

## FINANCIAL STATEMENTS BULLETIN OF ORAVA RESIDENTIAL REAL ESTATE INVESTMENT TRUST PLC 1 JANUARY – 31 DECEMBER 2014

### 1 October – 31 December 2014

- Revenue EUR 2.8 million (1 October – 31 December 2013: EUR 4.9 million)
- Comprehensive profit EUR 1.7 million (EUR 4.0 million)
- Earnings per share EUR 0.35 (EUR 0.94)
- Economic occupancy rate 88.4%
- Gross rental yield 6.6%
- Net rental yield 3.6%
- Profit from sales and changes in value EUR 0.8 million (EUR 4.0 million)
- Total dividends distributed during the fourth quarter EUR 0.28 per share (EUR 0.27 per share)

### 1 January – 31 December 2014

- Revenue EUR 15.6 million (1 January – 31 December 2013: EUR 9.7 million)
- Comprehensive profit EUR 8.4 million (EUR 6.9 million)
- Earnings per share EUR 1.87 (EUR 3.19)
- Economic occupancy rate 89.4% (93.8%)
- Gross rental yield 6.7% (8.0%)
- Net rental yield 4.0% (4.5%)
- Profit from sales and changes in value EUR 9.1 million (EUR 6.5 million)
- Total dividends distributed during the period under review EUR 1.12 per share (EUR 1.08 per share)

The adjusted net asset value per share of Orava Residential Real Estate Investment Trust plc ("Orava Residential REIT") increased to EUR 12.07 (+5%) from EUR 11.54 at the beginning of the year. The unadjusted net asset value per share is EUR 13.57 (+18%). The company has continued growing, and the value of its investment properties totalled EUR 130.6 million (31 December 2013: EUR 79.2 million) at the end of the period. The Board of Directors proposal to Annual General Meeting for dividends to be paid in 2015 is EUR 0.30 per share in each quarter, or a total of EUR 1.20 per share.

### CEO's comments:

"Orava Residential REIT achieved its targeted financial result in 2014. In the fourth quarter, the company decided on acquisitions that increased the fair value of its investment properties to more than EUR 130 million.

The general price development of apartments declined in 2014, but the prevailing market conditions offered a wholesale purchaser an opportunity to make profitable acquisitions. During the year, we acquired a total of 552 apartments from 20 different properties. The debt-free purchase prices totalled EUR 46.2 million. In the fourth quarter, we made agreements to acquire 164 apartments from a total of three different properties at a debt-free purchase price of EUR 10.2 million. The impact of successful apartment acquisitions on the accrual of financial result for the whole year was significant.

The sales of individual apartments proceeded fairly slowly in 2014, even though the market picked up slightly towards the end of the year. In addition to apartment sales, the sales from the investment portfolio were supplemented by sales of plots during the year; accordingly, the sales from the portfolio during the period totalled EUR 5.7 million.

In the fourth quarter, the economic occupancy rate fell to 88.4% from 89.7% in the previous quarter. The fall was primarily due to the impact of new apartments acquired without tenants in the autumn.

The maintenance and repair costs of investment properties remained at the same level in 2014 as the year before in relation to the average value of the investment properties.

In connection with the company's strategy work, the regional and age distribution targets were updated, and growth criteria were set for the target towns in addition to size criteria.

The number of Orava Residential REIT shareholders continued to grow and doubled year-on-year. At the end of January 2015, the residential REIT had over 5,800 shareholders. Trading in the company's shares on the Helsinki Stock Exchange has also continued to be lively; the average daily turnover in 2014 was approximately EUR 254,000. During the period, the company issued a total of 891,729 new shares.

The company estimates that it has reasonably good preconditions for maintaining good profitability in 2015 and achieving the targeted total return of 10 per cent on shareholders' equity."

## Operating environment

### National economy

Finland's GDP growth is estimated to have settled in the range  $-0.4\%$  –  $0.0\%$  in 2014, and it is forecasted to remain in the range  $+0.1\%$  –  $+1.0\%$  in the current year. The change in private consumption that has a key impact on the housing market is estimated to have been approximately  $-0.4\%$  –  $+0.2\%$  in the ended year and to be  $-0.2\%$  –  $+0.9\%$  in 2015. The market interest rates in the euro area have continued to fall, and short-term rates are also expected to remain at less than one per cent for the next four to five years. The estimate is based on the most recent economic forecasts by 15 parties drawing up forecasts on the Finnish economy and the market interest rate expectations calculated on the basis of the euro interest rate curve published by the European Central Bank.

The housing market is estimated to start strengthening slowly as a result of the picking up of overall economic activities in 2015.

### Demand in the housing market

During October–December 2014, households drew down EUR 3.9 billion in new mortgages, or 6% more than a year previously according to statistics from the Bank of Finland. The euro-denominated mortgage base totalled EUR 89.8 billion at the end of December, and the annual growth in the mortgage base was 1.7%.

The average marketing period for old apartments in the country overall according to the Finnish Etuovi.com portal increased from 112 days in September to 135 days in December, while it was 109 days in December in the previous year.

The demand for apartments has continued to be weak during the end of the autumn and beginning of the winter.

### Supply in the housing market

According to Statistics Finland, building permits for apartment blocks were granted for 816 apartments in October, which was 15% less than a year previously. Correspondingly, in January–October, a total of 14,840 building permits were granted for apartment block apartments, or 22 % more than a year

previously. The annual change in the sliding annual sum of building permits granted for apartment blocks was +25 %.

The three-month change in the housing construction volume index that describes the value of on-going new construction was +12% in August, and the change year-on-year was –17%.

The supply in the housing market has continued at a low level, even though some signs of a potential turn are visible.

#### Prices, rents and return in the housing market

In the fourth quarter of 2014, the rents of non-subsidised apartments increased by 3.0% year-on-year. The change in the prices of apartments during the fourth quarter was –1.0% year-on-year. The ratio of housing prices to rents is slightly below the long-term average; the ratio calculated from the square metre prices and rents of the fourth quarter was 15.5. The 40-year average for the ratio of square metre prices to annual rents in Finland is 16.7.

During the next 12 months we expect housing prices throughout the country to remain approximately the same or at the end of period start rising slightly and the growth rate in rents for non-subsidised apartments to remain approximately the same if the market interest rate expectations and economic forecasts prove to be accurate with regard to their essential components affecting the housing market.

#### **Rental operations**

Over the period under review, occupancy rates in rental operations were at a lower level year-on-year. This was primarily due to the acquisitions made during the period, where the share of new apartments without tenants was higher than in the comparison period. In addition, the prolonged poor economic situation has made letting slightly more difficult.

The economic occupancy rate for the fourth quarter was 88.4%, while it was 89.4% for the entire period under review.

At the end of the period, the company had a total of 1,294 residential apartments (2013: 772) and a total of 1,318 apartments. There were 1,017 leases at the end of the period, and 62 apartments were for sale (2013: 29).

	1 Jan – 31 Dec 2014	1 Jan – 31 Dec 2013
Gross rental yield, %	6.7	8.0
Net rental yield, %	4.0	4.5
Economic occupancy rate, %	89.4	93.8
Operational occupancy rate, %	88.7	92.5
Tenant turnover/month, %	2.1	2.3

Of the entire lease base for residential apartments, 25 were agreements valid for a fixed term. A total of 237 agreements were terminated during the period (2013: 119).

#### **Acquisitions**

## Acquisitions implemented or agreed during the period under review

Time	Property	Debt-free purchase price (MEUR)	Company loan (MEUR)	Directed issues (shares)	Apartments (number)
January-September	7 properties and apartments from 10 properties	36.2	16.0	425,929	388
28 Nov 2014	A property from Kirkkonummi	6.2	3.5	235,922	84
31 Dec 2014	2 properties from Rovaniemi	4.0	-	368,000	80
<b>TOTAL</b>		<b>46.4</b>	<b>19.5</b>	<b>1,029,851</b>	<b>552</b>

In the fourth quarter, the company acquired a property from Osusasunnot Oy in Kirkkonummi at a debt-free price of EUR 6.2 million through a binding agreement concluded on 28 November 2014. The property includes 84 apartments. The transaction was implemented according to the agreement on 5 January 2015. The transaction was financed through a directed issue allocated to Osusasunnot Oy, where Osusasunnot Oy subscribed for 235,922 new shares issued by the company. The subscription price of the new shares was EUR 11.33 per share, which was the weighted average price during the five days of stock exchange trading preceding the day the agreement was concluded.

In addition, the company acquired two properties from Royal House Oy in Rovaniemi at a debt-free purchase price of a total of EUR 4.0 million through a binding agreement concluded on 31 December 2014. The properties include a total of 80 apartments. The transaction was implemented according to the agreement on 9 February 2015. The transaction was financed through a directed issue allocated to Royal House Oy, where Royal House Oy subscribed for 368,000 new shares issued by the company. The subscription price of the shares was EUR 10.60 per share, which was the weighted average price during the five days of stock exchange trading preceding the day the agreement was concluded.

### Apartment sales

During the period under review, the company sold a total of 29 apartments from twelve different housing companies. The debt-free selling prices of the apartments totalled EUR 2.9 million. The sales of apartments picked up slightly during the autumn, and the apartment sales during the fourth quarter totalled EUR 0.9 million. In addition, the company sold two plots during the period, the aggregate selling price of which was EUR 2.75 million. The housing companies located on the plots concluded leases with the new owner. The sales from the investment portfolio totalled EUR 5.7 million. The brokerage fees for the sales amounted to EUR 115,000.

In accordance with the company's investment strategy, the aim is to annually sell apartments for 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. In 2014, the sales of investment properties corresponded to slightly more than 7% of the value of investment properties on the opening statement of financial position.

### Investment properties on 31 December 2014

The fair value of investment properties at the end of the period totalled EUR 130,6 million (31 December 2013: EUR 79.2 million). Orava Residential REIT had a total of 1,318 apartments on 31 December 2014 (31 December 2013: 791), the aggregate leasable surface area of which was approximately 82,200 m<sup>2</sup> (31 December 2013: 50,100 m<sup>2</sup>). The apartments were located at 63 different housing companies, where the company's holding was 100% in 16 of the cases. More detailed information on the investment properties is presented in the tables section.

**Age and regional distributions of the investment portfolio (EUR at fair values)**

	31 Dec 2014	31 Dec 2013
Newer (1990 ->)	58%	56%
Older (- 1989)	42%	44%
Helsinki Region	43%	38%
Major towns	23%	19%
Medium-sized towns	34%	43%

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, but 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 2013 financial statements.

**Consolidated profit for the period**

Consolidated revenue for the period totalled EUR 15.6 million (2013: EUR 9.7 million). The revenue was divided into income from ordinary operations of EUR 6.5 million (2013: EUR 3.2 million) and capital gains of EUR 9.1 million (2013: EUR 6.5 million). Income from ordinary operations includes rental income, compensation for use and other income. Capital gains are made up of profit from sales of investment properties less sales commissions for sold apartments, as well as the change in the fair value of apartments.

Operating expenses totalled EUR 5.4 million (2013: EUR 2.2 million), of which maintenance costs and annual repairs accounted for EUR 2.8 million (2013: EUR 1.5 million) and the performance-based management fee EUR 0.8 million (2013: EUR 0.0 million). The growth in costs is mainly due to the expansion of the operations.

Operating profit amounted to EUR 10.2 million (2013: EUR 7.4 million)

Financial income and expenses stood at EUR -1.4 million (2013: -639,000) and taxes for the period at EUR 94,000 (2013: EUR 48,000).

Profit for the period amounted to EUR 8.7 million (2013: EUR 6.8 million). Comprehensive income items totalled -270,000 (2013: EUR 183,000), and comprehensive profit for the period was EUR 8.4 million (2013: EUR 6.9 million).

**Financing**

Financial expenses (net) totalled EUR 1.4 million for the period 1 January -31 December 2014 (2013: EUR 639,000), and amortisation of the parent company's loans from financial institutions totalled EUR 2.1 million (2013: EUR 6.1 million). The parent company's financial institution loans are hedged in their entirety in terms of interest rates through interest rate swaps concluded with Danske Bank.

The long-term interest-bearing loans of Orava Residential REIT and the company loans allocated to the shares in housing companies totalled EUR 59.4 million on 31 December 2014 (31 December 2013: EUR 37.3 million).

In addition to these, the long-term loans on the statement of financial position also include EUR 478,000 in rental deposits paid by tenants (31 December 2013: EUR 251,000).

### Share and shareholders of Orava Residential REIT

A total of 1,366,558 previously unlisted shares of Orava Residential Real Estate Investment Trust plc were combined with old shares in the book-entry system and admitted to trading on 3 February 2014. After this, the total number of the company's shares subject to public trading taking the combination into account was 4,288,707; the trading code is OREIT and the ISIN code is FI4000068614.

After the shares listed and admitted to trading, 25,687 subscribed shares in the March 2013 share issue, the dividend rights of which differ from the aforementioned shares, still remained unlisted. The company applied for them to be admitted to public trading on the stock exchange list of the Helsinki Stock Exchange after their dividend rights became equal to those of the listed shares in December 2014.

At the end of June, the company implemented directed issues of 418,923 shares, prepared a prospectus and applied for the shares to be admitted to trading on the main list of the Helsinki Stock Exchange (trading code OREITN0114). Trading in the new shares started on 30 June 2014. In directed issues, the subscription price was EUR 12.82 per share, except for the 100,000 shares allocated to the company itself in a charge-free directed issue. Shares with the trading code OREITN0114 did not entitle their holders to dividends paid from the result for 2013 in 2014.

In the third quarter, the company implemented directed issues of 274,806 shares and applied for the shares to be admitted to trading on the main list of the Helsinki Stock Exchange (trading code OREITN0114) on 8 October 2014. In a directed issue, A. Ahlström Real Estate Ltd subscribed for 114,806 shares at a subscription price of EUR 12.63 per share. In addition, the company allocated 160,000 shares to itself in charge-free share issues.

In the fourth quarter, the company made decisions on directed issues for a total of 1,056,122 shares. Osuusasunnot Oy was allocated 236,922 shares at a subscription price of EUR 11.33 per share, Royal House Oy was allocated 368,000 shares at a subscription price of EUR 10.60 per share, and the company itself was allocated 500,000 shares in a charge-free issue. The subscription price of the shares was the weighted average price of the share in trading on the Helsinki Stock Exchange during the five trading days preceding the date of concluding the subscription commitment. A prospectus was prepared for the shares, which was published on 23 January 2015.

After the record date 12 December 2014 of the dividends paid on December 30, all the company's shares were combined (ISIN code FI4000068614), and all shares had equal dividend rights. Trading on the Helsinki Stock Exchange with the trading code OREITN0114 ended on 12 December 2014. The number of the company's shares in the Trade Register at the end of 2014 was 5,206,123.

During the period, the company concluded convertible bond agreements to a total amount of EUR 5.0 million, of which EUR 4.99 million was converted by 31 December 2014. Under the terms and conditions of the convertible bonds concluded by the company, the company has assigned a total of 418,614 of its shares in conversions of its convertible bonds during the period under review. At the end of the period, the company possessed 39,386 treasury shares.

During the period, the average daily turnover of the company's shares was EUR 254,000, and the weighted average price of the share during the last five days of stock exchange trading was EUR 10.60.

The company had more than 5,800 shareholders at the end of January 2015.

**LIST OF OWNERS ON 30 January 2015, THE 10 LARGEST**

Shareholder	Number of shares	%
Länsi-Suomen Vuokratalot Oy*	260,423	4.72
Osuusasunnot Oy	235,922	4.28
Godoinvest Oy**	229,360	4.16
Sysmäläntien Kiinteistöt Oy***	218,985	3.97
Avaintalot Oy*	160,456	2.91
Pakarinen Janne	100,414	1.82
Yli-Torkko Erkki	100,000	1.81
Livränteanstalten Hereditas	81,000	1.47
Maakunnan Asunnot Oy*	69,422	1.26
Alte Invest Oy	45,698	0.83
The 10 largest in total	1,501,680	27.23

\* Corporations under the control of Board members Tapani Rautiainen and Timo Valjakka. \*\* Corporations under the control of Board member Timo Valjakka. \*\*\* Corporation under the control of Board member Tapani Rautiainen.

**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 per cent of the fair value of the assets of the REIT as an annual fixed management fee and 20 per cent of the annual return on the REIT exceeding the hurdle rate of six per cent as a performance-based management fee. The performance-based management fee will only be 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 1 January – 31 December 2014 amounted to EUR 614,000 (2013: EUR 262,000).

The performance-based management fee for 2014 was EUR 0.8 million (2013: EUR 0). On 1 January 2015, the Board of Directors and the management company of Orava Residential REIT decided to change the management agreement so that, in the calculation of the performance-based fee, the net asset value per share will be used instead of the stock exchange price as the closing price, if it is lower than the stock exchange price

During the period, real estate managers have been paid a total of EUR 480,000 for financial administration and other support activities, as well as 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 has six members: Peter Ahlström, Mikko Larvala, Tapani Rautiainen, Veli-Matti Salmenkylä, Jouni Torasvirta and Timo Valjakka. The Chairman of the Board is Jouni Torasvirta, and the Vice Chairman is Tapani Rautiainen. During the period under review the Board of Directors had twenty-three meetings of which thirteen were telephone conferences. The Board members' rate of attendance at Board meetings was 97%.

Orava Residential REIT's auditor is PricewaterhouseCoopers Oy, with Eero Suomela, APA, as the chief auditor. The auditor is paid a fee in accordance with the invoice.

### **Authorisations of the Board of Directors**

The Board of Directors has an authorisation for a share issue of 5,000,000 shares given by the Annual General Meeting on 18 March 2014. During the period, the Board used the share issue authorisation for directed issues of 1,995,651 shares. The unused portion of the share issue authorisation granted by the AGM was 3,004,349 shares on 31 December 2014.

### **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 valid rules for real estate investment operations, approved by the Finnish Financial Supervisory Authority, are presented as an appendix, and they are also available on the company's website at [www.oravaasuntorahasto.fi](http://www.oravaasuntorahasto.fi).

### **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 the acquisition of investment properties, changes in the value of apartments and repair costs.

It may be difficult for the company to profitably obtain properties meeting the objectives of the investment strategy. It may also be difficult for the company to secure debt financing for investments under competitive terms and conditions.

Major unexpected repairs and repair costs would result in a decline of the occupancy rate of apartments, loss of rental income and profitability.

### **Major events 1 January – 31 December 2014**

A total of 1,366,558 shares in Orava Residential REIT, the dividend rights of which became equal to those of the listed shares in connection with the dividend payment of December, were combined with the old shares in the book-entry system and admitted to trading on 3 February 2014. The total number of the company's shares subject to public trading after the combination was 4,288,707; the trading code is OREIT and the ISIN code is FI4000068614.

After the shares listed in February and admitted to trading, 25,687 shares subscribed in the March 2013 share issue, the dividend rights of which differ from the aforementioned shares, still remained unlisted. The company applied for them to be admitted to public trading on the stock exchange list of the Helsinki Stock Exchange after their dividend rights became equal to those of the listed shares in December 2014.

On 6 February 2014, Orava Residential REIT's Board of Directors elected Pekka Peiponen, M.Sc. (Econ.), as the CEO.

As decided by the General Meeting, a new condition was added to the rules for real estate investment operations concerning the payment of the performance-based management fee (a "high watermark" condition). According to the new condition, the performance-based management fee will only be 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 company acquired a total of 118 apartments through transactions made and an agreement concluded on 31 March 2014. Their aggregate debt-free purchase price was EUR 12.7 million. A residential property of 74 apartments at Maauunintie 14 in Vantaa was purchased from VATROhousing Oy included in the SATO Group. Twenty apartments at Asunto Oy Tampereen Ruuti completed in June 2014 were acquired from Lujatalo Oy. In addition, on 30 April 2014, a binding agreement was concluded with Varma Mutual Pension Insurance Company on the purchase of the share capital of Asunto Oy Helsingin Koirasaarentie 1 (24 apartments).

The company concluded a service agreement with Ovenia Oy at the end of June. The service agreement covers housing management, property manager and apartment rental services. Some of the properties acquired at the end of the period and the apartments located in them were given for management by Ovenia Oy according to the agreement.

The company acquired a total of 131 apartments from A. Ahlström Real Estate Ltd and its subsidiaries through transactions implemented on 25 June 2014. Their aggregate debt-free purchase price was EUR 4.1 million. The transaction included the assignment of a contribution in kind of EUR 1.34 million, which was paid with 104,415 new shares issued by the company and the subscription of 206,708 new shares in a directed issue allocated to the seller. The subscription price of the new shares, EUR 12.82 per share, was the average price of the company's share on the Helsinki Stock Exchange during the five trading days preceding 25 June 2014, the date of implementation of the transaction, weighted by share turnover, adjusted for the dividends decided by the Annual General Meeting but not paid (EUR 0.56 per share). On 26 June 2014, the company concluded a binding agreement on the acquisition of a total of 26 apartments from Pohjola Rakennus Oy Sisä-Suomi at a debt-free purchase price of EUR 4.4 million.

The company concluded a convertible bond agreement of EUR 1 million with Erikoissijoitusrahasto UBView on 26 June 2014. The convertible bond is primarily intended for financing acquisitions of investment properties, and secondarily for the company's general working capital purposes. Under the agreement, both parties have the right to convert the capital of the convertible bond into new shares in the company. The subscription price of the share is the average stock exchange price weighted by the share turnover on the date of presentation of the subscription notice for the new share in trading on NASDAQ OMX Helsinki.

At the end of June, the company implemented directed issues of 418,923 shares, prepared a prospectus and applied for the shares to be admitted to trading on the main list of the Helsinki Stock Exchange (trading code OREITN0114). Trading in the new shares started on 30 June 2014. In the directed issues,

A. Ahlström Real Estate Ltd subscribed for 311,123 shares and Nordea Bank Finland Plc for 7,800 shares at the subscription price of EUR 12.82 per share. In addition, the company allocated a charge-free share issue of 100,000 shares to itself.

The acquisition of 26 apartments from Pohjola Rakennus Oy agreed in June 2014 was implemented according to plan on 27 August 2014. The apartments purchased are located in three new properties: As Oy Tampereen Vuoreksen Emilia (14 apartments), As Oy Jyväskylän Ahjotar (8 apartments) and As Oy Jyväskylän Kyläseppä (4 apartments). The apartments were without tenants at the time of the acquisition.

An agreement on the market guarantee for new shares (trading code: OREITN0114) was concluded with Nordea Bank Finland Plc, and the market guarantee according to the agreement began on 7 July 2014. Under the agreement, Nordea Bank Finland Plc will provide a purchase and sale offer for a new share in Orava Residential REIT so that the largest allowed difference between the purchase and sale offer is 4% of the purchase offer. The offers shall include at least a number of shares the value of which corresponds to EUR 4,000.

On 6 August 2014, Orava Residential REIT signed a second convertible bond of EUR 1 million in accordance with the terms and conditions of the previous bond (26 June 2014) with Erikoissijoitusrahasto UBView. The 80,000 new shares allocated by Orava Residential REIT to itself in a charge-free issue on 7 August 2014 were recorded in the Trade Register on 15 August 2014. After the issue, the number of the company's shares totalled 4,813,317 shares.

On 29 September 2014, Orava Residential REIT signed a convertible bond of EUR 1 million in accordance with the terms and conditions of the previous bond (26 June 2014) with Erikoissijoitusrahasto UBView.

The company acquired 58 apartments from Skanska at a debt-free price of EUR 13.5 million through a binding agreement concluded on 30 September 2014. The apartments acquired are new and located in Espoo, Kirkkonummi, Järvenpää, Tampere, Lempäälä and Raisio. The apartments were acquired without tenants.

Through a transaction concluded on 30 September 2014, the company acquired 54 apartments from A. Ahlström Real Estate Ltd in Kotka at an aggregate debt-free purchase price of EUR 1.45 million. The transaction was financed through a directed issue allocated to A. Ahlström Real Estate Ltd, where A. Ahlström Real Estate Ltd subscribed for 114,806 new shares issued by the company. The subscription price of the new shares was EUR 12.63 per share, which was the weighted average price during the five days of stock exchange trading preceding the beginning of the subscription period. In addition, the company allocated a charge-free share issue of 80,000 shares to itself. The new shares did not entitle their holders to dividends paid during 2014.

The 114,806 shares allocated by Orava Residential REIT to A. Ahlström Real Estate Ltd on 30 September 2014 in connection with a property acquisition and the 80,000 new shares allocated to the company itself in a charge-free issue were recorded in the Trade Register on 8 October 2014. After the issues, the number of the company's shares totalled 5,008,123. NASDAQ OMX Helsinki Oy ("the Helsinki Stock Exchange") approved Orava Residential REIT's listing application concerning the issued shares. The shares became subject to trading on 10 October 2014. The trading code of the shares on the stock exchange list of the Helsinki Stock Exchange was OREITN0114.

The shares assigned by the company in accordance with the convertible bond agreements concluded by the company in June and August were recorded under the company's equity items on 8 October 2014. The increase in the share capital was EUR 1.6 million, in addition to which the company's reserve for invested unrestricted equity was increased by EUR 0.4 million. After the increases, the company's share capital was EUR 49,057,130.00. After the registration of the number of shares, the imputed net asset value per share was EUR 12.27 calculated using figures at the end of September.

The transaction including 59 apartments agreed with Skanska Rakennus Oy in September 2014 was paid according to plan on 29 October 2014. The apartments purchased are located in six new properties: As Oy Espoon Albert (4 apartments), As Oy Kirkkonummen Tammi (14), As Oy Järvenpään Saundi (8), As Oy Härmälänrannan Nalle (3), As Oy Lempäälän Tikanhovi (17) and As Oy Raision Valonsäde (13). The apartments were without tenants at the time of the acquisition.

On 28 November 2014, the company concluded a binding agreement on the acquisition of Asunto Oy Kirkkonummen Kummikallio. The property includes 84 apartments. The purchase price of EUR 2.7 million will be paid in its entirety with new shares in the company's directed issue allocated to Osuusasunnot Oy. The subscription price of the shares, EUR 11.33 per share, was the weighted average price of the share during the five days of trading on the Helsinki Stock Exchange preceding the date of concluding the agreement.

The company updated its strategy for 2015 on 17 December 2014. The strategic financial objectives remained unchanged: the targeted total return on the share shall be at least 10% p.a., the targeted dividend return shall be 7–10% p.a. on net assets per share, and the crediting rate shall be approximately 50%. In addition to the financial targets, the main strategic targets are: increasing shareholders' equity to EUR 90 million in 2015 and to EUR 200–300 million in the medium term, diversifying the acquisition of debt financing, raising the economic occupancy rate to more than 95%, dropping property management costs to 5% and repair costs to 10% below the statistical benchmark, and increasing the amount of apartment sales to approximately 10% of the value of investment properties on the opening statement of financial position. In addition, the regional and age distribution targets for portfolio management were updated, and the acquisition criteria for apartments were specified further.

On 31 December 2014, the company concluded a binding agreement on the acquisition of Asunto Oy Rovaniemen Rekimatka 16–18 and Asunto Oy Rovaniemen Rekimatka 29. The properties include a total of 80 apartments. The purchase price of EUR 4.0 million was paid with new shares issued by the company in a directed issue allocated to Royal House Oy. The subscription price of the shares, EUR 10.60 per share, was the weighted average price of the share during the five days of trading on the Helsinki Stock Exchange preceding the date of concluding the agreement.

In the fourth quarter, the company continued concluding convertible bond agreements in accordance with the terms and conditions of the previous convertible bond agreements. Convertible bond agreements were concluded to a total amount of EUR 2.0 million, of which EUR 1.99 million was converted by 31 December 2014. Under the terms and conditions of the convertible bonds concluded by the company, the company has assigned a total of 418,614 of its shares in conversions of its convertible bonds during the period under review. At the end of the period, the company possessed 39,386 treasury shares.

### Events after the financial period

The 500,000 shares allocated to the company itself in a charge-free directed issue on 17 December 2014 were recorded in the Trade Register on 5 January 2015. The company may use the shares allocated to it to strengthen the capital structure, develop its business operations and expand its ownership base through both acquiring investment properties and issuing convertible bonds. After the issue, the number of the company's shares totalled 5,706,123. On 19 January 2015, the company submitted a listing application for 47,800 shares to be admitted to trading on the stock exchange list of the Helsinki Stock Exchange as of 20 January 2015. After the listing, the total number of the company's listed shares was 5,253,923.

On 23 January 2015, the company specified the result estimate for the fourth quarter. Orava Residential REIT estimated in its interim report for the third quarter published on 7 November 2014 that the financial result for the fourth quarter is expected to remain weaker than that for the third quarter. The comprehensive profit for the third quarter was EUR 1.9 million. The company's further specified estimate of the result for the fourth quarter was EUR 1.7–2.3 million.

On 23 January 2015, the company announced that it is investigating possibilities for the implementation of a financing arrangement of an estimated EUR 40 million. The arrangement would consist of a credit facility of an estimated EUR 15 million, which would be used to finance the acquisition of new properties, and a covered bond of an estimated EUR 25 million, which would mainly be directed to domestic institutional investors and whose purpose would be to refinance the company's existing loans and promote the expansion of the company's business operations.

The Financial Supervisory Authority approved the company's prospectus, which is related to the listing of a total of 1,056,122 shares, on 23 January 2015. The shares are related to the directed issue allocated to Osuusasunnot Oy (235,922 shares), communicated by the company on 28 November 2014, the directed issue allocated to Royal House Oy (368,000 shares), communicated on 31 December 2014, and the charge-free directed issue allocated to the company itself (500,000 shares). The company also filed an application with the Helsinki Stock Exchange concerning the admission to trading of the shares subscribed in the directed issue allocated to Osuusasunnot Oy and the charge-free shares allocated to the company itself, in total 688,122 shares, on the stock exchange list of the Helsinki Stock Exchange with the trading code OREIT. Trading in the shares in question started on 27 January 2015. The ISIN code of the shares listed is FI4000068614.

The 368,000 shares allocated to Royal House Oy were recorded in the Trade Register on 11 February 2015 and applied to be admitted to trading on the Helsinki Stock Exchange in connection with the implementation of the transaction on 9 February 2015. In addition, the company allocated a charge-free share issue of 200,000 shares to itself. The shares allocated to the company itself do not entitle their holders to dividends to be paid from the result for 2014 in 2015. After the aforementioned shares have been registered, the number of the company's registered shares totals 6,510,045, and the company's registered share capital is EUR 56,376,500.

On 10 February 2015, the company implemented a transaction for 22 apartments with Skanska Rakennus Oy at a debt-free purchase price of EUR 4.6 million. The apartments purchased are located in two new properties, one in Mikkeli (12 apartments) and the other in Pori (10). The apartments were without tenants at the time of the acquisition.

At its meeting on 11 February 2015, the Board of Directors allocated 39,952 shares to the management company Orava Funds plc. The subscription price of the shares was the weighted average price during the last five days of stock exchange trading in 2014. Orava Funds plc set off the payment of the subscription price against its performance-based management fee receivable of EUR 423,491.20 to be paid in shares.

## **Dividend**

### 2013

The Annual General Meeting of 18 March 2014 decided to distribute a dividend of EUR 0.28 per share from the profit for 2013 in each quarter of 2014, i.e. in total at most EUR 1.12 per share in 2014 (100% dividend rights). The dividends were paid on the last weekdays of the respective quarters. The distribution of profit for 2013 was paid in 2014 according to two different dividend rights.

**Dividends per share paid during the period under review:**

Orava Residential Real Estate Investment Trust plc

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	FI4000068614 (100%)	FI4000061072 (75%)
31 Mar 2014 1st dividend	EUR 0.28	EUR 0.21
30 Jun 2014 2nd dividend	EUR 0.28	EUR 0.21
30 Sep 2014 3rd dividend	EUR 0.28	EUR 0.21
30 Dec 2014 4th dividend	EUR 0.28	EUR 0.21
<b>Total</b>	<b>EUR 1.12</b>	<b>EUR 0.84</b>

## 2014

The Board of Directors proposes to the Annual General Meeting that a total of EUR 1.20 per share be distributed from the result for 2014 in dividends and that the Board of Directors be authorised to decide on the amounts of dividends to be paid in each quarter.

## Future outlook

Orava Residential REIT estimates that it has reasonably good preconditions for maintaining good profitability in 2015 and achieving the targeted total return of 10 per cent on shareholders' equity.

The value of the apartments in the investment portfolio is expected to remain at the same level or at the end of period to start increasing moderately as a result of the predicted strengthening of the overall economy. The rental income is estimated to rise slightly, as we believe that we can increase the economic occupancy rate compared with the previous year. The result impact of the acquisition of properties is expected to remain at the level of the previous year. The ratio of maintenance and repair costs to the value of investment assets is also expected to remain approximately at the level of the previous year.

Helsinki, 11 February 2015

Orava Residential Real Estate Investment Trust plc

Board of Directors

Additional information

Pekka Peiponen, CEO, tel. +358 (0)10 420 3104

Veli Matti Salmenkylä, CFO, tel. +358 (0)10 420 3102

Appendix: Descriptive and tables sections

Consolidated Statement of Comprehensive Income		1 Oct - 31 Dec 2014	1 Oct - 31 Dec 2013	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
EUR 1,000					
<b>Revenue</b>					
Income from ordinary operations	6	2,003	1,002	6,532	3,153
Gains from disposals and changes in the fair value of apartments	6	807	3,947	9,050	6,529
<b>Total revenue</b>	<b>6</b>	<b>2,811</b>	<b>4,949</b>	<b>15,583</b>	<b>9,682</b>
<b>Expenses</b>					
Maintenance expenses	7	-1,070	-525	-2,836	-1,452
Expenses from rental operations	7	-109	-20	-349	-97
Administrative expenses	7	-437	-236	-1,379	-696
Other operating income and expenses	7	765	1	-862	2
<b>Total expenses</b>		<b>-851</b>	<b>-780</b>	<b>-5,426</b>	<b>-2,243</b>
<b>Operating Profit</b>		<b>1,960</b>	<b>4,169</b>	<b>10,157</b>	<b>7,439</b>
Finance expenses (net)	8	-200	-168	-1,401	-639
<b>Profit before taxes</b>		<b>1,761</b>	<b>4,002</b>	<b>8,757</b>	<b>6,801</b>
Direct taxes	9	-66	-13	-94	-48
<b>Profit/loss for the period</b>		<b>1,695</b>	<b>3,989</b>	<b>8,663</b>	<b>6,753</b>
<b>Profit/loss for the period attributable to the owners of the parent company</b>	<b>10</b>	<b>1,695</b>	<b>3,989</b>	<b>8,663</b>	<b>6,753</b>
<b>Earnings per share calculated from the profit attributable to the owners of the parent company</b>					
Earnings per share, EUR	10	0.35	0.94	1.87	3.19
<b>Other comprehensive income items</b>					
Items that may in the future be reclassified to profit or loss					
Derivatives - interest rate swaps	16	11	33	-270	183
Items that are not reclassified to profit or loss		0	0	0	0
<b>Comprehensive profit/loss for the period</b>		<b>1,706</b>	<b>4,022</b>	<b>8,393</b>	<b>6,936</b>
<b>Comprehensive profit/loss for the period attributable to</b>					
the owners of the parent company	10	1,706	4,022	8,393	6,936
non-controlling interests	10	0	0	0	0

**Consolidated statement of financial position**

		<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
	<b>EUR 1,000</b>		
<b>ASSETS</b>			
<u>Non-current assets</u>			
Fair value of investment properties	11	130,556	79,190
<u>Current assets</u>			
Trade and other receivables	12	4,214	203
Cash and cash equivalents	13	1,990	9,134
		<u>6,203</u>	<u>9,336</u>
<b>TOTAL ASSETS</b>		<b>136,760</b>	<b>88,526</b>
Equity attributable to the owners of the parent company			
Share capital	14	50,337	43,144
Share issue		7,526	0
Share premium account	14	2,260	0
Hedge reserve	14	-493	-224
Retained earnings		1,819	106
<u>Profit for the period</u>		<u>8,663</u>	<u>6,753</u>
Total equity		<u>70,113</u>	<u>49,780</u>
Liabilities			
<u>Non-current liabilities</u>			
Interest-bearing liabilities	15	57,697	35,592
<u>Other non-current liabilities</u>	15	478	205
Total non-current liabilities		<u>58,176</u>	<u>35,797</u>
<u>Current liabilities</u>			
Interest-bearing liabilities, borrowings	17	1,664	1,730
Trade payables and other current liabilities	17	6,314	995
<u>Derivatives</u>	17	493	224
Total current liabilities		<u>8,471</u>	<u>2,949</u>
Total liabilities		66,647	38,746
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>136,760</b>	<b>88,526</b>

**Consolidated statement of cash flows**

	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
<b>EUR 1,000</b>		
<b>Cash flows from operational activities</b>		
Cash flows from operational activities before financial items	3,251	811
Interest paid and other finance expenses, net	-1,990	-656
Taxes paid	-72	-11
Income from divestitures of tangible fixed assets	4,381	3,172
<b>Net cash flows from operational activities</b>	<b>5,570</b>	<b>3,316</b>
<b>Cash flows from investment activities</b>		
Acquisition of subsidiaries less acquired cash and cash equivalents	-13,126	-18,883
Acquisition of residential apartment shares	-3,833	-2,564
Investments in tangible fixed assets	-2,670	-178
Investments in intangible assets	-490	-187
<b>Net cash flows used in investments</b>	<b>-20,118</b>	<b>-21,812</b>
<b>Cash flows from financing activities</b>		
Payments received from share issues	2,750	27,645
Loan withdrawals	11,334	7,111
Loan repayments	-2,079	-6,081
Dividends paid	-4,600	-1,347
<b>Net cash flows used in financing activities</b>	<b>7,405</b>	<b>27,329</b>
<b>Net decrease (-) / increase (+) in cash and cash equivalents</b>	<b>-7,143</b>	<b>8,833</b>
Cash and cash equivalents at the beginning of the period	<b>9,134</b>	<b>300</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,990</b>	<b>9,134</b>

## STATEMENT OF CHANGES IN EQUITY

EUR 1,000

	1	2	3	4	5	6
Equity on 31 Dec 2010	5,028				5,028	5,028
Proceeds from shares issued 29 Mar 2011	2,478				2,478	2,478
Proceeds from shares issued 9 Jun 2011	117	3			120	120
Proceeds from shares issued 1 Sep 2011	4,095	156			4,251	4,251
Profit from the period				448	448	448
Comprehensive income items			-164		-164	-164
Equity on 31 Dec 2011	11,717	159	-164	448	12,159	12,159
Proceeds from shares issued 29 Jun 2012	1,054	46			1,100	1,100
Proceeds from shares issued 31 Oct 2012	895	76			971	971
Distribution of dividends on 30 Mar 2012				-117	-117	-117
Distribution of dividends on 28 Jun 2012				-94	-94	-94
Distribution of dividends on 27 Sep 2012				-94	-94	-94
Distribution of dividends on 27 Dec 2012				-94	-94	-94
Deduction of earnings				-4	-4	-4
Profit from the period				1,421	1,421	1,421
Comprehensive income items			-243		-243	-243
Equity on 31 Dec 2012	13,666	281	-407	1,466	15,007	15,007
Proceeds from shares issued 25 Mar 2013	257	11			268	268
Proceeds from shares issued 29 Jul 2013	770	10			780	780
Proceeds from shares issued 27 Sep 2013	2,366	70			2,436	2,436
Proceeds from share issued to the public	26,085	783			26,868	26,868
Costs of listing on the stock exchange		-1,155		-15	-1,170	-1,170
Distribution of dividends 28 Mar 2013				-337	-337	-337
Distribution of dividends 28 Jun 2013				-337	-337	-337
Distribution of dividends 30 Sep 2013				-337	-337	-337
Distribution of dividends 27 Dec 2013				-337	-337	-337
Profit from the period				6,753	6,753	6,753
Comprehensive income items			183		183	183
Equity on 31 Dec 2013	43,144	0	-224	6,859	49,780	49,780
Proceeds from shares issued 25 Jun 2014	3,189	899			4,088	4,088
Proceeds from shares issued 30 Sep 2014	1,148	302			1,450	1,450
Proceeds from shares issued 30 Dec 2014	6,039	535			6,574	6,574
Conversion of convertible bond 8 Oct 2014	1,576	424			2,000	2,000
Conversion of convertible bond 23 Dec 2014	1,280	220			1,500	1,500
Conversion of convertible bond 30 Dec 2014	1,486				1,486	1,486
Cost to gain equity		-120		-218	-338	-338
Distribution of dividends 28 Mar 2014				-1,206	-1,206	-1,206
Distribution of dividends 30 Jun 2014				-1,206	-1,206	-1,206
Distribution of dividends 30 Sep 2014				-1,206	-1,206	-1,206
Distribution of dividends 30 Dec 2014				-1,206	-1,206	-1,206
Profit from the period				8,663	8,663	8,663
Comprehensive income items			-270		-270	-270
Equity on 31 Dec 2014	57,863	2,260	-493	10,483	70,113	70,113

1 Share capital

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

## Notes

### 1. Basic details of the Group

Orava Residential Real Estate Investment Trust plc ("Orava Residential REIT", business ID 2382127-4, address Kanavaranta 7, 00160 HELSINKI, Finland) was established on 30 December 2010 as a real estate fund as referred to in the Real Estate Funds Act. Its rules for real estate investment operations were approved by the Finnish Financial Supervisory Authority on 28 January 2011. The up-to-date rules 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's Board of Directors approved these financial statements for publication at its meeting on 6 August 2014.

### 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%
- The company's liabilities do not exceed 80%
- No individual shareholder holds more than 30% of the company's share capital (less than 10% from the end of 2014)
- 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

### **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 30 June 2014. 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) of August 2011, as applicable.

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 use of original acquisition costs, except for investment properties and interest rate swaps, which are recognised at fair value.

More detailed information on the accounting principles is available in the Consolidated Financial Statements of Orava Residential Real Estate Investment Trust plc of 31 December 2013.

The information shown in the financial statements bulletin has not been audited.

### **4. Management of financing risks**

Orava Residential REIT is exposed to a number of financing risks in its normal business operations. The objective of the company's risk management is to minimise the negative effects of 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. A more detailed description of the company's risk management is included in the financial statements for 2013.

### **5. Consolidation**

Orava Residential REIT consolidates housing companies where the company's holding is 100% in accordance with IAS 27. Partially owned companies are consolidated in compliance with IFRS 11 using the proportionate method.

## 6. Segment information

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 ordinary operations and capital gains. 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. The transaction fees associated with disposals are deducted from the revenue. During the period 1 January – 31 December 2014, a total of 29 apartments were sold.

The apartment's share of the asset transfer tax paid and the apartment repair costs and capitalised repairs as a whole reduce the change in fair value.

<u>Revenue</u>	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
<u>Income from ordinary operations</u>		
Gross rental yield	6,302	3,054
Compensation for use and service income	230	98
<u>Gains from disposals and changes in the fair value of apartments</u>	0	0
Disposal prices of apartments less the fair value in the previous quarter's closing balance	466	-144
Brokerage fees for apartments disposed of	-115	-139
Net gains and losses from changes in the fair value of investment properties	8,699	6,812
<b>Total</b>	<b>15,583</b>	<b>9,682</b>

The fair value of investment properties by region and their age distribution are also regularly reported to the Board of Directors of the Group. The Helsinki Region includes Helsinki, Espoo, Kauniainen, Vantaa and the surrounding municipalities, while Tampere, Turku, Oulu, Jyväskylä and Lahti are classified as major cities.

<u>Distribution of investment property values by their location, %</u>	31 Dec 2014	31 Dec 2013
Helsinki Region	43	38
Major cities	23	19
Rest of Finland	34	43
<b>Total</b>	<b>100</b>	<b>100</b>

<u>Distribution of investment property values by age group, %</u>	31 Dec 2014	31 Dec 2013
Built in 1989 or earlier	42	44
Built in 1990 or later	58	56

<b>7. Expenses by type</b>	<b>1 Jan - 31 Dec 2014</b>	<b>1 Jan - 31 Dec 2013</b>
Personnel expenses	-107	-54
Fixed management fee Orava Funds plc	-614	-262
Other administrative expenses	-658	-380
Property maintenance expenses	-2,836	-1452
Expenses from rental operations	-349	-97
Other operating expenses	-862	2
<b>Total</b>	<b>-5,426</b>	<b>-2,243</b>

<b>Personnel expenses, Board of Directors' fees</b>	<b>1 Jan - 31 Dec 2014</b>	<b>1 Jan - 31 Dec 2013</b>
Jouni Torasvirta	-29	-17
Peter Ahlström	-16	-3
Mikko Larvala	-16	-6
Tapani Rautiainen	-15	-9
Veli Matti Salmenkylä	-16	-10
Timo Valjakka	-16	-9
<b>Total</b>	<b>-107</b>	<b>-54</b>

The Board of Directors convened twentythree times during the period.

<b>Auditor's fees</b>	<b>1 Jan - 31 Dec 2014</b>	<b>1 Jan - 31 Dec 2013</b>
Audit, parent company	-46	-32
Audit, subsidiaries	-21	-6
<b>Total</b>	<b>-67</b>	<b>-38</b>

The auditor's fees are included in other administrative expenses.

<b>Other operating expenses</b>	<b>1 Jan - 31 Dec 2014</b>	<b>1 Jan - 31 Dec 2013</b>
Credit losses	-15	2
Performance-based fee paid to the management company	-847	0
<b>Total</b>	<b>-862</b>	<b>2</b>

Credit losses in year 2014 were EUR 15,000 (2013: EUR 0). Based on the payment plans an adjustment EUR 2,000 has been made into the year 2013 credit losses. Company will allocate shares to cover half of the performance-based fee. In year 2013 performance-based fee was not paid.

<b>Property maintenance expenses</b>	<b>1 Jan - 31 Dec 2014</b>	<b>1 Jan - 31 Dec 2013</b>
Property maintenance expenses less compensation for use	-2,606	-1354
Property maintenance expenses less compensation for use as percentage of market value, p.a.	-2.5 %	-2.4 %
Average market value of investment properties during the period, EUR 1,000	104,873	55,591

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

<b>8. Finance income and expenses</b>	<b>1 Jan - 31 Dec 2014</b>	<b>1 Jan - 31 Dec 2013</b>
Interest expenses and fees for loans and interest rate hedges	-1066	-547
Change in the capitalised amounts of arrangement fees	-15	-1
Share of the capital charges of associated companies expensed	-291	-99

Other finance expenses	-36	-7
<b>total finance expenses</b>	<b>-1408</b>	<b>-654</b>
Finance income	8	15
<b>Total</b>	<b>-1401</b>	<b>-639</b>

## 9. 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.

	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
<b>Taxes for the period</b>	<b>-94</b>	<b>-48</b>

## 10. Earnings per share

(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.

	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Profit attributable to the company's shareholders	6,753	6,753
Weighted average number of outstanding shares, 1,000 shares	2,118	2,118
<b>Undiluted earnings per share</b>	<b>3.19</b>	<b>3.19</b>

### (b) Adjusted for dilution effect

The company did not had any potentially diluting shares on 31 December

## 11. Non-current assets

	31 Dec 2014	31 Dec 2013
<b>Investment properties</b>	<b>Fair value</b>	
Acquisition cost on 1 Jan	79,190	31,992
Increases including asset transfer tax	45,099	43,607
Decreases	-2,783	-3,429
Change in fair value during the financial period excluding asset transfer tax	9,050	7,020
<b>Fair value on 31 Xxx</b>	<b>130,556</b>	<b>79,190</b>

The decreases are disposals of residential apartments. A total of 29 apartments were sold during the period 1 January – 31 December 2014.

The change in the value of investment properties included in the investment portfolio throughout the fourth quarter 2014 was -1,2 % or EUR -1,2 million.

### Investment properties on 31 December 2014

	Registered office	Construction year	Holding
Helsinki Region			

Asunto Oy Espoon Albert	Espoo	2014	13.0 %
Asunto Oy Helsingin Koirasaarentie 1	Helsinki	2000	100.0 %
Asunto Oy Kauniaisten Venevalkamantie	Kauniainen	2012	24.7 %
Asunto Oy Järvenpään Saundi	Järvenpää	2013	17.6 %
Asunto Oy Järvenpään Terho	Järvenpää	2012	4.9 %
Asunto Oy Järvenpään Tuohi	Järvenpää	2013	88.2 %
Asunto Oy Keravan Ritariperho	Kerava	2011	99.9 %
Asunto Oy Kirkkonummen Kummihovi	Kirkkonummi	1972-73	100.0 %
Asunto Oy Kirkkonummen Pomada	Kirkkonummi	2012	32.5 %
Asunto Oy Kirkkonummen Tammi	Kirkkonummi	2013	30.5 %
Asunto Oy Nurmijärven Puurata 15-17	Nurmijärvi	1974-75	58.1 %
Asunto Oy Nurmijärven Soittaja	Nurmijärvi	2013	58.9 %
Bostads Ab Lindhearst Asunto Oy	Sipoo	1982	64.9 %
Asunto Oy Vantaan Maauunintie 14	Vantaa	1975	100.0 %
Asunto Oy Vantaan Rasinrinne	Vantaa	1975	75.5 %
Asunto Oy Vantaan Rusakko	Vantaa	1992	75.0 %
<b>Major cities</b>			
Asunto Oy Härmälänrannan Nalle	Tampere	2012	7.0 %
Asunto Oy Jyväskylän Ahjotar	Jyväskylä	2014	35.2 %
Asunto Oy Jyväskylän Kruununtorni	Jyväskylä	2010	36.0 %
Asunto Oy Jyväskylän Kyläseppä	Jyväskylä	2014	21.0 %
Asunto Oy Jyväskylän Tukkipoika	Jyväskylä	2013	12.3 %
Asunto Oy Lahden Helkalanhoivi	Lahti	1975	77.2 %
Asunto Oy Lahden Leinikki	Lahti	2013	9.0 %
Asunto Oy Lahden Poikkikatu 4	Lahti	1971	66.1 %
Asunto Oy Lahden Pormestari	Lahti	2012	8.0 %
Asunto Oy Lahden Vuoksenkatu 4	Lahti	1970	44.3 %
Asunto Oy Lempäälän Tikanhovi	Lempäälä	2014	51.7 %
Asunto Oy Oulun Eveliina	Oulu	2011	14.1 %
Asunto Oy Oulun Jatulinmetsä	Oulu	2013	7.7 %
Asunto Oy Oulun Merijalinväylä	Oulu	2012	4.6 %
Asunto Oy Oulunsalon Poutapilvi	Oulu	2010	4.1 %
Asunto Oy Oulun Seilitie 1	Oulu	2009	89.1 %
Asunto Oy Raision Valonsäde	Raisio	2014	49.0 %
Asunto Oy Tampereen Professori	Tampere	2013	11.5 %
Asunto Oy Tampereen Ruuti	Tampere	2014	59.5 %
Asunto Oy Tampereen Vuoreksen Emilia	Tampere	2014	30.5 %
Asunto Oy Tampereen Vuorenpeikko	Tampere	2013	3.1 %
Asunto Oy Turun Michailowinportti	Turku	2013	21.8 %
<b>Medium Cities</b>			
Asunto Oy Haminan Tervaniemi	Hamina	1999	95.8 %
Asunto Oy Heinolan Tamppilahdenkulma	Heinola	1977	100.0 %
Asunto Oy Hämeenlinnan Aulangontie 39	Hämeenlinna	1974	48.5 %
Asunto Oy Kokkolan Luotsi	Kokkola	2012	21.9 %
Asunto Oy Kotkan Alahovintie 7	Kotka	1974	100.0 %
Asunto Oy Kotkan Alahovintorni	Kotka	1973	96.5 %
Asunto Oy Kotkan Matruusi	Kotka	2013	19.7 %
Asunto Oy Kotkan Mällinkatu 6	Kotka	1958 ja 1974	100.0 %
Asunto Oy Kotkan Vuorenrinne 19	Kotka	1973-76	96.7 %
Asunto Oy Lohjan Koulukuja 14	Lohja	1976	94.2 %
Asunto Oy Lohjan Pinus	Lohja	2012	57.2 %
Asunto Oy Porin Kommodori	Pori	2013	8.7 %
Asunto Oy Porin Pihlavankangas	Pori	1973	98.3 %
Asunto Oy Kaivopolku	Porvoo	1993	100.0 %
Kiinteistö Oy Liikepuisto	Porvoo	1960	100.0 %
Asunto Oy Riihimäen Vuorelanmäki I	Riihimäki	1956	100.0 %
Asunto Oy Rovaniemen Rekimatka 16-18	Rovaniemi	1991	100.0 %
Asunto Oy Rovaniemen Rekimatka 29	Rovaniemi	1989	100.0 %
Asunto Oy Salon Ristinkedonkatu 33	Salo	1975-76	100.0 %
Asunto Oy Savonlinnan Välimäentie 5-7	Savonlinna	1977	100.0 %
Asunto Oy Tornion Aarnintie 7	Tornio	1974	39.0 %
Asunto Oy Tornion Kuparimarkka	Tornio	1975	89.1 %
Asunto Oy Varkauden Onnela	Varkaus	1920	100.0 %
Asunto Oy Varkauden Parsius	Varkaus	1973	100.0 %
Asunto Oy Varkauden Ahlströminkatu 12	Varkaus	1954	100.0 %

The companies have been consolidated using the proportional method, whereby only the amount corresponding to the Group's holding is consolidated for each income statement and balance sheet item. Accordingly, no minority interests are created in the Group consolidation process.

As Oy Hämeenlinnan Aulangontie underwent a basic renovation in 2003, As Oy Tornion Kuparimarkka in 2000, As Oy Tornion Aarnintie 7 in 1990, As Oy Nurmijärven Puurata 15-17 in 1999, As Oy Riihimäen Vuorelanmäki I in 2003, and As Oy Varkauden Ahlströminkatu 12 in 2005 (pipes).

#### Investment properties on 31 December 2014

Region	No of properties	Apartments and business facilities	Floor area	Valuation
Espoo & Kauniainen ***)	2	11	702.5	3,327
Helsinki	1	24	1,436	5,204
Järvenpää ***)	3	24	1,986	7,910
Kerava	1	19	2,071	6,421
Kirkkonummi ***)	2	104	6973	13,834
Nurmijärvi	2	43	3,094	6,630
Sipoo	1	14	1,140	1,848
Vantaa *) *****)	3	113	7,118	11,502
<b>Helsinki Region *) ***)</b>	<b>15</b>	<b>352</b>	<b>24,519</b>	<b>56,676</b>
Jyväskylä **)	4	20	2,130	4,455
Lahti	5	73	4,148	5,542
Oulu	5	25	1,538	3,842
Tampere	6	58	3,609	11,130
Turku	2	18	1287	4,397
<b>Major cities</b>	<b>22</b>	<b>194</b>	<b>12,712</b>	<b>29,367</b>
Hamina	1	16	1,040	1,329
Heinola	1	20	1,164	738
Hämeenlinna	1	11	527	1,009
Kokkola	1	4	321	949
Kotka *)	5	197	10,888	8,101
Lohja	2	62	3,892	5,719
Pori	2	58	3,183	2,754
Porvoo ***) *****)	2	42	2,662	7,247
Riihimäki	1	16	773	745
Rovaniemi	2	80	4,587	5,362
Salo *****)	1	74	4,518	3,240
Savonlinna				
Tornio	2	65	3,737	2,921
Varkaus *****)	3	76	4,915	2,103
<b>Medium cities</b>	<b>25</b>	<b>772</b>	<b>44,927</b>	<b>44,514</b>
<b>Total ***)</b>	<b>62</b>	<b>1,318</b>	<b>82,158</b>	<b>130,556</b>

\*) As Oy Vantaan Maaunintie 14 and As Oy Kotkan Alahovintie 7 both have one business facility (a day care centre).

\*\*\*) The apartments in As Oy Jyväskylän Kruunutorni were four office facilities and one storage facility.

\*\*\*\*\*) There are 11 business facilities at Kiint Oy Liikepuisto in Porvoo.

\*\*\*\*\*) As Oy Salon Ristikedonkatu 33 has one business facility and a day care centre.

\*\*\*\*\*) As Oy Varkauden Ahlströminkatu 12 has two business facilities.

\*\*\*\*\*) From the sale of plots a total amount of EUR 1.1 million of financial assets is included

The values of the apartments owned by the REIT are measured 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.



Realia Management Oy and Turun seudun OPKK, external appraisers, provide calculations of the value of the investment properties owned by Orava Residential REIT every six months.

<b>12. Trade and other receivables</b>	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
Rental and trade receivables	138	106
Other receivables	3944	90
Prepaid expenses and accrued income	42	7
<b>Total other receivables</b>	<b>4124</b>	<b>203</b>

No credit losses were booked for rental receivables during the period.

<b>13. Cash and cash equivalents</b>	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
Cash and cash equivalents held in accounts	1,990	9,134
<b>Total</b>	<b>1,990</b>	<b>9,134</b>

In addition, the company had an overdraft facility of EUR 200,000 at its disposal.

<b>14. Share capital and share premium account</b>	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
Share capital on 1 January	43,144	13,666
Increase in share capital, paid	7,193	29,478
<b>Share capital on 31 Xxx</b>	<b>50,337</b>	<b>43,144</b>
Share issue	1,845	0
Share premium account	52,182	43,144
<b>Total share capital and share premium account</b>	<b>50,627</b>	<b>43,144</b>

The number of share on 31 December 2011 was 1,171,736.

The number of share on 31 December 2012 was 1,366,588.

The number of share on 31 December 2013 was 4,314,394.

The number of share on 31 December 2014 was 5,206,123.

<b>15. Non-current liabilities</b>	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
The parent company's loans from financial institutions	32,283	23,553
Overdraft facility	0	0
apitalisation of loan arrangement fees	-31	-46
Long-term security deposits received	478	251
Non-current loans from owners of the parent company	0	0
Share of debt attributable to shares held by the parent company	25,445	12,039
<b>Total non-current liabilities</b>	<b>58,176</b>	<b>35,797</b>

<b>Parent company's loans from financial institutions</b>	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
Danske Bank Plc, transferred 29 Mar 2011	2,127	2,185
capital repayments for the next 12 months included in current liabilities	-58	-58
Danske Bank Plc, transferred 7 Sep 2011	1,874	3,325
capital repayments for the next 12 months included in current liabilities	-88	-88
Danske Bank Plc, transferred 21 Jun 2012	2,450	2,515
capital repayments for the next 12 months included in current liabilities	-65	-65
Danske Bank Plc, transferred 10 Oct 2012	618	634
capital repayments for the next 12 months included in current liabilities	-16	-16
Danske Bank Plc, transferred 1 Nov 2012	903	926
capital repayments for the next 12 months included in current liabilities	-24	-24
Danske Bank Plc, transferred 27 Sep 2013	799	820
capital repayments for the next 12 months included in current liabilities	-21	-21
Danske Bank Plc, transferred 17 Dec 2013	2,496	2,560
capital repayments for the next 12 months included in current liabilities	-62	-64
Danske Bank Plc, transferred 31 Mar 2014	2,280	0
capital repayments for the next 12 months included in current liabilities	-57	0
Danske Bank Plc, transferred 30 Apr 2014	2,350	0
capital repayments for the next 12 months included in current liabilities	-58	0
Danske Bank Plc, transferred 25 Jun 2014	1,500	0
capital repayments for the next 12 months included in current liabilities	-38	0
Limit of the bank account with an overdraft facility	0	0
<b>Total loans</b>	<b>16,910</b>	<b>12,631</b>

The main covenants of the loans are tied to the ratio of debt to the value of housing company shares, the equity-to-assets ratio and the loan servicing margin. In addition, the company had an overdraft facility of EUR 200,000 at its disposal on 30 September 2014.

### **16. Derivatives - interest rate swaps**

In accordance with the risk management policy approved by the Board of Directors, the parent company's variable-rate loans have all been converted into fixed-interest loans using interest rate swaps. The counterparty of the interest rate swaps is Danske Bank Plc. The critical terms (i.e. amounts and dates) of the hedging instruments and the underlying objects are identical. The bank's charges for the derivative contracts are expensed during the period they are incurred.

<b>Instrument</b>	<b>EUR 1,000</b>	<b>Fixed interest</b>	<b>Maturity</b>
OTC interest rate swap	2,127	2.95	15 Apr 2016
OTC interest rate swap	3,237	1.87	7 Sep 2016
OTC interest rate swap	2,450	1.13	21 Jun 2017
OTC interest rate swap	618	0.87	10 Oct 2017
OTC interest rate swap	903	0.86	1 Nov 2017
OTC interest rate swap	799	1.15	27 Sep 2018
OTC interest rate swap	2,496	1.03	18 Dec 2018
OTC interest rate swap	2,280	0.88	31 Mar 2018
OTC interest rate swap	2,350	0.88	30 Apr 2018
OTC interest rate swap	1,500	0.64	25 Jun 2019
<b>Fair value</b>		<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
At the end of the period, the fair value of interest rate swaps was		-493	-224
Change in fair value during the period, EUR 1,000		-270	183
<b><u>17. Current liabilities</u></b>		<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
Group's loans from financial institutions		817	334
Current loans from related parties		295	1,095
Current loans from other parties			
Share of debt attributable to the shares held by the parent company		269	301
Advance payments received		128	66
Trade payables		284	84
Other liabilities		379	69
Accrued expense and deferred income		5212	758
Interest liabilities		44	18
Fair value of interest rate hedges		493	224
<b>Total current liabilities</b>		<b>8,471</b>	<b>2,949</b>

### **18. Related party transactions 1 January - 31 December 2014**

The company acquired a total of 131 apartments from A. Ahlström Kiinteistöt Oy through transactions made on 25 June 2014. Their aggregate debt-free purchase price was EUR 4.0 million. The transaction included an assignment of a contribution in kind of EUR 1.34 million, which was paid with 104,415 new shares issued by the company, and a subscription for shares of EUR 2.65 million made by A. Ahlström Kiinteistöt Oy. The subscription price of the new shares, EUR 12.82 per share, was the average price of the company's share on the Helsinki Stock Exchange during the five trading days preceding 25 June 2014, the date of implementation of the assignment of the contribution in kind, weighted by share turnover, adjusted for the dividends decided by the Annual General Meeting but not paid (EUR 0.56 per share).

A. Ahlström Kiinteistöt Oy gave a subscription commitment of 114.806 shares at the price of 12,63 per share in a directed issue in September. The Board of Directors accepted the subscription of these shares in a board meeting on 30 September 2014. The subscription of the new shares was possible to pay wholly or partly with contribution in kind. As Oy Mällinkatu was wholly acquired with contribution in kind. The subscription price of the new shares was the turnover-weighted average price of the company's share on the Helsinki Stock Exchange during the five trading days preceding the subscription date.

On 31 December 2014, the company concluded a binding agreement on the acquisition of Asunto Oy Rovaniemen Rekimatka 16–18 and Asunto Oy Rovaniemen Rekimatka 29. The properties include a total of 80 apartments. The purchase price of EUR 4.0 million was paid with new shares issued by the company in a directed issue allocated to Royal House Oy. The subscription price of the shares, EUR 10.60 per share, was the weighted average price of the share during the five days of trading on the Helsinki Stock Exchange preceding the date of concluding the agreement.

The transactions agreed with A. Ahlström Kiinteistöt Oy and Royal House Oy were related party events in their entirety.

## **19. Financial instruments**

### **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 are hedged with interest rate swaps. On 31 December 2014, the hedging rate of loans was a bit over 100% (31 December 2013: 100%) because the company shorted one of its long-term loans by EUR 1.363 million at the last quarter of year 2014. 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 derivative contracts are measured 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 swaps is calculated by linear interpolation using the interest rates determined from the above zero-coupon curve and valuation methods commonly used on the market. The net losses/gains for the financial period, recorded in other comprehensive income items, are shown under the consolidated statement of comprehensive income. A change of one percentage point in short market interest rates will not affect the financial result of the company.

### **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. On 31 December 2014, the average maturity of the parent company's bank loans was 3.3 years (31 December 2013: 3.7 years).

### **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 December 2014, rental receivables totalled EUR 138,000 (31 December 2013: 106,000), of which EUR 83,000 had been referred for debt collection (31 December 2013: EUR 71,000). Receivables in collection less than two months old amounted to EUR 46,000, and receivables more than two months old to EUR 37,000.

### **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 December 2014, the equity-to-assets ratio was 51.3 % (31 December 2013: 56.2 %).

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.

<u>December 31 2014</u>	<u>less than 1</u>	<u>1-5 years</u>	<u>over 5 years</u>
	<u>year</u>		
Interest bearing loans, EUR 1,000	1,664	26,110	31,618

## **20. Assessment of fair value**

The following table shows assets and 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 assets or 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 asset item or liability which is not based on any observable market information

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets</b>			
Investment properties on 31 Dec 2014	-	126,986	3,570
Investment properties on 31 Dec 2013	-	76,594	2 596
Investment properties on 31 Dec 2012	-	31,992	-
Investment properties on 31 Dec 2011	-	20,263	-
<b>Liabilities</b>			
Interest rate hedging contracts on 31 Dec 2014	-	-493	-
Interest rate hedging contracts on 31 Dec 2013	-	-223	-
Interest rate hedging contracts on 31 Dec 2012	-	-407	-
Interest rate hedging contracts on 31 Dec 2011	-	-164	-

## **21. Events after the period under review**

The 500,000 shares allocated to the company itself in a charge-free directed issue on 17 December 2014 were recorded in the Trade Register on 5 January 2015. The company may use the shares allocated to it to strengthen the capital structure, develop its business operations and expand its ownership base through both acquiring investment properties and issuing convertible bonds. After the issue, the number of the company's shares totalled 5,706,123. On 19 January 2015, the company submitted a listing application for 47,800 shares to be admitted to trading on the stock exchange list of the Helsinki Stock Exchange as of 20 January 2015. After the listing, the total number of the company's listed shares was 5,253,923.

On 23 January 2015, the company specified the result estimate for the fourth quarter. Orava Residential REIT estimated in its interim report for the third quarter published on 7 November 2014 that the financial result for the fourth quarter is expected to remain weaker than that for the third quarter. The comprehensive profit for the third quarter was EUR 1.9 million. The company's further specified estimate of the result for the fourth quarter was EUR 1.7–2.3 million.

On 23 January 2015, the company announced that it is investigating possibilities for the implementation of a financing arrangement of an estimated EUR 40 million. The arrangement would consist of a credit facility of an estimated EUR 15 million, which would be used to finance the acquisition of new properties, and a covered bond of an estimated EUR 25 million, which would mainly be directed to domestic institutional investors and whose purpose would be to refinance the company's existing loans and promote the expansion of the company's business operations.



The Financial Supervisory Authority approved the company's prospectus, which is related to the listing of a total of 1,056,122 shares, on 23 January 2015. The shares are related to the directed issue allocated to Osuusasunnot Oy (235,922 shares), communicated by the company on 28 November 2014, the directed issue allocated to Royal House Oy (368,000 shares), communicated on 31 December 2014, and the charge-free directed issue allocated to the company itself (500,000 shares). The company also filed an application with the Helsinki Stock Exchange concerning the admission to trading of the shares subscribed in the directed issue allocated to Osuusasunnot Oy and the charge-free shares allocated to the company itself, in total 688,122 shares, on the stock exchange list of the Helsinki Stock Exchange with the trading code OREIT. Trading in the shares in question started on 27 January 2015. The ISIN code of the shares listed is FI4000068614.

The 368,000 shares allocated to Royal House Oy were recorded in the Trade Register on 11 February 2015 and applied to be admitted to trading on the Helsinki Stock Exchange in connection with the implementation of the transaction on 9 February 2015. In addition, the company allocated a charge-free share issue of 200,000 shares to itself. The shares allocated to the company itself do not entitle their holders to dividends to be paid from the result for 2014 in 2015. After the aforementioned shares have been registered, the number of the company's registered shares totals 6,510,045, and the company's registered share capital is EUR 56,376,500.

## FINANCIAL INDICATORS FOR THE GROUP

	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Revenue, EUR 1,000	15,583	9,682
Operating profit, EUR 1,000	10,157	7,439
Financial result for the period, EUR 1,000	8,663	6,753
Comprehensive profit for the period, EUR 1,000	8,393	6,936
Earnings per share, EUR	1.87	3.19
Maximum dividends to be paid during the	1.20	1.12
Dividends / Comprehensive profit ratio, %	85.60 %	69.60 %
Return on equity, % p.a. (ROE)	15.1 %	33.4 %
Total return per share, % p.a.	14.3 %	14.9 %
Weighted average number of shares adjusted for share issues	4,913,570	2,117,600
	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
Balance sheet total, EUR 1,000	136,760	88,526
Equity/assets ratio, %	51.3 %	56.3 %
Loan to value ratio, %	43.5 %	42.2 %
Net asset value per share, EUR, NAV	13.57	11.54
Adjusted net asset value per share, EUR, NAV	12.07	
Net gearing, %	81.8 %	56.6 %
Number of shares	5,206,123	4,314,394
Adjusted number of shares	5,810,611	
Market capitalisation, EUR 1,000	53,362	44,345
Operational occupancy rate, %, (m <sup>2</sup> )	88.7 %	92.5 %
Tenant turnover/month	2.1 %	2.3 %
Gross rental yield, % of fair value	6.7 %	8.0 %
Net rental yield, % of fair value	4.0 %	4.5 %
EPRA Earnings, EUR 1,000	1,968	908
EPRA Earnings per share, EUR	0.40	0.43
EPRA Net Asset Value, EUR, 1,000	70,606	50,004
EPRA Net Asset Value per share, EUR	12.15	11.59
EPRA Net Initial Yield (NIY), %	4.0 %	3.9 %
EPRA Vacancy Rate	10.6 %	6.2 %

## FORMULAS FOR FINANCIAL INDICATORS

Earnings per share, EUR	=	$\frac{\text{Financial result for the period attributable to the shareholders of the parent company}}{\text{Weighted average number of shares during the reported period}}$
Return on equity, % (ROE)	=	$\frac{\text{Profit/loss for the period} \times 100}{\text{Equity (average during the reported period)}}$
Total return per share, % per year	=	$\left[ \frac{\text{Net assets per share at the end of year} + \text{dividends paid per share}}{\text{Net assets per share at the beginning of the year}} - 1 \right] \times 100$
Equity/assets ratio, %	=	$\frac{\text{Equity} \times 100}{\text{Balance sheet total less advance payments received}}$
Loan to value ratio, % Loan to Value	=	$\frac{\text{The Group's share of outstanding capital of interest-bearing loans}}{\text{Debt-free value of housing company shares and other assets}}$
Net asset value per share, EUR NAV	=	$\frac{\text{Equity attributable to the shareholders of the parent company}}{\text{Number of shares at the end of the reported period}}$
Net gearing, %	=	$\frac{\text{Interest-bearing liabilities} - \text{liquid assets} \times 100}{\text{Equity}}$
economic occupancy rate, % (EUR)	=	$\frac{\text{Gross rental income for the reported period per the number of months}}{\text{Potential gross rental income for the reported period per the number of months}}$
Operational occupancy rate, % (m <sup>2</sup> )	=	$\frac{\text{Square meters let on the last day of the month during the reported period per the number of months}}{\text{Square meters available for letting on the last day of the month during the reported period per the number of months}}$
Tenant turnover	=	$\frac{\text{Expired agreements per month}}{\text{Number of apartments available for letting on the last day of the month}}$
Gross rental yield, %	=	$\frac{\text{Gross rental income} \times 100}{\text{Market value of the rent portfolio at the end of the reported period}}$ Calculated on a monthly basis; the figure for the reported period is the average of the monthly figures
Net rental yield, %	=	$\frac{\text{Gross rental income less expenses} = \text{net income} \times 100}{\text{Market value of the rent portfolio at the end of the reported period}}$ Calculated on monthly basis; value for the period is the average of monthly values

## FORMULAS FOR EPRA INDICATORS

EPRA Earnings  
(Operational result) = Net rental income  
- marketing and administrative expenses  
+/- other operating income and expenses included in operations

EPRA Earnings per share  
(Operational result per share) =  $\frac{\text{EPRA Earnings}}{\text{Weighted average number of shares during the reported period}}$

EPRA Net Asset Value  
(Net assets) = Equity attributable to the shareholders of the parent company  
- any other equity reserve

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

EPRA Net Initial Yield (NIY), %  
(Initial yield) =  $\frac{\text{Annualised rental income including indexation adjustments on 31 xxxx}}{\text{Investment properties less properties under development on 31 xxxx}}$

EPRA Vacancy Rate =  $\frac{\text{Potential rent from vacant apartments}}{\text{Potential rent from apartments available for letting}}$