 March 2017

	Shares	%
Private companies	1,980,271	20.6
Financial institutions and insurance companies	553,900	5.8
Public sector entities	69,617	0.7
Non-profit organisations	174,445	1.8
Households	6,556,424	68.3
Foreign shareholders	17,902	0.2
Nominee registered	246,351	2.6
Orava Residential REIT plc	0	0.0
Total	9,598,910	100

List of owners on 31 March, the 10 largest		
Shareholder	Number of shares	%
Maakunnan Asunnot Oy*	435,664	4.5
Royal House Oy	416,667	3.4
OP-Henkivakuutus Oy	263,645	2.8
Osuusasunnot Oy	122,100	1.3
Orava Rahastot plc***	114,991	1.2
Ollikainen Pekka	112,000	1.2
Ålands Ömsesidiga Försäkringsbolag	100,000	1.0
Yli-Torkko Erkki	99,995	1.0
Godoinvest Oy**	79,360	0.8
Ström Leif	63,938	0.7
Total	1,808,360	18.8

* Company under the control of Board member Timo Valjakka

** Company under the control of Board member Timo Valjakka

*** Company under the control of Board member Jouni Torasvirta

Distribution of shareholding by order of magnitude on 31 March 2017				
Number of shares	Shares	%	Holdings	%
1 – 100	56,888	0.6 %	1,303	17.9 %
101 – 1,000	1,416,983	14.8 %	4,073	56.1 %
1,001 – 10,000	4,118,129	42.9 %	1,772	24.4 %
10,001 – 100,000	2,441,843	25.4 %	107	1.5 %
100,001 –	1,565,067	16.3 %	7	0.1 %
	9,598,910	100.0 %	7,262	100.0 %





MANAGEMENT OF THE RESIDENTIAL REIT

Orava Residential REIT was established on the initiative of Orava Funds plc. Orava Funds is responsible for the organisation, management and development of the operations and administration of the Residential REIT. The Residential REIT has no personnel of its own.

As compensation for management services, Orava Residential REIT pays the management company 0.6% of the fair value of the assets of the REIT as an annual fixed management fee and 20% of the annual return on the REIT exceeding the hurdle rate of 7% as a performance-based management fee. The stock exchange price is used in the calculation of the performance-based management fee, if it is lower than net assets per share. The performance-based management fee is only paid if the closing stock exchange price for the financial period is higher than the highest closing stock exchange price for the previous financial periods, adjusted for dividends, issues and splits.

The fixed management fee is calculated on a quarterly basis, and the value is considered to be the

latest fair value of the assets according to IFRS in the previous quarter. The fixed management fees during the period under review 1 January–31 March 2017 amounted to EUR 324,000 (Q1 2016: EUR 299,000).

On the basis of the company's net assets per share, share price and dividend distribution realised in 2017, no performance-based management fee has been booked (Q1 2016: EUR 0,000).

During the period, Newsec Asset Management Oy and Ovenia Oy were paid a total of EUR 172,000 for financial administration and other support activities and for apartment rental operations and administrative services, including value-added tax.

Personnel

The personnel of Orava Residential REIT are part of the business organisation of the management company. The management company is responsible for the personnel expenses incurred from the operational activities of the Residential REIT.

Board of Directors and auditors

The Board of Directors of Orava Residential REIT is composed of six members: Patrik Hertsberg, Mikko Larvala, Veli Matti Salmenkylä, Petra Thorén, Jouni Torasvirta and Timo Valjakka. The Chairman of the Board is Jouni Torasvirta and the Vice Chairman is Patrik Hertsberg. The Board of Directors convened a total of 3 times during the period under review. The Board members' rate of attendance at Board meetings was 94%.

Orava Residential REIT's auditor is the auditing company PricewaterhouseCoopers Oy, with Tuomas Honkamäki, APA, as the chief auditor. The auditor is paid a fee in accordance with the invoice approved by the company.

Authorisations of the Board of Directors

The Annual General Meeting decided on 22 March 2017 to authorise the Board of Directors to decide on share issues and the issue of option and other special rights giving entitlement to shares so that the Board of Directors may decide to issue no more than 5,000,000 shares in the company's possession or new shares which do not give entitlement to dividends in 2017. The authorisation is valid until 31

March 2018. No shares had been issued by 31 March 2017 on the basis of the authorisation.

Management

Pekka Peiponen is the CEO of Orava Residential REIT. The management of Orava Residential REIT is part of the business organisation of the management company Orava Funds plc. The management company is responsible for the costs of personnel and management incurred from the REIT's operational activities.

Regulation

The current rules for real estate investment operations are available on the company's website www.oravaasuntorahasto.fi and they are included as an appendix.

Near-term risks and uncertainties

Orava Residential REIT estimates that the key risks and uncertainties for the company in the near future will be related to changes in the value of apartments, the acquisition of investment properties and repair costs.

Changes in the housing market affect the value of the company's apartments and thus the result of the company. The company can not affect the price changes of the housing market.

It may be challenging and difficult for the company to acquire investments that meet the company's goals. In addition, it may be difficult for the company to secure equity and debt financing for investments under competitive terms and conditions.

Major unexpected repairs and repair costs would have a negative impact on occupancy rate, rental income and profitability.

Major events

1 January – 31 March 2017

There was a change in the market guarantee of the shares of Orava Residential REIT (trading code OREIT) when the market guarantee functions of Nordea Bank Finland Plc were transferred to Nordea Bank Ab as the companies merged on 2 January 2017. Following the merger, Nordea Bank Ab is responsible for all existing and possible future rights and obligations of Nordea Bank Finland plc. The change took effect on Monday, 2 January 2017.



The company annulled 58,657 treasury shares held by the company (ISIN code FI4000068614, trading code OREIT). When the annulment of shares was recorded in the Trade Register on 24 January 2017, the number of the company's shares decreased by 58,657 from 9,657,567 to 9,598,910.

On 22 March 2017, the Annual General Meeting decided to authorise the Board of Directors to decide on the distribution of dividends of a maximum of EUR 0.12 per share. A maximum of EUR 1,151,869.20 may be paid in dividends. The maximum dividend payable quarterly is EUR 0.03 per share. The dividend payment dates are 31 March 2017, 30 June 2017, 29 September 2017 and 29 December 2017. The Board of Directors was authorised to decide on the amount of dividends and their payment by quarter within the aforementioned restrictions, provided that the company's solvency is not jeopardised as a result of the dividend payments. The Board of Directors was authorised to decide on the record dates of dividend payments.

The AGM decided to grant a share issue authorisation to the Board of Directors so that, on the basis of the authorisation, the Board may decide to issue no

more than 5,000,000 new shares in the company, which do not provide any entitlement to dividends during 2017. The authorisation is valid until 31 March 2018, and it superseded the previous authorisation given on 22 March 2016.

At the meeting held after the actual AGM, the Board of Directors of Orava Residential REIT elected Jouni Torasvirta as the Chairman from among the members and Patrik Hertsberg as the Vice Chairman. According to the authorisation received from the AGM, the Board of Directors decided that the dividends to be paid on the share of Orava Residential REIT (trading code OREIT, ISIN code FI4000068614) on 31 March 2017 shall be EUR 0.03, the dividend detachment date 23 March 2017 and the record date 24 March 2017. The total amount of dividends was EUR 287,967.30.

Events after the financial period

Orava Residential REIT received 7 April 2017 a negative decision from the Large Taxpayers' Office to its application for a preliminary ruling on taxation which would have allowed the company to acquire

its own shares. The company has appealed the ruling to the Helsinki administrative court.

In the Company's IPO 2013, a party subscribing the company's shares did not pay the subscribed shares. The company, together with the principal organizer of the IPO, United Bankers Securities Ltd, demanded the payment of compensation under Chapter 2, Section 7 of the Companies Act, and damages from the non-paying party. The Helsinki District court judged on 11 May 2017 the non-paying party to a compensation of approximately EUR 1.2 million to the Orava Residential REIT plc. The verdict is not yet final. The company has estimated that the compensation can not be collected because the party is penurious.

After the reporting period, apartments of Orava Residential REIT have been sold during the period 1 April - 12 May 2017 at debt-free prices totalling EUR 0.5 million. All in all during 2017 up to the middle of May the sum total of debt-free transaction prices of apartment sales has been EUR 3.9 million.



DIVIDEND

The Annual General Meeting of 22 March 2017 decided to distribute dividends of no more than EUR 0.03 per share from the profit for 2016 in each quarter of 2017, i.e. in total at most EUR 0.12 per share in 2017.

Dividends per share paid during the period under review:	
	FI4000068614
31 March 2017, 1st dividend	EUR 0.03
Total:	EUR 0.03

FUTURE OUTLOOK 2017 (SPECIFIED)

Orava Residential REIT estimates that its result for 2017 would be in the range of EUR +1 to +4 million. (Previously EUR +2 to +5 million.)

The change in the value of apartments currently in the investment portfolio is still expected to be slightly positive during this year. The gross and net rental yield is expected to remain approximately at their present levels, and the volume of acquisitions is expected to decrease from last year's level. The ratio of maintenance and repair costs to the value of investment properties is expected to slightly decrease from the previous year or remain unchanged.

Helsinki, 17 May 2017
Orava Residential REIT plc
Board of Directors



Consolidated Statement of Comprehensive Income

EUR 1,000	Note	1 Jan – 31 Mar 2017	1 Jan – 31 Mar 2016
Renevue			
Income from rental operations	2	3,297	2,924
Gains from disposals and changes in the fair value of apartments	2	-893	1,912
Total revenue		2,405	4,836
Maintenance expenses	3	-1,727	-1,593
Expenses from rental operations	3	-107	-99
Administrative expenses	3	-646	-648
Other operating income and expenses	3	-4	2
Total expenses		-2,484	-2,338
Operating profit		-78	2,498
Rahoitustuotot		2	2
Finance expenses		-864	-631
Finance income and expenses total	5.1	-862	-629
Profit before taxes		-940	1,869
Direct taxes	3	-38	-7
Profit/loss for the period		-978	1,862
Profit/loss for the period attributable to			
the owners of the parent company		-978	1,862
Earnings per share calculated from the profit attributable to the owners of the parent company			
Earnings per share, undiluted, EUR	5.8	-0,10	0,23
Other comprehensive income items			
Items that may in the future be reclassified to profit or loss			
Finance income			
Derivatives - Interest rate swaps		60	-53
Items that are not reclassified to profit or loss		0	0
Comprehensive profit/loss for the period		-918	1,809
Comprehensive profit/loss for the period attributable to			
the owners of the parent company		-918	1,809
non-controlling interests		0	0

Consolidated statement of financial position

Consolidated statement of financial position	Note	31 March 2017	31 Dec 2016
ASSETS	EUR 1,000		
Non-current assets			
Investment properties in rental use		194,878	198,613
Investment properties available for sale		12,149	12,288
Fair value of investment properties	4	207,027	210,901
Current assets			
Rental and other receivables	2, 5.2	1,182	1,059
Cash and cash equivalents	5.2	3,382	4,141
		4,564	5,200
TOTAL ASSETS		211,591	216,101
EQUITY AND LIABILITIES			
Equity attributable to the owners of the parent company			
Share capital	5.8	72,131	72,131
Share issue		0	0
Reserve for invested unrestricted equity	5.8	23,309	23,309
Hedge reserve	5.7	0	-60
Retained earnings		1,248	99
Profit for the period		-978	1,527
Total equity		95,711	97,007
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	5.3	104,460	106,407
Other non-current liabilities	5.3	795	794
Total non-current liabilities		103,721	107,201
Current liabilities			
Interest-bearing liabilities, borrowings	5.3	2,714	2,936
Trade payables and other current liabilities	3, 5.3	2,660	3,772
Derivatives	5.7	0	60
Total current liabilities		5 374	6,768
Liabilities allocated to investment properties available for sale		5,250	5,123
Total liabilities		115,879	119,093
TOTAL EQUITY AND LIABILITIES		211,591	216,101

Consolidated statement of cash flows

Consolidated statement of cash flows	1 Jan– 31 Mar 2017	1 Jan– 31 Mar 2016	1 Jan– 31 Dec 2016
EUR 1,000			
Cash flows from operational activities			
Payments received from rental operations	3,313	2,857	12,646
Payments for operating expenses	-2,433	-1,866	-9,043
Cash flows from operational activities before financial items	880	991	3,603
Interest paid and other finance expenses, net	-688	-1,012	-3 453
Taxes paid	0	0	-195
Net cash flows from operational activities	191	-21	-45
Cash flows from investment activities			
Acquisition of subsidiaries less acquired cash and cash equivalents	-1,374	-7,924	-14,512
Income from divestures of investment properties	1,799	963	6,613
Net cash flows used in investments	452	-6,962	-7,899
Cash flows from financing activities			
Drawdowns of and increases in loans	0	10,051	32,507
Payments received from the issue of a convertible bond	0	2,500	9,133
Loan repayments	-624	-3,001	-23,405
Dividends paid	-751	-479	-8,939
Net cash flows used in financing activities	1,375	9,071	9,296
Net decrease (-) / increase (+) in cash and cash equivalents	-759	2,090	1,351
Cash and cash equivalents at the beginning of the period	4,141	2,790	2,790
Cash and cash equivalents at the end of the period	3,382	4,880	4,141



STATEMENT OF CHANGES IN EQUITY

EUR 1,000	1	2	3	4	5	6
Equity on 31 Dec 2014	57,863	2,260	-493	10,230	69,860	69,860
Proceeds from shares issued 11 Feb 2015	396	24			420	420
Proceeds from shares issued 26 Feb 2015	50	8			58	58
Proceeds from shares issued 31 Mar 2015	2,442	361			2,803	2,803
Conversion of convertible bond 19 Mar 2015	2,024	490			2,514	2,514
Proceeds from shares issued 29 May 2015	505	80			585	585
Conversion of convertible bond 17 Jun 2015	3,776	725			4,501	4,501
Proceeds from shares issued 29 Jun 2015	4,377	493			4,871	4,871
Conversion of convertible bond 29 Jun 2015		500			500	500
Proceeds from shares issued 31 Jul 2015	697	65			762	762
Conversion of convertible bond 29 Sep 2015		4,500			4,500	4,500
Proceeds from shares issued 18 Dec 2015		1,455			1,455	1,455
Conversion of convertible bond 31 Dec 2015		2,750			2,750	2,750
Cost to gain equity		-705			-705	-705
Distribution of dividends 31 Mar 2015				-1,795	-1,795	-1,795
Distribution of dividends 30 Jun 2015				-1,927	-1,927	-1,927
Distribution of dividends 30 Sep 2015				-2,080	-2 080	-2 080
Distribution of dividends 30 Dec 2015				-2,150	-2,150	-2,150
Profit from the period				6,931	6,931	6,931
Comprehensive income items			-3		-3	-3
Maturing of hedging instrument			493		493	493

The notes presented in the balance sheet book form an integral part of the consolidated financial statements.

- 1 Share capital and share issue
- 2 Reserve for invested unrestricted equity
- 3 Hedge reserve
- 4 Retained earnings
- 5 Total equity attributable to the owners of the parent company
- 6 Total equity



STATEMENT OF CHANGES IN EQUITY (CONTINUES)

EUR 1,000	1	2	3	4	5	6
Equity on 31 Dec 2015	72,131	13,008	-3	9,209	94,346	94,346
Conversion of convertible bond 31 Mar 2016		2,750			2,750	2,750
Distribution of dividends Q1 2016				-2,248	-2,248	-2,248
Distribution of dividends Q2 2016				-2,248	-2,248	-2,248
Distribution of dividends Q3 2016				-2,248	-2,248	-2,248
Distribution of dividends Q4 2016				-2,248	-2,248	-2,248
Cost to gain equity		-368			-368	-368
Conversion of convertible bond 30 Jun 2016		2,061			2,061	2,061
Conversion of convertible bond 30 Sep 2016		2,189			2,189	2,189
Conversion of convertible bond 30 Dec 2016		2,500			2,500	2,500
Proceeds from shares issued 18 July 2016		1,170			1,170	1,170
Reversals of provisions				-117	-117	-117
Profit from the period				1,527	1,527	1,527
Comprehensive income items			-57		-57	-57
Equity on 31 Dec 2016	72,131	23,309	-60	1,626	97,007	97,007
Distribution of dividends Q1 2017				-288	-288	-288
Profit from the period				-978	-978	-978
Reversals of provisions				-90	-90	-90
Comprehensive income items			60		60	60
Equity on 31 Mar 2017	72,131	23,309	0	270	95,711	95,711



NOTES

1 CONSOLIDATION

Under the Consolidation heading, we have compiled basic information on Orava Residential REIT plc, the main provisions of the Tax Exemption of Certain Limited Liability Companies Engaging in Apartment Rental Operations (299/2009) ("the Tax Exemption Act"), as well as the principles related to the consolidation of the Group and the related notes.

To increase the understanding of the calculation principles, Orava Residential REIT describes the accounting policies in connection with the note in question as part of the note.

1.1 Basic details of the Group

Orava Residential REIT plc (business ID 2382127-4, address Fabianinkatu 14 B, 00100 HELSINKI, Finland)

was established on 30 December 2010 as a real estate fund as referred to in the Real Estate Funds Act. The up-to-date rules for real estate investment operations are included as an appendix to the financial statements.

The purpose of the company as a real estate fund under the Real Estate Funds Act (1173/1997) is to let apartments and real estate which it owns or possesses due to its shareholding, to engage in ordinary housing management and maintenance focusing on its own property, to exercise construction contracting on the company's own behalf and to finance all these operations. The operations of the company aim to take advantage of the Act on the Tax Exemption of Certain Limited Liability Companies Engaging in Apartment Rental Operations (299/2009) ("the Tax Exemption Act"). The

company has been granted an exemption from the payment of income tax as of 30 December 2010.

Orava Residential REIT was listed to NASDAQ Helsinki ("Helsingin Pörssi") at October 2013."

Orava Residential REIT's Board of Directors approved these financial statements for publication at its meeting on 17 May 2017.

1.2 Act on the Tax Exemption of Certain Limited Liability Companies Engaging in Apartment Rental Operations (288/2009) ("the Tax Exemption Act")

In Finland, a limited company generally liable for tax and engaged in the rental of residential apartments is exempted from paying income tax in the manner prescribed in the Tax Exemption Act.



The main prerequisites for granting exemption from tax are as follows:

- The company may not be engaged in any other business than that of renting residential apartments
- At least 80% of the company's assets shown on the balance sheet is invested in apartments or real estate primarily intended for residential use
- The other assets of the company besides the residential assets are compliant with the Real Estate Funds Act
- The company's liabilities do not exceed 80%
- No individual shareholder holds more than 10 % of the company's share capital
- The Real Estate Funds Act is applicable to the company.

In addition to the above, the requirements for maintaining the exemption from tax are broadly as follows:

- At least 90% of the result must be distributed as dividends every year (excluding any non-materialised change in value)
- The company's shares are listed on the stock exchange on the third year at the latest
- The company does not distribute its funds in any other manner than as dividends

The company becomes partially liable for tax

- to the extent that its rental income is less than 80% of its total income (excluding disposal prices)
- for capital gains from apartments it has owned for less than five years

In the initial stage of company operations, residential apartments owned for less than five years have been disposed of, so a liability to pay tax may arise from such disposals.

It is not possible to set off disposal gains and losses in capital gains taxation. Income tax is only recognised if it is known that the company will

become partially liable to pay tax. For taxation purposes, a capital gain is created when the disposal price exceeds the sum total of the original acquisition price, the asset transfer tax paid, the estate agent's fee and the apartment repair expenses and capitalised repairs.

The subsidiaries pay the relevant taxes on their financial result and capital gains"

1.3 Accounting principles

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards applying the IAS and IFRS standards and SIC and IFRIC interpretations endorsed for use in the EU and in force on 31 December 2016. The statements have been prepared in compliance with IAS34. The term "International Financial Reporting Standards" refers to the standards and their interpretations in the Finnish Accounting Act and provisions based on this approved for application in the EU in accordance with the procedure established in EU Regulation No 1606/2002. The notes to the consolidated financial

statements also comply with the provisions of Finnish accounting and corporate legislation that supplement the IFRS provisions. In addition, Orava Residential REIT complies with the recommendations of the European Public Real Estate Association (EPRA), as applicable. EPRA Performance Measures are calculated according to the EPRA Best Practices Recommendations of December 2014.

The consolidated financial statements have been prepared in euros. The figures have been rounded to the nearest thousand euros, so the sum total of the individual figures may differ from the total amount presented.

The consolidated financial statements are based on the acquisition cost method apart from investment properties, which are recognised at fair value.

The preparation of IFRS-compliant financial statements requires discretion from the management. Discretion influences the selection and application of accounting principles, the amount of reported assets, liabilities, income and expenses, as well as the notes presented. When exercising discretion, the management uses estimates and assumptions

based on previous experience and its best view on the closing date concerning the latest development of the real estate market, in particular. The final outcome may differ from the estimates made. Any changes in estimates and assumptions are recognised in accounting in the financial period during which the estimates or assumptions are adjusted.

The most material estimated items are the measurement at fair value and classification of acquisitions into corporate restructuring or acquisition of real estate properties. The management exercises discretion in every investment property acquisition determining whether it is an acquisition of business operations or is it consolidated using the proportionate method. Only the amount of investment properties corresponding to the holding of the Group has been consolidated. The information shown in the consolidated financial statements has not been audited.

1.4 Consolidation principles

Orava Residential REIT consolidates the wholly-owned housing companies in compliance with IFRS 10. Partially owned housing companies are consolidated using the proportionate method in compliance with IAS 11, in which case only the amount of each income statement and balance sheet item of the subsidiaries corresponding to the holding of the Group is consolidated. Accordingly, no minority interests are created in the Group consolidation process.

1.5 Asset items available for sale

In accordance with the company's investment strategy, the aim is to annually sell apartments for 5 to 10 per cent of the value of the investment properties on the company's opening statement of financial position. The sales of apartments are implemented by selling apartments released from rental use individually. The sales of apartments may be supplemented by sales of plots. Apartment sales totalled EUR 3,399,000 in the first quarter. Asset items classified as available for sale are measured at fair value. The book values of assets items available for sale on 31 March 2017 were EUR 12,149,000 (31 December 2016: EUR 13,241,000).

2 SEGMENTS AND INCOME

In the note on operating income we have collected notes on financial result and the statement of financial position related to revenue and other income, so that their impact on the financial result and statement of financial position of Orava Residential REIT would be better perceived.

"The Group's chief operational decision-maker is the Board of Directors. Segment information is based on the monthly reports which the Board of Directors uses for allocating resources and for assessing financial performance.

Orava Residential REIT lets apartments and real estate which it owns or possesses due to its shareholding and engages in ordinary housing management and maintenance focusing on its own property.

The form of segment reporting used by the company is in accordance with the intended use of the investment properties. According to the Tax Exemption Act, at least 80% of the assets shown on the company's balance sheet must be invested in apartments or real estate primarily intended for residential use and rental income from these must account for at least 80% of its income, excluding the

disposal prices of investment properties. The assets shown on the balance sheet and the income of Orava Residential REIT have consisted of apartments and real estate primarily intended for residential use, so no segment division has been performed.

The revenue of Orava Residential REIT is presented in compliance with the accounting principles, divided into income from rental operations and capital gains from disposals and changes in fair value. Income from rental operations is divided into gross rental yield, i.e. income from rental of apartments and other facilities, and compensation for use and resident services. Income from ordinary operations is recognised in the income statement in equal instalments on a monthly basis over the lease period.

The capital gains and losses from apartments are arrived at by deducting the previous quarter's closing balance value from the debt-free selling price. Capital gains also include transaction fees from sales, i.e. estate agents' sales commissions, changes in the fair value of apartments in the period under review and the share of the apartments of the asset transfer tax, activated repairs and apartment repair expenses that have not been activated yet.

During the period 1 January - 31 March 2017, a total of 24 apartments were sold (2016: 16 apartments).

Orava Residential REIT measures investment properties at fair value according to section 18 in the Real Estate Funds Act. (Kiinteistörahastolaki) and IFRS 13. Changes in fair values are presented in profit and loss in the reporting period they occur.

Changes in fair values are presented in profit and loss. Investment properties are initially recognized at acquisition cost, later carried at fair value. Fair value is the amount of money for which the assets could be exchanged between informed parties willing to enter into the transaction and independent of each other.

In the calculation of net gains and losses from the measurement of investment properties at fair value, capitalized repair costs, acquisition costs other than the purchase prices of acquired investment properties have been taken into account as decreasing items.

Revenue	1 Jan–31 Mar 2017	1 Jan–31 Mar 2016
Income from rental operations		
Gross rental income	3,186	2,831
Compensation for use and service income	111	92
Gains from disposals and changes in the fair value of apartments		
Disposal prices of apartments less the fair value in the previous quarter's closing balance	-130	-120
Brokerage fees for apartments disposed of	-108	-61
Net gains and losses from changes in the fair value of investment properties	-655	2,093
Total	2,404	4,836

The geographical distribution of the value of investment properties and their breakdown by age is also regularly reported to the Board of Directors. The Helsinki Region includes Helsinki, Espoo, Kauniainen, Vantaa and the surrounding municipalities, while large urban centres of Tampere, Turku, Oulu, Jyväskylä and Lahti are classified as major cities. Medium-sized towns are cities with more than approximately 20,000 inhabitants.

Rental receivables are recognised on the balance sheet at their initial invoiced value. Rental receivables are regularly reviewed. Reminder and collection letters are sent at two-week intervals. An external collection agency manages the collection of rental receivables. A summons is sent to a district court approximately two months after the first due date.

At the end of every reported period, it is estimated whether there is proof of impairment of the value of receivables. Impairment of rental receivables is recognised under other operating expenses during the period it is incurred. Credit risk arises from the possibility that the counterparty to an agreement fails to meet its contractual obligations.

On the balance sheet date, the major credit risks faced by the Group were due to rental receivables. The Group does not have any significant concentrations of receivable or credit risks. On 31 March 2017, rental receivables totalled EUR 249,000 (31 December 2016: EUR 223,000).

Distribution of investment property values by their location, %	31 Mar 2017	31 Mar 2016
Helsinki Region	38	39
Major cities	31	30
Medium-size towns	31	31
Total	100	100

Distribution of investment property values by age group, %	31 Mar 2017	31 Mar 2016
Built in 1989 or earlier	30	33
Built in 1990 or later	70	67
Total	100	100

Rental and other receivables	31 Mar 2017	31 Mar 2016
Prepayments	701	505
Rental and trade receivables	249	223
Total	950	728



3 OPERATING EXPENSES

In the note on operating expenses we have collected the notes on financial result and the statement of financial position related to operating expenses, so that their impact on the financial result and statement of financial position of Orava Residential REIT would be better perceived.

The expenses include the management, maintenance and annual repair expenses of investment properties, expenses for rental operations and the administrative expenses of the Residential REIT. Administrative expenses include the remuneration of the Board of Directors, the fixed fee of the management company and other administrative expenses such as administration costs of property managers, Stock Exchange, Central Securities Depository and auditing fees as well as external appraisal costs of investment properties. Other operating expenses include any performance-based fee of the management company and credit losses. Operating expenses are presented on an accrual basis.

Land leases of subsidiaries are treated as other leases, and the rents paid on their basis are recognised in the income statement under maintenance expenses in equal instalments over the lease period.

Expenses by type	1 Jan–31 Mar 2017	1 Jan–31 Mar 2016
Property maintenance expenses	-1,727	-1,594
Expenses from rental operations	-107	-99
Board of Directors' fees	-30	-34
Management fee Orava Funds plc	-324	-299
Other administrative expenses	-292	-315
Other operating expenses	-4	2
Total	-2,484	-2,338

Property maintenance expenses	1 Jan–31 Mar 2017	1 Jan–31 Mar 2016
Property maintenance expenses less compensation for use	-1,616	-1,502
Property maintenance expenses less compensation for use as percentage of market value, p.a.	3.1 %	3.0 %
Average market value of investment properties during the period, EUR 1,000	208,964	201,649

Property maintenance expenses also include maintenance expenses for residential apartments in the sales portfolio.

Board of Director's fees	1 Jan–31 Mar 2017	1 Jan–31 Mar 2016
Jouni Torasvirta	-8	-10
Patrik Hertsberg	-5	-5
Mikko Larvala	-4	-5
Tapani Rautiainen	-4	-5
Petra Thorén	-1	0
Veli Matti Salmenkylä	-5	-5
Timo Valjakka	-5	-5
Total	-30	-34

The fees of the Board of Directors consist of monthly and meeting fees. The Board's attendance at meetings during the period was 94.4%. The Board held 3 meetings (2016: 7 meetings) during the period. Orava Residential REIT is externally managed. It has no personnel.



Auditor's fees	1 Jan–31 Mar 2017	1 Jan–31 Mar 2016
Audit, parent company	-64	-37
Audit, subsidiaries	0	0
Total	-64	-37

The auditor's fees of Parent Company are included in other administrative expenses. The auditor is paid a fee in accordance with the invoice accepted by the company.

Other operating expenses	1 Jan–31 Mar 2017	1 Jan–31 Mar 2016
Credit losses	-4	2
Performance-based fee paid to the management company	0	0
Total	-4	2

Other operating expenses include credit losses from rental operations and the performance-based fee of the management company.

Trade payables related to expenses	31 Mar 2017	31 Dec 2016
Trade payables	280	162

Accounts payable are initially recognised at the fair value and subsequently measured at amortised cost. The majority of the Group's trade payables are related to acquisitions made by the subsidiaries.

As a performance-based management fee, the REIT pays the management company 20% of the company's annual return exceeding 7%. The performance-based management fee is only paid if the closing stock exchange price for the financial period, or the net assets per share if they are lower than the stock exchange price, is higher than the highest closing stock exchange price for the previous financial periods or the net assets per share, adjusted for dividends, issues and splits. No maximum amount has been specified for the fee to be paid to the management company.

Any other operating income and expenses include income and expenses which cannot be considered to be directly related to the real estate investment operations of Orava Residential REIT.

Income Taxes

The Large Taxpayers' Office granted the company an exemption from the payment of income tax on 20 January 2012. According to the decision, the tax exemption started from the beginning of the first tax year on 30 December 2010.

However, pursuant to the Tax Exemption Act, the company has to pay tax for capital gains from apartments it has owned for less than five years. Capital losses from apartments may not be deducted from capital gains.

For taxation purposes, a capital gain is created when the disposal price exceeds the sum total of the original acquisition price, the asset transfer tax paid, the estate agent's fee and the apartment repair expenses and capitalised repairs.

The subsidiaries pay the relevant taxes on their financial result and capital gains.

	1 Jan– 31 Mar 2017	1 Jan– 31 Mar 2016
Tasex of the Group for the period	-38	-7



4 INVESTMENT PROPERTIES

In the investment properties group, we have collected notes particularly related to investment properties and their valuation. More detailed information on the measurement of the fair value of investment properties is available in the Consolidated Financial Statements of Orava Residential REIT plc of 31 December 2016.

In accordance with the Tax Exemption Act, Orava Residential REIT does not engage in any operations other than letting premises which it owns or possesses due to its shareholding, ordinary housing management and maintenance focusing on such premises, construction contracting on the company's own behalf and financing required for these.

Under the Tax Exemption Act, at least 80% of the company's assets shown on the balance sheet at the end of the tax year shall be made up of real properties, housing company shares or shares conferring the right to possess a residential apartment in another mutual real estate company which only engages in the ownership and management of the buildings on its real estate which are primarily intended for permanent residential use. Orava Resi-

dential REIT possesses such assets to obtain rental income or increase in the value of its assets or both.

The management exercises discretion in every investment property acquisition determining whether it is an acquisition of business operations or is it consolidated using the proportionate method. Only the amount of investment properties corresponding to the holding of the Group has been consolidated.

In the valuation of its investment properties, Orava Residential REIT applies section 18 of the Real Estate Funds Act and the fair value model according to IFRS 13, Fair Value Measurement. Any profit or loss from changes in fair value is recognised through profit or loss for the period during which it arises.

Changes in fair value are recognised under revenue. Investment properties are initially valued at acquisition cost. Fair value is used in the measurement and valuation after the original recognition. Fair value is the amount of money for which the assets could be exchanged between informed parties willing to enter into the transaction and independent of each other.

Orava Residential REIT possesses investment properties under construction to obtain rental income or increase in the value of its assets or both in the future. On the closing date, long-term devel-

opment and construction projects where a new building or new apartments are built are measured at fair value. Use of fair value requires that the percentage of completion of the project can be reliably estimated. Investment properties under construction also include apartments for which Orava Residential REIT has signed a construction-stage deed of purchase for a residential apartment.

The value of Orava Residential REIT's investment properties is the sum of the market values of individual apartments calculated using a measurement model. Investment properties are disclosed on the statement of financial position at their gross value, in which case the share of debt related to ownership allocated to the property is presented in Orava Residential REIT's consolidated statement of financial position as a liability.

Individual apartments are derecognised when they are disposed of. Capital gains and losses from apartments are presented in the income statement under revenue.

An external expert annually audits the fair value measurement process and determination method used by Orava Residential REIT. In addition to the audit, an external expert has issued a calculation of value on the values of all Orava Residential REIT's investment properties twice a year.



Investment properties, fair value		
	31 Mar 2017	31 Dec 2016
Acquisition cost on 1 Jan	210,901	195,851
Increases	310	24,558
Transfer of cash and cash equivalents away from the fair value of investment properties	0	0
Decreases	-3,399	-11,554
Change in fair value in the period taking the impact of asset transfer tax into account	-785	2 046
Fair value	207,027	210,901

The decreases are disposals of residential apartments. A total of 24 apartments were sold during the period 1 Jan - 31 Mar 2017. The change in the value of investment properties that had been in the portfolio during the period 1 January - 31 March 2017 was -0,2% (1 January - 31 March 2016: 0,4%) i.e. EUR -486,000 (1 January - 31 March 2016: EUR 720,000).



Investment properties on 31 Mar 2017	Area	City	Holding, %	Built in, year	Apartments	Floor area, m2
As Oy Espoon Albert	Helsinki Region	Espoo	6 %	2014	2	144
As Oy Espoon Revontuli	Helsinki Region	Espoo	5 %	2015	2	115
As Oy Espoon Suulperi	Helsinki Region	Espoo	7 %	2014	3	226
As Oy Espoon Tiilentekijä	Helsinki Region	Espoo	9 %	2015	2	235
As Oy Espoon Tähystäjä	Helsinki Region	Espoo	3 %	2013	1	81
As Oy Sininärhentie 5	Helsinki Region	Espoo	2 %	2013	1	84
As Oy Helsingin Apteekkari	Helsinki Region	Helsinki	21 %	2014	4	344
As Oy Helsingin Hjalmar	Helsinki Region	Helsinki	10 %	2014	2	202
As Oy Helsingin Koirasaarentie 1	Helsinki Region	Helsinki	65 %	2000	16	940
As Oy Helsingin Limnologi	Helsinki Region	Helsinki	14 %	2015	5	427
As Oy Helsingin Rafael	Helsinki Region	Helsinki	13 %	2014	2	222
As Oy Helsingin Umbra	Helsinki Region	Helsinki	4 %	2016	2	166
As Oy Hyvinkään Rukki	Helsinki Region	Hyvinkää	3 %	2013	1	92
As Oy Hyvinkään Ryjy	Helsinki Region	Hyvinkää	4 %	2016	1	107
As Oy Hyvinkään Ukko-Pekka	Helsinki Region	Hyvinkää	14 %	2014	5	505
As Oy Järvenpään Terho	Helsinki Region	Järvenpää	5 %	2012	1	95
As Oy Järvenpään Tuohi	Helsinki Region	Järvenpää	82 %	2013	14	1,116
As Oy Järvenpään Saundi	Helsinki Region	Järvenpää	13 %	2013	6	517
As Oy Kauniaisten Kvartetti	Helsinki Region	Kauniainen	4 %	2014	2	142
As Oy Kauniaisten Venevalkamantie 3	Helsinki Region	Kauniainen	10 %	2012	3	182
As Oy Keravan Nissilänpiha 9-11	Helsinki Region	Kerava	85 %	1974	24	2,109
As Oy Keravan Ritariperho	Helsinki Region	Kerava	100 %	2011	19	2,071
As Oy Kirkkonummen Kummikallio	Helsinki Region	Kirkkonummi	100 %	1973	84	5,241
As Oy Kirkkonummen Pomada	Helsinki Region	Kirkkonummi	33 %	2012	6	650
As Oy Kirkkonummen Pronssi	Helsinki Region	Kirkkonummi	6 %	2014	1	86
As Oy Kirkkonummen Tammi	Helsinki Region	Kirkkonummi	28 %	2013	13	993



Investment properties on 31 Mar 2017	Area	City	Holding, %	Built in, year	Apartments	Floor area, m2
As Oy Nurmijärven Puurata 15-17	Helsinki Region	Nurmijärvi	38 %	1974-75	18	1,153
As Oy Nurmijärven Soittaja	Helsinki Region	Nurmijärvi	59 %	2013	15	1,326
As Oy Lindhearth, Sipoo	Helsinki Region	Sipoo	56 %	1982	12	984
Sipoonranta Saalinki	Helsinki Region	Sipoo	7 %	2011	3	253
As Oy Tuusulan Pihta	Helsinki Region	Tuusula	27 %	2014	7	695
As Oy Vantaan Kaakkoisväylä 4	Helsinki Region	Vantaa	69 %	1979	37	2,697
As Oy Vantaan Kruununmasto	Helsinki Region	Vantaa	5 %	2016	2	119
As Oy Vantaan Paddington	Helsinki Region	Vantaa	6 %	2015	2	180
As Oy Vantaan Piletti	Helsinki Region	Vantaa	2 %	2015	2	173
As Oy Vantaan Popliini	Helsinki Region	Vantaa	12 %	2015	5	396
As Oy Vantaan Rasinrinne 13	Helsinki Region	Vantaa	55 %	1975	21	1,086
As Oy Vantaan Rusakko	Helsinki Region	Vantaa	55 %	1992	5	282
As Oy Vantaan Maauunintie 14	Helsinki Region	Vantaa	99 %	1975	74	5,027
As Oy Jyväskylän Kruunutori (liiketilat)	Large urban centres	Jyväskylä	36 %	2010	5	1,232
As Oy Jyväskylän Ahjotar	Large urban centres	Jyväskylä	20 %	2014	6	286
As Oy Jyväskylän Kyläseppä	Large urban centres	Jyväskylä	16 %	2014	3	207
As Oy Jyväskylän Maailmanpylväs	Large urban centres	Jyväskylä	6 %	2014	2	218
As Oy Jyväskylän Runous	Large urban centres	Jyväskylä	4 %	2015	1	84
As Oy Jyväskylän Tukkipoika	Large urban centres	Jyväskylä	12 %	2013	3	228
As Oy Jyväskylän Valssikuja 6	Large urban centres	Jyväskylä	91 %	1995	22	1,748
As Oy Kaarinan Lampaankäppä	Large urban centres	Kaarina	100 %	1974	36	2,254
As Oy Lahden Aleksanteri	Large urban centres	Lahti	23 %	2014	9	728
As Oy Lahden Helkalanhovi	Large urban centres	Lahti	77 %	1975	32	1,894
As Oy Lahden Jukolan Tuomas	Large urban centres	Lahti	100 %	2010	22	1,306
As Oy Lahden Jukolan Aapo	Large urban centres	Lahti	100 %	2010	22	1,306
As Oy Lahden Leinikki	Large urban centres	Lahti	9 %	2013	2	160



Investment properties on 31 Mar 2017	Area	City	Holding, %	Built in, year	Apartments	Floor area, m2
As Oy Malskin Kruunu	Large urban centres	Lahti	5 %	2015	2	170
As Oy Lahden Poikkikatu 4	Large urban centres	Lahti	55 %	1971	22	1,227
As Oy Lahden Pormestari	Large urban centres	Lahti	8 %	2012	2	121
As Oy Lahden Vuoksenkatu 4	Large urban centres	Lahti	44 %	1970	10	428
As Oy Lempäälän Tikanhovi	Large urban centres	Lempäälä	50 %	2014	16	993
As Oy Naantalin Vesperi	Large urban centres	Naantali	23 %	2015	10	594
As Oy Alppilan Iiris	Large urban centres	Oulu	15 %	2014	6	428
As Oy Oulun Eveliina	Large urban centres	Oulu	14 %	2011	2	161
As Oy Oulun Jatulinmetsä	Large urban centres	Oulu	8 %	2013	2	160
As Oy Merijalinväylä	Large urban centres	Oulu	5 %	2012	2	138
As Oy Oulun Seilitie 1	Large urban centres	Oulu	65 %	2009	13	719
As Oy Oulun Resiina	Large urban centres	Oulu	8 %	2015	6	446
As Oy Oulun Viskaali	Large urban centres	Oulu	11 %	2015	5	378
As Oy Oulunsalon Poutapilvi	Large urban centres	Oulu	4 %	2010	1	93
As Oy Raision Kertunpuisto	Large urban centres	Raisio	19 %	2014	3	245
As Oy Raision Lumme	Large urban centres	Raisio	25 %	2015	8	486
As Oy Raision Vaisaaren Kunnaankatu 7	Large urban centres	Raisio	100 %	1978	51	2,807
As Oy Raision Valonsäde	Large urban centres	Raisio	37 %	2014	10	672
As Oy Härmälänrannan Nalle	Large urban centres	Tampere	5 %	2013	2	166
As Oy Tampereen Professori	Large urban centres	Tampere	12 %	2013	3	257
As Oy Tampereen Ruuti	Large urban centres	Tampere	29 %	2014	10	466
As Oy Tampereen Solaris	Large urban centres	Tampere	22 %	2014	11	881
As Oy Tampereen Vuoreksen Emilia	Large urban centres	Tampere	14 %	2014	6	495
As Oy Tampereen Vuorenpeikko	Large urban centres	Tampere	3 %	2013	1	68
As Oy Turun Androksenranta	Large urban centres	Turku	16 %	2014	5	390
As Oy Turun Aurajoen Helmi	Large urban centres	Turku	8 %	2014	3	212
As Oy Turun Michailowinlinna	Large urban centres	Turku	9 %	2015	5	285



Investment properties on 31 Mar 2017	Area	City	Holding, %	Built in, year	Apartments	Floor area, m2
As Oy Turun Michailowinportti	Large urban centres	Turku	9 %	2013	2	154
As Oy Turun Sataman Tähti	Large urban centres	Turku	16 %	2015	5	300
As Oy Forssan Hellaanpuisto	Medium-sized towns	Forssa	10 %	2014	3	186
As Oy Haminan Kaivopuisto	Medium-sized towns	Hamina	13 %	2014	4	236
As Oy Haminan Tervaniemi	Medium-sized towns	Hamina	96 %	1999	16	1,040
As Oy Heinolan Tamppilahdenkulma	Medium-sized towns	Heinola	87 %	1977	17	1,011
As Oy Heinolan Torihovi	Medium-sized towns	Heinola	12 %	2015	5	224
As Oy Hämeenlinnan Asemapäällikkö	Medium-sized towns	Hämeenlinna	4 %	2014	1	76
As Oy Hämeenlinnan Aulangontie 39	Medium-sized towns	Hämeenlinna	51 %	1974	11	527
As Oy Hämeenlinnan Salmiakki	Medium-sized towns	Hämeenlinna	100 %	2016	52	2,557
As Oy Kokkolan Luotsi	Medium-sized towns	Kokkola	23 %	2012	4	321
As Oy Kokkolan Omenapiha	Medium-sized towns	Kokkola	26 %	2012	3	261
As Oy Kotkan Alahovintie 7	Medium-sized towns	Kotka	98 %	1974	35	2,107
As Oy Kotkan Alahovintorni	Medium-sized towns	Kotka	91 %	1973	26	1,449
As Oy Kotkan Matruusi	Medium-sized towns	Kotka	13 %	2013	4	265
As Oy Kotkan Vuorenrinne 19	Medium-sized towns	Kotka	95 %	1973-75	70	3,824
As Oy Mällinkatu 6	Medium-sized towns	Kotka	100 %	1958 ja 74	54	2,875
As Oy Kouvolan Kuusama	Medium-sized towns	Kouvola	2 %	2015	1	40
As Oy Kuopion Rantahelmi	Medium-sized towns	Kuopio	3 %	2014	1	100
As Oy Lohjan Koulukuja 14	Medium-sized towns	Lohja	83 %	1976	44	2,505
As Oy Lohjan Pinus	Medium-sized towns	Lohja	47 %	2012	9	868
As Oy Mikkelin Neptun	Medium-sized towns	Mikkeli	41 %	2013	11	719
As Oy Paimion Jokilaivuri	Medium-sized towns	Paimio	6 %	2013	2	72
As Oy Porin Huvitus	Medium-sized towns	Pori	33 %	2014	9	673
As Oy Porin Kommodori	Medium-sized towns	Pori	9 %	2013	4	372
As Oy Porin Pihlavankangas	Medium-sized towns	Pori	89 %	1974 ja 76	47	2,581
Koy Liikepuisto (sis. liiketiloja)	Medium-sized towns	Porvoo	100 %	1960	10	607



Investment properties on 31 Mar 2017	Area	City	Holding, %	Built in, year	Apartments	Floor area, m2
As Oy Kaivopolku (sis. liiketiloja)	Medium-sized towns	Porvoo	100 %	1993	32	2 055
As Oy Porvoon Laamanninpiha	Medium-sized towns	Porvoo	9 %	2013	2	181
As Oy Riihimäen Laidunaho	Medium-sized towns	Riihimäki	12 %	2013	2	157
As Oy Riihimäen Lovisa	Medium-sized towns	Riihimäki	20 %	2013	2	177
As Oy Riihimäen Vuorelanmäki I	Medium-sized towns	Riihimäki	100 %	1956	16	773
As Oy Rovaniemen Koivula	Medium-sized towns	Rovaniemi	7 %	2014	2	172
As Oy Rovaniemen Laura	Medium-sized towns	Rovaniemi	3 %	2014	2	104
As Oy Rovaniemen Rekimatka 16-18	Medium-sized towns	Rovaniemi	83 %	1991	20	1,209
As Oy Rovaniemen Rekimatka 29	Medium-sized towns	Rovaniemi	91 %	1989	50	2,863
As Oy Rovaniemen Suiheinä	Medium-sized towns	Rovaniemi	7 %	2014	2	119
As Oy Rovaniemen Uitto	Medium-sized towns	Rovaniemi	21 %	2015	9	576
As Oy Salon Ristinkedonkatu 33	Medium-sized towns	Salo	89 %	1975	64	4,019
As Oy Savonlinnan Kotiranta	Medium-sized towns	Savonlinna	49 %	2014	9	521
As Oy Savonlinnan Postityttö	Medium-sized towns	Savonlinna	25 %	2015	8	459
As Oy Savonlinnan Välimäentie 5-7	Medium-sized towns	Savonlinna	100 %	1977	51	2,723
As Oy Tornion Aarnintie 7	Medium-sized towns	Tornio	39 %	1974	19	1,138
As Oy Tornion Kuparimarkka	Medium-sized towns	Tornio	85 %	1975	43	2,480
As Oy Vaasan Aleksander	Medium-sized towns	Vaasa	11 %	2015	3	131
As Oy Vaasan Asemankatu 9	Medium-sized towns	Vaasa	21 %	2014	5	363
As Oy Vaasan Leipurinkulma	Medium-sized towns	Vaasa	2 %	2015	4	119
As Oy Varkauden Ahlströminkatu 12	Medium-sized towns	Varkaus	95 %	1954	31	1,979
As Oy Varkauden Onnela	Medium-sized towns	Varkaus	100 %	1920	9	864
As Oy Varkauden Parsius	Medium-sized towns	Varkaus	80 %	1973	30	1,648

Investment properties on 31 March 2017						
Region	No of properties	Apartments and business facilities	Floor area, m2	Fair value, EUR 1000	% of investment portfolio	EUR / m2
Vantaa	8	148	9,960	17,241	8.3 %	1,731
Kirkkonummi	4	104	6,970	14,402	7.0 %	2,066
Helsinki	6	31	2,301	10,533	5.1 %	4,578
Kerava	2	43	4,180	9,878	4.8 %	2,363
Järvenpää	3	21	1,728	6,027	2.9 %	3,488
Helsinki Region, others	16	78	6,321	20,280	9.8 %	3,209
Helsinki Region	39	425	31,458	78,362	37.9 %	2,491
Lahti	9	123	7,339	17,452	8.4 %	2,378
Tampere	6	33	2,332	7,987	3.9 %	3,426
Oulu	8	37	2,522	7,904	3.8 %	3,135
Jyväskylä	7	42	4,002	7,599	3.7 %	1,899
Raisio	4	72	4,210	7,083	3.4 %	1,683
Large urban centres, others	8	82	5,180	15,437	7.5 %	2,980
Major cities	42	389	25,583	63,463	30.7 %	2,481
Hämeenlinna	3	64	3,160	9,564	4.6 %	3,027
Kotka	5	189	10,520	7,692	3.7 %	731
Rovaniemi	6	85	5,043	6,848	3.3 %	1,358
Porvoo	3	44	2,843	6,473	3.1 %	2,277
Savonlinna	3	68	3,702	5,489	2.7 %	1,483
Medium-size towns, others	28	408	25,052	29,136	14.1 %	1,163
Medium-size towns	48	858	50,319	65,202	31.5 %	1,296
Total	129	1,672	107,360	207,027	100.0 %	1,928

The sales portfolio contained 31 March 2017 101 apartments in 42 properties. The sales portfolio's floor area was in total 6,924 m2 and the fair value was EUR 12,149,000.



Hierarchy of fair values

The following table shows assets measured at fair value broken down by the valuation method in thousands of euros. The levels used are defined as follows:

Level 1 Prices of totally identical assets quoted on active markets

Level 2 Input information, other than the quoted prices included in Level 1, that is observable for the asset item concerned

Level 3 Input information regarding the asset item which is not based on any observable market information. Values of business premises and parking spaces measured by an external appraiser.

	Level 1	Level 2	Level 3
Assets			
Investment properties on 31 Mar 2017	-	-	207,027
Investment properties on 31 Dec 2016	-	-	210,901



5 CAPITAL STRUCTURE AND FINANCIAL EXPENSES

In the capital structure and financial expenses group, we have collected notes on financial assets and liabilities and shareholders' equity related to financial result and the statement of financial position, so that the overall picture of the financial position of the Group could be better perceived. The note on earnings per share is part of the information on equity. Interest income and expenses are recognised on a timeproportion basis using the effective interest method.

5.1 Finance income and expenses

Finance income and expenses	1 Jan - 31 Mar 2017	1 Jan - 31 Mar 2016
Interest expenses and fees for loans and interest rate hedges	-749	-571
Other finance expenses	-115	-60
Total finance expenses	-864	-631
Finance income	2	2
Total	-862	-629

5.2 Financial assets

Cash in hand and at banks includes cash, bank accounts and liquid investments whose investment period is no more than three months at the time they are made.

Cash and cash equivalents	31 Mar 2017	31 Dec 2016
Cash and cash equivalents held in accounts	3,382	4,141
Total	3,382	4,141

Purchases and sales of financial assets are initially recognised at fair value on the basis of the transaction date, and the transaction costs are expensed in the income statement. Loans and other receivables are later valued at amortised cost. Rental receivables EUR 249 thousand are presented in section 2, Segments and income.

Current financial assets	31 Mar 2017	31 Dec 2016
Other receivables	20	6
Prepaid expenses and accrued income	212	325
Total	232	331

At the end of each period under review it is estimated whether there are grounds for the impairment of the value of an item included in financial assets. Significant risks are not related to receivables.



5.3 Financial liabilities

Non-current liabilities

Non-current interest-bearing loans are recognised at fair value less transaction costs at the time of acquisition. Loan arrangement fees are expensed in the income statement over the loan period. A loan is classified as a non-current interest-bearing liability insofar as the amortisation of the loan takes place after more than a year from the closing date. The available overdraft facilities of bank accounts are included in non-current interest-bearing liabilities.

Investment properties are recognised on the statement of financial position at fair value as a gross value, in which case the share of company loans allocated to the shares related to the ownership of the shares is presented as a liability on the statement of financial position.

Non-current liabilities	31 Mar 2017	31 Dec 2016
Bond	19,560	19,382
The group's loans from financial institutions	90,150	92,148
Long-term security deposits received	794	794
Total non-current liabilities	110,504	112,324

April 2020, and it has a fixed coupon of 4.25%. The bond was listed on the regulated market of the Helsinki Stock Exchange on 2 April 2015.

The main covenants of the bond and the parent company's financial institution loans are tied to the ratio of debt to the value of the housing company shares, the equity/assets ratio and the loan servicing margin.

Costs of liabilities which arise from the acquisition, construction and manufacture of investment properties the completion of which requires a considerably long period are added to the acquisition cost of the acquisition in question. Capitalisation is continued until the asset items are ready to be rented or sold.

Other costs of liabilities are expensed during the period they are incurred.



Current interest-bearing liabilities

Loans are financial assets not included in derivative assets, the payments related to which are fixed or determinable and which are not quoted on active markets. They are included in current assets, except if they fall due after more than 12 months from the closing date.

Investment properties are recognised on the statement of financial position at fair value as a gross value, in which case the share of company loans allocated to the shares related to the ownership of the shares is presented as a liability on the statement of financial position.

Current liabilities	31 Mar 2017	31 Dec 2016
The Group's loans from financial institutions	2,714	2,936
Total of current liabilities	2,714	2 936
Liabilities allocated to investment properties available for sale	5,250	5,123

Convertible bond agreements

The company has allocated and will allocate shares to itself in charge-free share issues, which it may use to strengthen its capital structure, develop its business and widen its ownership base through both acquisition of investment properties and the issue of convertible bonds.

During the period 1 January - 31 March 2017, the company has not concluded convertible bond agreements nor exchanged convertible bonds for shares in the company. The company's shareholders' equity is EUR 95,710,523 (31 December 2016: EUR 97,005,523). At the end of the period, the company had no shares in its possession that it had allocated to itself.

The ownership of shareholders owning shares at the beginning of 2017 was not diluted as a result of shares converted through convertible bond agreements in 2017.

Other current liabilities

Other current loans include, among other things, advance payments received and accrued liabilities and deferred income. If trade payables fall due within over a year, they are recognised under noncurrent liabilities.

Other current liabilities	31 Mar 2017	31 Dec 2016
Advance payments received	187	168
Other liabilities	200	621
Accrued expenses and deferred income	1,993	2,821
Fair value of interest rate hedges	0	60
Total current liabilities	2,380	3,670

Other liabilities mainly consist of tax retained in advance (EUR 145,000). Accrued liabilities and deferred income mainly consist of accrued expenses and deferred income in housing companies (EUR 711,000) and interest accruals (EUR 919,000).

5.4 Contingent liabilities

	31 Mar 2017	31 Dec 2016
General pledge as collateral, real estate mortgages given to custody as collateral for the debt		
Total real estate mortgages	34,523	34,523
Loans for which shares have been pledged		
Loans and a bond	37,560	37,382
Fair value of the pledged shares	98,830	109,230

The future aggregate minimum rentals payable under non-cancellable operating leases (land leases of housing companies) are as follows.

Land leases	31 Mar 2017	31 Dec 2016
No later than 1 year	434	434
Later than 1 year and no later than 5	1,738	1,738
Later than 5 years	28,740	28,848
Total	30,912	31,020

5.5 Management of financing risks

The objective of Orava Residential REIT's risk management is to minimise the negative effects of changes in the financial markets on the company's cash flow, financial result and equity. The Board of Directors of Orava Residential REIT decides on the objectives of risk management, determines the risk management policy and is responsible for monitoring risk management activities. The operational policy observed in financial operations is to avoid risks.

Interest rate risk

Orava Residential REIT uses variable-rate loans from financial institutions to finance its acquisitions. The loans will be hedged with interest rate swaps. On 31 March 2017, the hedging degree of variable-rate loans was 0% (31 December 2016: 33.3%). The company loans allocated to the shares of the housing companies in total EUR 75,100,000 were uncovered.



Liquidity risk

The Group seeks to constantly assess and monitor the amount of financing required for business operations in order to ensure that the Group has sufficient liquid funds to finance its operations. The risk regarding the availability of financing has been mitigated through regular negotiations with several providers of financing. The company expects to be able to renew the loans maturing in the coming years. The parent company had drawn down bank loans of about EUR 18 million on 31 March 2017. The loan arrangement will fall due on spring 2020 and 2021.

Credit risk

Credit risk arises from the possibility that the counterparty to an agreement fails to meet its contractual obligations. On the balance sheet date, the major credit risks faced by the Group were due to rental receivables. The Group does not have any significant concentrations of receivable or credit risks. On 31 March 2017, rental receivables totalled EUR 249,000 (31 December 2016: EUR 223,000).

Capital management

The objective of capital management is to secure the Group's capability for continuous operations so that it can produce income for its owners and benefits for its other stakeholders. Another objective is to maintain an optimal capital structure, for example when interest rates change.

In order to maintain or change its capital structure, the Group may, within the constraints of the Limited Liability Companies Act and the Tax Exemption Act, change the amount of dividends payable to its shareholders, issue new shares or sell apartments it owns in order to reduce its debts. On 31 March 2017, the equity-to-assets ratio was 45,3% (31 December 2016: 44,9%).

The Group's bank loans not included in derivative liabilities and other interest-bearing liabilities were as follows at the end of the period under review, shown by contractual periods of maturity. The amounts disclosed are non-discounted cash flows of loan repayments based on loan agreements.

31 March 2017	less than 1 year	1-5 years	over 5 years
Parent company loans and bond	0	37,560	0
Company loans allocated to the shares in housing companies	2,714	12,841	59,309
Convertible bonds	0	0	0
Interest bearing loans, EUR 1,000	2,714	50,401	59,309



5.6 Classification of liabilities

Fair value hierarchy

The following table shows liabilities measured at fair value broken down by the valuation method in thousands of euros. The levels used are defined as follows:

Level 1 Prices of totally identical liabilities quoted on active markets

Level 2 Input information, other than the quoted prices included in Level 1, that is observable for the asset item concerned

Level 3 Input information regarding the liability which is not based on any observable market information.

	Level 1	Level 2	Level 3
Liabilities			
Interest rate hedging contracts on 31 Mar 2017	-	0	-
Interest rate hedging contracts on 31 Dec 2016	-	-60	-

5.7 Derivatives

In accordance with its risk management policy, Orava Residential REIT uses interest rate derivatives to reduce the interest rate risk of its variable-rate loans. Orava Residential REIT may only use derivatives for hedging the interest rate risk within the limits allowed by the Tax Exemption Act. Through interest rate swaps, variable-rate loans are changed into fixed-rate loans. The effectiveness of hedging is tested on a quarterly basis.

Changes in the fair value of interest rate swaps are recognised under comprehensive income items and shareholders' equity and as liability in the balance sheet. The fair values of interest rate swaps are measured on the basis of the zerocoupon euro swap curve published and calculated by Deutsche Bundesbank on the basis of market data for the

balance sheet day. The cash flows of each payment transaction of the interest rate swaps are discounted, and the market value of the swaps is calculated by linear interpolation using the interest rates determined from the above zero-coupon curve.

Fair value of interest rate hedges, EUR 1,000	31 Mar 2017	31 Dec 2016
At the end of the period, the fair value of interest rate swaps was	0	-60
Change in fair value during the period	60	-57

The counterparty of the interest rate swaps was Danske Bank Plc. The bank's charges for the derivative contracts are expensed during the period they are incurred.

5.8 Equity

Up to 30 June 2015, EUR 10.00 per share has been recognised in the share capital for directed issues and the conversions of convertible bond agreements, and the excess has been recognised in the reserve for invested unrestricted equity. Since the summer of 2015, increases in equity have been recognised in the reserve for invested unrestricted equity. The costs of the acquisition of equity and the changes in the fair value of interest rate hedges have been deducted directly from equity.

Share capital and share premium account	31 Mar 2017	31 Dec 2016
Share capital on 1 January	72,131	72,131
Share capital on 31 Xxx	72,131	72,131
Share premium account on 1 January	23,309	13,008
Change in share premium account	0	10,301
Share premium account on 31 Xxx	23,309	23,309
Total share capital and share premium account	95,440	95,440

The number of shares on 31 December 2016 was 9,657,567, of which the company possessed 58,657 shares. The number of shares on 31 March 2017 was 9,598,910, of which the company possessed 0 shares.

Earnings per share

Earnings per share are calculated by dividing the result for the period attributable to the owners of the parent company by the weighted average number of shares outstanding.

	1 Jan - 31 Mar 2017	1 Jan - 31 Mar 2016
(a) Undiluted		
Undiluted earnings per share are calculated by dividing earnings before comprehensive income items attributable to the company's shareholders by the weighted average number of shares outstanding during the period.		
Profit attributable to the company's shareholders, EUR 1000	-978	1,862
Weighted average number of outstanding shares, 1,000 shares	9,599	8,264
Undiluted earnings per share, EUR	-0,10	0,23
(b) Adjusted for dilution effect	-0,10	0,22
During the period there were an average about 0,000 potentially diluting shares outstanding.		

Dividend distribution obligation

Under the Tax Exemption Act, at least 90% of the profit for the period shall be distributed annually in dividends, excluding any unrealised change in the fair value of investment properties. On the other hand, the Tax Exemption Act restricts the distribution of funds for the distribution of profit only. The dividends that the Board of Directors proposes to be distributed are not recognised before the General Meeting approves them. Dividend distribution is recorded on the consolidated statement of financial position for the period during which the dividend is approved at the General Meeting. If the General Meeting authorises the Board of Directors to decide on the distribution of dividends, the distribution of dividends is recognised on the consolidated statement of financial position for the period during which the dividends are approved at a Board meeting.



6 ADDITIONAL INFORMATION

6.1 Related parties

According to IAS 24, a party is a related party of a corporation when he or she owns a share in the corporation that gives him or her significant influence or he or she is a member of the key management personnel of the corporation or its parent company. Key persons' family members, corporations under the person's control and corporations where the person has significant influence are also included in related parties.

Any business transactions implemented with related parties and fees paid to related parties are presented in the notes.

The fixed management fees to management company Orava Funds plc during the period 1 Jan - 31 Mar 2017 amounted to EUR 324,000 (1 Jan - 31 Mar 2016: EUR 298,500). A performance-based management fee of EUR 0 has been booked during 1 Jan - 31 Mar 2017 (2016: EUR 0).

6.2 New IFRS standards and interpretations

Orava Residential REIT used the same accounting principles as in the 2016 financial statements, except for the application of new or revised standards and interpretations.

The amendment to IAS 1 influenced the presentation of other comprehensive income items so that items are categorised into those that may be reclassified subsequently to profit or loss and those that are not so reclassified.

The amendment to IAS 12, Income Taxes, is related to the recognition of a deferred tax liability related to an investment property measured at fair value according to IAS 40, Investment Property. The amendment has no material impact on the consolidated financial statements, as the investment properties of Orava Residential REIT can mainly be disposed of in a tax-free manner after the five-year ownership period entitling to tax exemption.

IFRS standards, interpretations and amendments which have been published but which will enter into force later than on 31 March 2017 and which may have an impact on the company's interim reports

and consolidated financial statements, include the following:

IFRS 9 Financial instruments. The classification and measurement models in accordance with IAS 39 Financial Instruments: Recognition and Measurement will be replaced in IFRS 9 with a single model. The group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. IFRS 9 will enter into force on 1 January 2018.

IFRS 16 leases - will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The accounting by the group will change due to long land lease agreements made by the daughter companies. The group will later assess the possible impact that application of IFRS 16 will have on its financial statement. IFRS 16 will enter into force on 1 January 2019.

IAS34 – it will be specified what 'the information presented elsewhere in the interim report' referred to in the standard means.

6.3 Accounting principles requiring management discretion

The management of Orava Residential REIT exercises discretion when it makes decisions on the choice of accounting principles and their application. This concerns cases where the IFRS norms include alternative recognition, valuation or disclosure methods, in particular. Any estimates and assumptions are based on earlier experience and the best view on the closing date. Estimates are always associated with uncertainty factors, and the final outcome may differ from the estimates made. The discretion and estimates by the management of Orava Residential REIT are mainly related to the measurement of investment properties at fair value.

The fair value of the apartment portfolio of Orava Residential REIT is monthly determined with a comparable sales multi-variable regression method using asking price material obtained from the Oikotie.fi service. The bargaining range – i.e. the difference between asking prices and transaction prices – is estimated using the material of Statistics Finland as

a baseline. The measurement model is continuously developed. The uncertainty in the appraisal of the fair value of investment properties is reduced by obtaining an appraisal by an external valuer every six months and by selling apartments.

In the company management's view, every acquisition of an investment property must be processed, and it must be separately assessed whether the terms and conditions for the definition of business operations are met or whether the company only presents the part it manages as an investment property in its consolidated financial statements.

As a rule, Orava Residential REIT consolidates its wholly-owned housing companies in compliance with IFRS 10. Partially owned housing companies are consolidated using the proportionate method in compliance with IAS 11, in which case only the amount of each income statement and balance sheet item of the subsidiaries corresponding to the holding of the Group is consolidated.

In accordance with the risk management policy approved by the Board of Directors, the parent company's variable-rate loans will be converted into fixed-interest loans using interest rate swaps. The

counterparty of the interest rate swaps has been Danske Bank Plc. The critical terms (i.e. amounts and dates) of the hedging instruments and the underlying objects are identical. The derivative contracts have been concluded for the purpose of hedging the loan portfolio, and they are measured at fair value in the financial statements. The fair value represents the result that would have been created had the derivative positions been closed on the balance sheet date. The company management measures fair values on the basis of the zero-coupon euro swap curve published and calculated by Deutsche Bundesbank on the basis of market data for the balance sheet day. The cash flows of each payment transaction of the interest rate swaps are discounted, and the market value of the swaps is calculated by linear interpolation using the interest rates determined from the above zero-coupon curve.

FINANCIAL INDICATORS FOR THE GROUP

	1 Jan - 31 Mar 2017	1 Jan - 31 Mar 2016
Revenue, EUR 1,000	2,405	4,836
Operating profit, EUR 1,000	-78	2,498
Financial result for the period, EUR 1,000	-978	1,862
Comprehensive profit for the period, EUR 1,000	-918	1,809
Earnings per share, EUR	-0,10	0,23
Maximum dividends per share for the year, EUR	0,12	1,08
Dividends paid during the period under review per share, EUR *	0,03	0,27
Return on equity, % p.a. (ROE)	-4.1 %	8.7 %
Total return per share, % p.a.	-4.3 %	3.1 %
Weighted average number of shares	9,598,910	9,164,855

	31 Mar 2017	31 Dec 2016
Balance sheet total, EUR 1,000	211,591	216,101
Equity/assets ratio, %	45.3 %	44.9 %
Loan to value ratio, %	53.1 %	53.0 %
Net asset value per share, EUR	9,97	10,11
Net gearing, %	113.9 %	113.7 %
Number of shares	9,598,910	9,657,567
Adjusted number of shares	9,598,910	9,598,910
Market capitalisation, EUR 1,000	43,291	48,867



FINANCIAL INDICATORS FOR THE GROUP (CONTINUES)

	1 Jan - 31 Mar 2017	1 Jan - 31 Mar 2016
Economic occupancy rate, %, (EUR)	93.8 %	91.3 %
Operational occupancy rate, %, (m2)	94.7 %	91.8 %
Tenant turnover / month	3.0 %	2.8 %
Gross rental yield, % of fair value	6.9 %	6.8 %
Net rental yield, % of fair value	3.6 %	3.8 %
EPRA Earnings, 1,000 €	20	3
EPRA Earnings per share, €	0,00	0,00
	31 Mar 2017	31 Dec 2016
EPRA NAV, 1,000 €	95,711	97,067
EPRA NAV per share, €	9,97	10,11
EPRA Net Initial Yield (NIY), %	4.0 %	4.0 %
EPRA Vacancy Rate	6.2 %	8.7 %

Orava Residential REIT has adopted the ESMA (European Securities and Markets Authority) guidelines on Alternative Performance Measures which were effective from July 3, 2016. Orava uses alternative performance measures because of real estate regulations and recommendations, on the other hand to reflect the underlying business performance and to improve comparability between financial periods.

One of these Alternative Performance Measures is:

- Operating profit, which is operating profit before taxes, finance expenses and finance income.

The Real Estate Funds Act sets minimum requirements to Real Estate Funds to publish industry specific financial indicators. In addition, Orava Residential REIT complies with the recommendations of the European Public Real Estate Association (EPRA). EPRA Performance Measures are calculated according to EPRA Best Practices Recommendations from December 2014.

These alternative performance measures should, however, not be considered as a substitute for measures of performance in accordance with the IFRS.



FORMULAS FOR FINANCIAL INDICATORS (1/3)

$$\text{Earnings per share, EUR} = \frac{\text{Financial result for the period attributable to the shareholders of the parent company}}{\text{Weighted average number of shares during the reported period}}$$

$$\begin{array}{l} \text{Return on equity, \%} \\ \text{(ROE)} \end{array} = \frac{\text{Profit/loss for the period} \times 100}{\text{Equity (average during the reported period)}}$$

$$\begin{array}{l} \text{Total return per share, \%} \\ \text{per year} \end{array} = \left\{ \frac{\text{Net assets per share at the end of the year} + \text{dividends paid per share}}{\text{Net assets per share at the beginning of the year}} - 1 \right\} \times 100$$

$$\text{Equity/assets ratio, \%} = \frac{\text{Equity} \times 100}{\text{Balance sheet total less advance payments received}}$$

$$\begin{array}{l} \text{Loan to value ratio, \%} \\ \text{Loan to Value} \end{array} = \frac{\text{The Group's share of outstanding capital of interest-bearing loans}}{\text{Debt-free value of housing company shares and other assets}}$$

$$\begin{array}{l} \text{Net asset value per share, EUR} \\ \text{NAV} \end{array} = \frac{\text{Equity attributable to the shareholders of the parent company}}{\text{Number of shares at the end of the reported period}}$$

$$\begin{array}{l} \text{Adjusted net asset value per} \\ \text{share, EUR} \\ \text{Adjusted NAV} \end{array} = \frac{\text{Equity attributable to the shareholders of the parent company} \\ \text{including equity in relation to diluting shares}}{\text{Number of shares at the end of the reported period including} \\ \text{diluting shares}}$$



FORMULAS FOR FINANCIAL INDICATORS (2/3)

$$\text{Net gearing, \%} = \frac{\text{Interest-bearing liabilities} - \text{liquid assets} \times 100}{\text{Equity}}$$

$$\text{Economic occupancy rate, \% (EUR)} = \frac{\text{Gross rental income for the reported period per the number of months}}{\text{Potential gross rental income of rent portfolio for the reported period per the number of months}}$$

$$\text{Operational occupancy rate, \% (m}^2\text{)} = \frac{\text{Square metres let on the last day of the month during the reported period per the number of months}}{\text{Square metres available for letting on the last day of the month during the reported period per the number of months}}$$

$$\text{Tenant turnover} = \frac{\text{Expired agreements per month}}{\text{Number of apartments available for letting on the last day of the month}}$$

$$\text{Gross rental yield, \%} = \frac{\text{Gross rental income} \times 100}{\text{Market value of the rent portfolio at the end of the previous reported period}}$$

Calculated on a monthly basis; the figure for the reported period is the average of the monthly figures

$$\text{Net rental yield, \%} = \frac{\text{Gross rental income less expenses} = \text{net income} \times 100}{\text{Market value of the rent portfolio at the end of the previous reported period}}$$

Calculated on a monthly basis; the figure for the reported period is the average of the monthly figures



FORMULAS FOR FINANCIAL INDICATORS (3/3)

$$\begin{array}{lcl} \text{EPRA Earnings} & & \text{Net rental income} \\ \text{(Operational result)} & = & \text{+/- gains from disposals and changes in the fair value of apartments} \\ & & \text{+ direct taxes} \end{array}$$

$$\begin{array}{lcl} \text{EPRA Earnings per share} & & \text{EPRA Earnings} \\ \text{(Operational result per share)} & = & \text{Weighted average number of shares during the reported period} \end{array}$$

$$\begin{array}{lcl} \text{EPRA Net Asset Value} & & \text{Equity attributable to the shareholders of the parent company} \\ \text{(Net assets)} & = & \text{– any other equity reserve} \end{array}$$

$$\begin{array}{lcl} \text{EPRA Net Asset Value per share} & & \text{EPRA Net Asset Value} \\ \text{(Net assets per share)} & = & \text{Undiluted number of shares at the end of the reported period} \end{array}$$

$$\begin{array}{lcl} \text{EPRA Net Initial Yield (NIY), \%} & & \text{Annualised rental income including indexation adjustments on 1 Jan} \\ \text{(Initial yield)} & = & \text{year } x + 1 \\ & & \text{Investment properties less properties under development on 31 Dec} \\ & & \text{year } x \end{array}$$

$$\begin{array}{lcl} \text{EPRA Vacancy Rate} & & \text{Potential rent from vacant apartments} \\ & = & \text{Potential rent from apartments available for letting} \end{array}$$



ORAVA

Orava Residential REIT plc

Fabianinkatu 14 B

00100 Helsinki

info@oravarahastot.fi

oravaasuntorahasto.fi

