

ORAVA RESIDENTIAL REAL ESTATE INVESTMENT TRUST PLC INTERIM REPORT 1 JANUARY – 30 JUNE 2014

1 April – 30 June 2014

- Revenue EUR 4.1 million (1 April – 30 June 2013: EUR 1.9 million)
- Comprehensive profit EUR 2.4 million (EUR 1.3 million)
- Earnings per share EUR 0.58 (EUR 0.86)
- Economic occupancy rate 92.7% (95.5%)
- Gross rental yield 6.8% (8.2%)
- Net rental yield 4.9% (4.7%)
- Profit from sales and changes in value EUR 2.6 million (EUR 1.2 million)
- Total dividends distributed during the period under review EUR 0.28 per share (EUR 0.27 per share)

1 January – 30 June 2014

- Revenue EUR 8.4 million (1 April – 30 June 2013: EUR 2.0 million)
- Comprehensive profit EUR 4.8 million (EUR 0.8 million)
- Earnings per share EUR 1.15 (EUR 0.49)
- Economic occupancy rate 87.4% (95.5%)
- Gross rental yield 6.6 % (8.1%)
- Net rental yield 4.2% (4.7%)
- Profit from sales and changes in value EUR 5.6 million (EUR 0.7 million)
- Total dividends distributed during the period under review EUR 0.56 per share (EUR 0.54 per share)

The net asset value per share of Orava Residential Real Estate Investment Trust plc ("Orava Residential REIT") increased to EUR 12.10 (+4,9%) from EUR 11.54 at the beginning of the year. The company has continued growing, and the value of its investment properties totalled EUR 100.5 million (31 December 2013: EUR 79.2 million) at the end of the period.

CEO's comments:

"Orava Residential REIT's financial result for the first half of the year was in accordance with its objectives. During the period under review, the company decided on acquisitions that will increase the fair value of its investment properties to more than EUR 100 million.

The price development for apartments remained modest in 2014 due to the prolonged generally poor economic situation. On the other hand, the prevailing market situation offered a wholesale buyer an opportunity to make favourable acquisitions. Acquisitions of 249 apartments were implemented and the acquisitions of 26 apartments were agreed during the period, from a total of ten different properties totalling EUR 21.1 million. The fair value of the investment properties owned by the Residential REIT increased from EUR 79.2 million at the end of 2013 to EUR 100.5 million at the end of June.

The economic occupancy rate during the second quarter (1 April – 30 June 2014) was 92.7% and for the entire period under review (1 January – 30 June 2014) it was 87.4%. The lower occupancy rate year-on-year is primarily due to the impact of new apartments acquired without tenants. The difficult conditions in the housing market have been reflected in the company's apartment sales, and we are lagging behind our sales targets.

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No unexpected cost items were related to the maintenance and repair costs of the investment properties. During the second quarter, the maintenance costs fell from the first quarter due to seasonal effects. As a whole, repair costs were slightly below the planned level.

The number of Orava Residential REIT shareholders continued to grow and amounted to approximately 4,800 in July. Trading in the company's shares on the Helsinki Stock Exchange has continued to be lively, and the average daily turnover in January–June 2014 exceeded EUR 289,000. At the end of June, the company issued 418,923 new shares in directed issues. The new shares do not entitle holders to dividends in 2014.

The Annual General Meeting of 18 March 2014 decided to pay a dividend of EUR 0.28 per share in each quarter. The dividend will always be paid on the last weekday of the quarter. A total of EUR 1.12 per share will be paid from the profit for 2013 in dividends in 2014, which is slightly less than 10 per cent of the net asset value per share at the beginning of 2014. During the period under review, EUR 0.56 per share have been paid in dividends.

The company continues to estimate that it has favourable preconditions for maintaining good profitability in 2014 and achieving the targeted total return of 10 per cent on shareholders' equity."

Operating environment

National economy

The growth in the Finnish gross domestic product over the current year is forecasted to amount to -0.2% – +0.7% and over next year to +0.6% – +2.0%. The growth in private consumption that has a key impact on the housing market is forecasted to be approximately -0.5% – +0.4% over the current year and +0.4% – +1.1% over 2015. The level of market interest rates in the euro area has continued to fall, and short-term rates are also expected to remain at less than two 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 weak economic outlook, which nevertheless shows signs of slowly picking up, is still suppressing the housing market, which, on the other hand, continues to be supported by the even lower interest rates.

Demand in the housing market

During April–June 2014, households drew down EUR 4.1 billion in new mortgages, or 1% less than a year previously according to statistics from the Bank of Finland. The euro-denominated mortgage base totalled EUR 89.0 billion at the end of June, and the annual growth in the mortgage base was 1.8%.

The average marketing period for old apartments in the country overall according to the Finnish Etuovi.com marketing service increased from 103 days in March to 119 days in June, while it had been 92 days in June in the previous year.

The demand situation in the housing market has remained weak.

Supply in the housing market

According to Statistics Finland, building permits for apartment blocks were granted for 1,741 apartments in May, which was 1% more than a year previously. Correspondingly, in January–May, a total of 8,481 building permits were granted for apartment blocks, or 25% more than a year previously. The annual change in the sliding annual sum of building permits granted for apartment blocks was 0%.

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The three-month change in the housing construction volume index that describes the value of on-going new construction was -7% in April, and the change year-on-year was -13%.

Supply in the housing market has continued to decrease.

Prices, rents and return in the housing market

In the second quarter of 2014, the rents of non-subsidised apartments increased by 3.3% year-on-year. The change in the prices of apartments during the second quarter was -0.3% compared with the situation a year previously. 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 second quarter was 15.9. The 40-year average for the ratio of square metre prices to annual rents in Finland is 16.7.

We continue to expect housing prices throughout the country to start rising slightly during the next 12 months 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. The primary reason for this was the acquisitions made at the end of 2013 and subsequently, where the share of apartments acquired without tenants was higher than previously. In addition, the prolonged generally poor economic situation has made letting slightly more difficult.

The economic occupancy rate for the second quarter was 92.7%, while it was 87.4% for the entire January–June period.

At the end of the period, the company had a total of 1,002 residential apartments (2013: 491) and a total of 1,024 leases. There were 979 leases at the end of the period, and 48 apartments were for sale (2013: 30).

	1 Jan - 30 Jun 2014	1 Jan - 30 Jun 2013
Gross rental yield, %	6.6	8.1
Net rental yield, %	4.2	4.7
Economic occupancy rate, %	87.4	95.5
Operational occupancy rate, %	86.2	94.3
Tenant turnover/month, %	1.9	2.2

Approximately 20 leases of the entire lease base for residential apartments were agreements valid for a fixed term. A total of 56 agreements were terminated during the period (2013: 48).

Acquisitions

Acquisitions implemented or agreed during the period under review

Time	Property	Debt-free purchase price (EUR million)	Company loan (EUR million)	Shares (qty)	Apartments (qty)
31 Mar 2014	2 properties (Helsinki, Vantaa) and apartments from one property (Tampere)	12.7	1.7		118

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25 Jun 2014	4 properties (Kotka, Riihimäki, Savonlinna and Varkaus)	4.1	-	311,123	131
26 Jun 2014	Apartments from 3 properties (Tampere and Jyväskylä)	4.4	3.4	-	26
TOTAL		21.1	5.1	311,123	275

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 Maauuntie 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, a binding agreement was concluded with Varma Mutual Pension Insurance Company on the purchase of the share capital of Asunto Oy Helsingin Koirasaarentie 1. The transaction according to the agreement was implemented on 30 April 2014. The property includes 24 apartments.

The company acquired a total of 131 apartments from A. Ahlström Kiinteistöt Oy 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 transaction was implemented according to the agreement on 28 July 2014. The apartments acquired are located at three housing companies, Asunto Oy Tampereen Vuoreksen Emilia (14 apartments), Asunto Oy Jyväskylän Ahjotar (8 apartments) and Asunto Oy Jyväskylän Kyläseppä (4 apartments).

Apartment sales

During the period, the company sold a total of 14 apartments from six different housing companies. The debt-free selling prices of the apartments totalled EUR 1.2 million. Under the challenging market conditions, the total number of apartment sales is lagging behind the objective. The brokerage fees for the sales amounted to EUR 48 thousand.

In accordance with the company's investment strategy, the company attempts to sell apartments at 10 per cent of the value of investment properties on the company's opening balance sheet annually so that apartments released from rental use are sold one by one.

Investment properties on 30 June 2014

The fair value of investment properties at the end of the period totalled EUR 100.5 million (31 December 2013: EUR 79.2 million). Orava Residential REIT had a total of 1,024 apartments on 30 June 2014 (31 December 2013: 791), the aggregate leasable surface area of which was approximately 64,026 m² (31 December 2013: 50,129 m²). The apartments were located at 50 different housing companies, where the company's holding is 100% in 15 of the cases. More detailed information on the investment properties is provided in the tables section.

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

	30 Jun 2014	30 Jun 2013
Newer (1990–present)	55%	20%
Older (until 1989)	45%	80%
Helsinki Region	43%	37%
Major cities	19%	19%
Rest of Finland	38%	44%

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 2013 financial statements.

Consolidated profit for the period

Consolidated revenue for the period totalled EUR 8.4 million (2013: EUR 2.0 million). The revenue was divided into income from ordinary operations of EUR 2.8 million (2013: EUR 1.3 million) and capital gains of EUR 5.6 million (2013: EUR 0.7 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 2.7 million (2013: EUR 1.0 million), of which maintenance costs and annual repairs accounted for EUR 1.0 million (2013: EUR 0.6 million). The increase in expenses results from the increase in the investment portfolio.

Operating profit amounted to EUR 5.7 million (2013: EUR 1.0 million)

Finance income and expenses stood at EUR -726 thousand (2013: -297 thousand) and taxes for the period at EUR 22 thousand (2013: EUR 11 thousand).

Profit for the period amounted to EUR 5.0 million (2013: EUR 0.7 million). Comprehensive income items totalled EUR -204 thousand (Q1 2013: EUR 158 thousand) and comprehensive profit for the period amounted to EUR 4.8 million (2013: EUR 0.8 million).

Financing

Finance expenses (net) amounted to EUR 726 thousand for the period 1 January –30 June 2014 (2013: EUR 297 thousand), and repayments of the parent company's loans from financial institutions totalled EUR 330 thousand (2013: EUR 350 thousand). The parent company's loans from financial institutions are hedged in their entirety in terms of interest rates through interest rate swaps concluded with Danske Bank.

The interest-bearing loans of Orava Residential REIT and the company loans allocated to the shares in housing companies totalled EUR 45.5 million on 30 June 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 350,000 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 for 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 shares subscribed in the March 2013 share issue, the dividend rights of which differ from the aforementioned shares, still remain unlisted. The company intends to apply for them to be admitted to public trading on the stock exchange list of the Helsinki Stock Exchange after their dividend rights have become equal to those of the listed shares in December 2014.

The trading code for the company's shares is OREIT. During the period under review, the average daily turnover of the shares was EUR 289,000, the average price was EUR 12.73, and the closing price was EUR 13.09.

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) on 30 June 2014. In the directed issues, A. Ahlström Kiinteistöt Oy 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 company had approximately 4,800 shareholders at the end of July.

LIST OF OWNERS ON 31 JULY 2014, THE 10 LARGEST

Shareholder	Number of shares	%
Länsi-Suomen Vuokratalot Oy*	351,000	7.42
A. Ahlström Real Estate Ltd	311,123	6.57
Avaintalot Oy*	247,794	5.24
Godoinvest Oy**	229,360	4.85
Sysmääläntien Kiinteistöt Oy***	219,368	4.63
Maakunnan Asunnot Oy*	102,205	2.16
Etra Oy	100,000	2.11
Livränteanstalten Hereditas	81,000	1.71
Alte Invest Oy	70,248	1.48
Signe och Ane Gyllenbergs Stiftelse	50,000	1.06
Total	1,762,134	37.23

* Companies in which board members Tapani Rautiainen and Timo Valjakka exercise control

** Company in which board member Timo Valjakka exercises control

*** Company in which board member Tapani Rautiainen exercises control

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

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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 – 30 June 2014 amounted to EUR 273 thousand (2013: EUR 118 thousand).

A performance-based management fee of EUR 934 thousand has been booked during 2014 (2013: EUR 0). Currently valid value added tax is added to the performance-based management fee. On 8 May 2014, the Board of Directors and the management company of Orava Residential REIT decided to change the management agreement so that the net asset value per share to be used as the closing price of the share when calculating the performance-based fee in 2014 and after it.

During the period, Newsec Asset Management Oy was paid a total of EUR 182 thousand 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. The Board of Directors convened eleven times during the period under review. The Board members' rate of attendance at Board meetings was 100%.

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 418,923 shares. The unused portion of the share issue authorisation granted by the AGM is 4,581,077 shares.

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

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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.

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 have an impact on a decline of the occupancy rate of apartments, loss of rental income and profitability.

Major events 1 January – 30 June 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 for 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 and admitted for trading in February, 25,687 shares subscribed in the March 2013 share issue, the dividend rights of which differ from the aforementioned shares, still remain unlisted. The company intends to apply for them to be admitted to public trading on the stock exchange list of the Helsinki Stock Exchange after their dividend rights have become 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 Maaunintie 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 the period. 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.

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The company acquired a total of 131 apartments from A. Ahlström Kiinteistöt Oy 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 the hedge fund UB View on 26 June 2014. The convertible bond is primarily intended for financing acquisitions, 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 value of stock exchange prices 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 for 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 Kiinteistöt Oy 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.

Events after the financial period

The acquisition of 26 apartments from Pohjola Rakennus Oy agreed in June 2014 was implemented according to plan on 28 July 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 making for new shares (trading code: OREIT0114) was concluded with Nordea Bank Finland Plc, and the market making 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.

Under the terms and conditions of the convertible bond concluded by the company, the company had assigned a total of 78,948 of its new shares in conversions of its convertible bond by 30 July 2014. After these conversions, the company owned 21,052 treasury shares.

Orava Residential REIT concluded another convertible bond agreement of EUR 1 million, which terms are in line with the previously made convertible bond agreement, with the hedge fund UB View on 6 August 2014.

Dividend

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 dividend will be paid on the last weekday of each quarter. The distribution of profit for 2013 will be paid in 2014 according to two different dividend rights.

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Dividends per share paid during the period under review:

	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
Total	EUR 0.56	EUR 0.42

Future outlook

Orava Residential REIT continues to estimate that it has the prerequisites for maintaining good profitability in 2014 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 approximately unchanged during the second half of the year and start to rise moderately later as a result of the forecasted overall strengthening of economic development. Rental income is estimated to recover slightly from the level of the first half of the year during the remainder of the year. The profit impact of the acquisition of properties is expected to decrease towards the end of the year, as it is anticipated that the total number of acquisitions will decline somewhat compared with the first half of the year. The ratio of maintenance and repair costs to the value of investment assets is expected to remain approximately at the level of the first half of the year during the remainder of the year.

Helsinki, 6 August 2014

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Board of Directors

Additional information

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

Veli-Matti Salmenkylä, CFO and administrative director, tel. +358 (0)10 420 3102

Appendix: Descriptive and tables sections

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Consolidated Statement of Comprehensive Income	Note	1 Apr – 30 Jun 2014	1 Apr – 30 Jun 2013	1 Jan – 30 June 2014	1 Jan – 30 Jun 2013
EUR 1,000					
Revenue					
Income from ordinary operations	6	1,565	646	2,759	1,290
Gains from disposals and changes in the fair value of apartments	6	2,566	1,229	5,613	693
Total revenue	6	4,131	1,876	8,372	1,984
Total expenses					
Maintenance expenses	7	-412	-282	-1,017	-630
Expenses from rental operations	7	-63	-16	-134	-43
Administrative expenses	7	-279	-141	-556	-266
Other operating income and expenses	7	-513	-60	-945	-59
Total expenses		-1,266	-500	-2,652	-999
Operating profit		2,865	1,376	5,720	985
Finance expenses (net)	8	-354	-163	-726	-297
Profit before taxes		2,512	1,213	4,994	688
Direct taxes	9	-6	-8	-22	-11
Profit/loss for the period		2,507	1,204	4,973	676
Profit/loss for the period attributable to the owners of the parent company	10	2,507	1,204	4,973	676
Earnings per share calculated from the profit attributable to the owners of the parent company					
Earnings per share, EUR	10	0.58	0.86	1.15	0.49
Other comprehensive income items					
Items that may in the future be reclassified to profit or loss					
Derivatives – interest rate swaps	16	-140	89	-204	158
Items that are not reclassified to profit or loss		0	0	0	0
Comprehensive profit/loss for the period		2,367	1,293	4,769	834
Comprehensive profit/loss for the period attributable to					
the owners of the parent company	10	2,367	1,293	4,769	834
non-controlling interests	10	0	0	0	0

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Consolidated statement of financial position	Note	30 Jun 2014	31 Dec2013
		EUR 1,000	
ASSETS			
<u>Non-current assets</u>			
Fair value of investment properties	11	100,453	79,190
<u>Current assets</u>			
Trade and other receivables	12	20	203
Cash and cash equivalents	13	2,914	9,134
		2,934	9,336
TOTAL ASSETS		103,387	88,526
Equity attributable to the owners of the parent company			
Share capital	14	46,333	43,144
Share premium account	14	844	0
Hedge reserve	14	-428	-224
Retained earnings		4,345	106
<u>Profit for the period</u>		4,973	6,753
Total equity		56,067	49,780
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	15	42,488	35,592
<u>Other non-current liabilities</u>	15	350	205
Total non-current liabilities		42,838	35,797
Current liabilities			
Interest-bearing liabilities, borrowings	17	2,996	1,730
Trade payables and other current liabilities	17	1,056	995
<u>Derivatives</u>	17	428	224
Total current liabilities		4,480	2,949
Total liabilities		47,318	38,746
TOTAL EQUITY AND LIABILITIES		103,387	88,526

Consolidated statement of cash flows

	1 Jan – 30 Jun 2014	1 Jan – 30 Jun 2013	1 Jan – 31 Dec 2013
EUR 1,000			
Cash flows from operational activities			
Cash flows from operational activities before financial items	1,152	72	811
Interest paid and other finance expenses, net	-935	-277	-656
Taxes paid	0	0	-11
Income from divestitures of tangible fixed assets	1,055	1,384	3,172
Net cash flows from operational activities	1,273	1,179	3,316
Cash flows from investment activities			
Acquisition of subsidiaries less acquired cash and cash equivalents	-14,299	-39	-18,883
Acquisition of residential apartment shares	-193	0	-2,564
Investments in tangible fixed assets	-288	-39	-178
Investments in intangible assets	0	-100	-187
Net cash flows used in investments	-14,779	-178	-21,812
Cash flows from financing activities			
Payments received from share issues	2,710	204	27,645
Loan withdrawals	6,130	0	7,111
Payments received from the issue of a convertible bond	1,000	0	
Loan repayments	-330	-357	-6,081
Dividends paid	-2,223	-673	-1,347
Net cash flows used in financing activities	7,287	-826	27,329
Net decrease (-) / increase (+) in cash and cash equivalents	-6,219	175	8,834
Cash and cash equivalents at the beginning of the period	9,134	300	300
Cash and cash equivalents at the end of the period	2,914	475	9,134

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 for 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 28 Jun 2012				-94	-94	-94
Distribution of dividends 27 Sep 2012				-94	-94	-94
Distribution of dividends 27 Dec 2012				-94	-94	-94
Deduction of earnings				-4	-4	-4
Profit for 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 shares 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 on 30 Sep 2013				-337	-337	-337
Distribution of dividends on 27 Dec 2013				-337	-337	-337
Profit for 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
Costs of acquiring equity		-55		-105	-160	-160
Distribution of dividends 28 Mar 2014				-1,206	-1,206	-1,206
Distribution of dividends 30 Jun 2014				-1,206	-1,206	-1,206
Profit for the period				4,973	4,973	4,973
Comprehensive income items			-204		-204	-204
Equity on 30 Jun 2014	46,333	845	-428	9,316	56,067	56,067

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 (299/2009) ("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 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

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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. The company has also discussed the application of the investment company exemption in IFRS 10 with the Financial Supervisory Authority, but as there is as yet no unanimity at national level in Finland about the application practice for the treatment of housing companies; we use IFRS 11. The choice has no impact on the financial result of Orava Residential REIT.

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 – 30 June 2014, a total of 14 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.

	1 Jan – 30 Jun 2014	1 Jan – 30 Jun 2013
Revenue		
<u>Income from ordinary operations</u>		
Gross rental yield	2,683	1,250
Compensation for use and service income	76	40
<u>Gains from disposals and changes in the fair value of apartments</u>		
Disposal prices of apartments less the fair value in the previous quarter's closing balance	-69	-66
Brokerage fees for apartments disposed of	-48	-58
Net gains and losses from changes in the fair value of investment properties	5,729	817
Total	8,372	1,984

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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>	30 Jun 2014	30 Jun 2013
Helsinki Region	43	37
Major cities	19	19
Rest of Finland	38	44
Total	100	100

<u>Distribution of investment property values by age group, %</u>	30 Jun 2014	30 Jun 2013
Built in 1989 or earlier	45	80
Built in 1990 or later	55	20
Total	100	100

<u>7. Expenses by type</u>	1 Jan – 30 Jun 2014	1 Jan – 30 Jun 2013
-		
Personnel expenses	-52	-18
Fixed management fee Orava Funds plc	-273	-118
Other administrative expenses	-231	-130
Property maintenance expenses	-1,017	-630
Expenses from rental operations	-134	-43
Other operating expenses	-945	-59
Total	-2,652	-999

<u>Personnel expenses, Board of Directors' fees</u>	1 Jan – 30 Jun 2014	1 Jan – 30 Jun 2013
Jouni Torasvirta	-14	-7
Peter Ahlström	-8	0
Mikko Larvala	-8	-1
Tapani Rautiainen	-8	-4
Veli Matti Salmenkylä	-8	-4
Timo Valjakka	-8	-4
Total	-51	-18

The Board of Directors convened eleven times during the period.

<u>Auditor's fees</u>	1 Jan – 30 Jun 2014	1 Jan – 30 Jun 2013
Audit, parent company	-10	-13
Audit, subsidiaries	-9	-7
Total	-19	-20

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

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	1 Jan – 30 Jun 2014	1 Jan – 30 Jun 2013
<u>Other operating expenses</u>		
Credit losses	-11	1
Performance-based fee paid to the management company	-934	-60
Total	-945	-59

	1 Jan – 30 Jun 2014	1 Jan – 30 Jun 2013
<u>Property maintenance expenses</u>		
Property maintenance expenses less compensation for use	-941	-590
Property maintenance expenses less compensation for use as percentage of market value, p.a.	-2.1 %	-3.4 %
Average market value of investment properties during the period, EUR 1,000	89,490	34,933

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

	1 Jan – 30 Jun 2014	1 Jan – 30 Jun 2013
<u>8. Finance income and expenses</u>		
-		
Interest expenses and fees for loans and interest rate hedges	-500	-244
Change in the capitalised amounts of arrangement fees	-8	-6
Share of the capital charges of associated companies expensed	-210	-45
Other finance expenses	-11	-4
Total finance expenses	-729	-299
Finance income	3	2
Total	-726	-297

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 – 30 Jun 2014	1 Jan – 30 Jun 2013
------------------------	------------------------

Taxes for the period	-22	-11
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10. Earnings per share

1 Jan – 30 Jun 2014 1 Jan – 30 Jun 2013

(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	4,973	676
Weighted average number of outstanding shares, 1,000 shares	4,325	1,380
Undiluted earnings per share	1.15	0.49

(b) Adjusted for dilution effect, 4,328,000 shares **1.15**

On 30 June 2014, the company had a total of 100,000 potentially diluting shares in its possession.

11. Non-current assets

30 Jun 2014 31 Dec 2013

Investment properties

Fair value

Acquisition cost on 1 Jan	79,190	31,992
Increases including asset transfer tax	16,881	43,607
Decreases	-1,127	-3,429
Change in fair value during the financial period excluding asset transfer tax	5,509	7,020
Fair value on 31 xxxxx	100,453	79,190

The decreases are disposals of residential apartments. A total of 14 apartments were sold during the period 1 January – 30 June 2014.

The change in the value of investment properties included in the investment portfolio throughout the period under review 2014 was -1.2% or EUR -968,000.

Investment properties on 30 June 2014

	Registered office	Construction year	Holding
HELSINKI REGION			
Asunto Oy Helsingin Koirasaarentie 1	Helsinki	2000	100.00%
Asunto Oy Kauniaisten Venevalkamantie	Kauniainen	2012	30.00%
Asunto Oy Järvenpään Terho	Järvenpää	2012	4.90%
Asunto Oy Järvenpään Tuohi	Järvenpää	2013	88.20%
Asunto Oy Keravan Ritariperho	Kerava	2011	99.90%
Asunto Oy Kirkkonummen Pomada	Kirkkonummi	2012	32.50%
Asunto Oy Nurmijärven Puurata 15-17	Nurmijärvi	1974-75	64.70%
Asunto Oy Nurmijärven Soittaja	Nurmijärvi	2013	58.90%

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Bostads Ab Lindhearst Asunto Oy	Sipoo	1982	64.90%
Asunto Oy Vantaan Maaunintie 14	Vantaa	1975	100.00%
Asunto Oy Vantaan Rasinrinne	Vantaa	1975	83.10%
Asunto Oy Vantaan Rusakko	Vantaa	1992	90.00%
MAJOR CITIES			
Asunto Oy Jyväskylän Kruununtorni	Jyväskylä	2010	36.00%
Asunto Oy Jyväskylän Tukkipoika	Jyväskylä	2013	12.30%
Asunto Oy Lahden Helkalanhovi	Lahti	1975	77.20%
Asunto Oy Lahden Leinikki	Lahti	2013	9.00%
Asunto Oy Lahden Poikkikatu 4	Lahti	1971	66.20%
Asunto Oy Lahden Pormestari	Lahti	2012	8.00%
Asunto Oy Lahden Vuoksenkatu 4	Lahti	1970	44.30%
Asunto Oy Oulun Eveliina	Oulu	2011	14.10%
Asunto Oy Oulun Jatulinmetsä	Oulu	2013	7.70%
Asunto Oy Oulun Merijalinväylä	Oulu	2012	4.60%
Asunto Oy Oulunsalon Poutapilvi	Oulu	2010	4.10%
Asunto Oy Oulun Seilitie 1	Oulu	2009	100.00%
Asunto Oy Tampereen Professori	Tampere	2013	11.50%
Asunto Oy Tampereen Ruuti	Tampere	2014	59.50%
Asunto Oy Tampereen Vuorenpeikko	Tampere	2013	3.10%
Asunto Oy Turun Michailowinportti	Turku	2013	21.80%
REST OF FINLAND			
Asunto Oy Haminan Tervaniemi	Hamina	1999	95.80%
Asunto Oy Heinolan Tamppilahdenkulma	Heinola	1977	100.00%
Asunto Oy Hämeenlinnan Aulangontie 39	Hämeenlinna	1974	56.00%
Asunto Oy Kokkolan Luotsi	Kokkola	2012	21.90%
Asunto Oy Kotkan Alahovintie 7	Kotka	1974	100.00%
Asunto Oy Kotkan Alahovintorni	Kotka	1973	100.00%
Asunto Oy Kotkan Matruusi	Kotka	2013	19.70%
Asunto Oy Kotkan Vuorenrinne 19	Kotka	1973-76	96.80%
Asunto Oy Lohjan Koulukuja 14	Lohja	1976	95.80%
Asunto Oy Lohjan Pinus	Lohja	2012	57.20%
Asunto Oy Porin Kommodori	Pori	2013	8.70%
Asunto Oy Porin Pihlavankangas	Pori	1973	100.00%
Asunto Oy Kaivopolku	Porvoo	1993	100.00%
Kiinteistö Oy Liikepuisto	Porvoo	1960	100.00%
Asunto Oy Riihimäen Vuorelanmäki I	Riihimäki	1956	100.00%
Asunto Oy Salon Ristinkedonkatu 33	Salo	1975-76	100.00%
Asunto Oy Savonlinnan Välimäentie 5-7	Savonlinna	1977	100.00%
Asunto Oy Tornion Aarnintie 7	Tornio	1974	39.00%
Asunto Oy Tornion Kuparimarkka	Tornio	1975	90.20%
Asunto Oy Varkauden Onnela	Varkaus	1920	100.00%
Asunto Oy Varkauden Parsius	Varkaus	1973	100.00%
Asunto Oy Varkauden Ahlströminkatu 12	Varkaus	1954	100.00%

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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 30 June 2014

Region	No of properties	Apartments and business facilities	Floor area	Valuation
Espoo & Kauniainen	1	9	563	2,589
Helsinki	1	20	1,436	5,412
Järvenpää	2	16	1,298	5,140
Kerava	1	19	2,071	6,253
Kirkkonummi	1	6	650	2,037
Nurmijärvi	2	46	3,297	7,009
Sipoo	1	14	1,140	1,816
Vantaa *)	3	116	7,015	12,702
Helsinki Region *)	12	246	17,470	42,958
Jyväskylä **) ***)	2	8	1,460	2,683
Lahti	5	73	4,148	5,668
Oulu	5	27	1,659	4,292
Tampere ***)	3	24	1,270	4,154
Turku	1	5	417	1,594
Major cities ***)	16	137	8,954	19,157
Hamina	1	16	1,040	1,385
Heinola	1	20	1,164	701
Hämeenlinna	1	12	575	1,105
Kokkola	1	4	321	930
Kotka *)	4	144	8,070	6,651
Lohja	2	63	3,941	5,873
Pori	2	59	3,233	3,010

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Porvoo ****)	2	42	2,663	6,976
Riihimäki	1	16	733	832
Salo *****)	1	74	4,457	3,298
Savonlinna	1	51	2,722	2,328
Tornio	2	66	3,768	3,095
Varkaus *****)	3	74	4,915	2,154
Rest of Finland	22	641	37,602	38,337
Total **)	50	1,024	64,026	100,453

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

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

***) Includes the change in the value of As Oy Jyväskylän Kylänseppä, As Oy Jyväskylän Ahjotar and As Oy Tampereen Vuoreksen Emilia during the period. The properties were not taken into account in the calculation of apartments and square metres.

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

*****) Asunto Oy Salon Ristinkedonkatu 33 has one business facility and a day care centre.

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

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 Newsec Valuation Oy, external appraisers, provide calculations of the value of the investment properties owned by Orava Residential REIT every six months. The appraisal of the external appraisers on 30 June 2014 was 0.3% higher than the fair value on the balance sheet on 30 June 2014.

12. Trade and other receivables

	30 Jun 2014	31 Dec 2013
-		
Rental and trade receivables	121	106
Other receivables	1	90
Prepaid expenses and accrued income	-102	7
Total other receivables	20	203

Credit losses of EUR 11,000 net were booked for rental receivables during the period.

13. Cash and cash equivalents

	30 Jun 2014	31 Dec 2013
Cash and cash equivalents held in accounts	2,914	9,134
Total	2,914	9,134

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

14. Share capital and share premium account

	30 Jun 2014	31 Dec 2013
-		
Share capital on 1 January	43,144	13,666
Increase in share capital, paid	0	29,478
Share capital on 31 December	43,144	43,144
Share premium account	0	0
Total share capital and share premium account	43,144	43,144

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

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

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

The number of shares on 30 June 2014 was 4,733,317, of which 100,000 were in the company's possession.

15. Non-current liabilities

	30 Jun 2014	31 Dec 2013
-		
The parent company's loans from financial institutions	18,484	12,631
Overdraft facility	0	0
Capitalisation of loan arrangement fees	-38	-46
Long-term security deposits received	350	251
Non-current loans from owners of the parent company	0	0
Share of debt attributable to shares held by the parent company	24,042	22,961
Total non-current liabilities	42,838	35,797

Parent company's loans from financial institutions

	30 Jun 2014	31 Dec 2013
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	3,325	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	634	634
capital repayments for the next 12 months included in current liabilities	-16	-16
Danske Bank Plc, transferred 1 Nov 2012	926	926
capital repayments for the next 12 months included in current liabilities	-24	-24
Danske Bank Oyj, transferred 27 Sep 2013	820	820
capital repayments for the next 12 months included in current liabilities	-21	-21
Danske Bank Plc, transferred 17 Dec 2013	2,560	2,560
capital repayments for the next 12 months included in current liabilities	-64	-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

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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
Total loans	18,484	12,631

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 June 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.

Instruments	EUR 1,000	Fixed interest	Maturity
OTC interest rate swap	2,127	2.95	15 Apr 2016
OTC interest rate swap	3,325	1.87	7 Sep 2016
OTC interest rate swap	2,450	1.13	21 Jun 2017
OTC interest rate swap	634	0.87	10 Oct 2017
OTC interest rate swap	926	0.86	1 Nov 2017
OTC interest rate swap	820	1.15	27 Sep 2018
OTC interest rate swap	2,560	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
Fair value		30 Jun 2014	31 Dec 2013
At the end of the period, the fair value of interest rate swaps was		-428	-224
Change in fair value during the period, EUR 1,000		-204	183

17. Current liabilities

	30 Jun 2014	31 Dec 2013
The parent company's loans from financial institutions	489	334
Current loans from related parties	1,095	1,095
Share of debt attributable to the shares held by the parent company	301	301
Convertible bond	1,000	0
Advance payments received	97	66
Trade payables	16	84
Other liabilities	934	69
Accrued expenses and deferred income	102	758
Interest liabilities	18	18

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Fair value of interest rate hedges	428	224
Total current liabilities	4,480	2,949

18. Related party transactions 1 January – 30 June 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). The transactions agreed with A. Ahlström Kiinteistöt 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

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Orava Residential REIT uses variable-rate loans from financial institutions to finance its acquisitions. The loans are hedged with interest rate swaps. On 30 June 2014, the hedging rate of loans was 100% (31 December 2013: 100%). 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 30 June 2014, the average maturity of the parent company's bank loans was 3.7 years (31 December 2013: 3.7 years).

The share issue directed at the public implemented during the previous financial period succeeded well, which significantly reduces the liquidity risk.

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 30 June 2014, rental receivables totalled EUR 121,000, of which EUR 92,000 had been referred for debt collection (31 December 2013: EUR 71,000). Receivables in collection less than two months old amounted to EUR 61,000, and receivables more than two months old to EUR 31,000.

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 30 June 2014, the equity-to-assets ratio was 54.2% (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>less than 1 year</u>	<u>1–5 years</u>	<u>over 5 years</u>
-			
Interest-bearing loans, EUR 1,000 30 Jun 2014	2,885	24,533	18,066

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

	Level 1	Level 2	Level 3
Assets			
Investment properties on 30 Jun 2014	-	97,899	2,554
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	-
Liabilities			
Interest rate hedging contracts on 30 Jun 2014	-	-428	-

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Interest rate hedging contracts on 31 Dec 2013	-	-223	-
Interest rate hedging contracts 31 Dec 2012	-	-407	-

21. Events after the period under review

The acquisition of 26 apartments from Pohjola Rakennus Oy agreed in June 2014 was implemented according to plan on 28 July 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: OREIT0114) 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 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.

Under the terms and conditions of the convertible bond concluded by the company, the company had assigned a total of 78,948 of its shares in conversions of the convertible bond by 30 July 2014. After these conversions, the company owned 21,052 treasury shares.

Orava Residential REIT concluded another convertible bond agreement of EUR 1 million, which terms are in line with the previously made convertible bond agreement, with the hedge fund UB View on 6 August 2014.

FINANCIAL INDICATORS FOR THE GROUP

	1 Jan – 30 Jun 2014	1 Jan – 30 Jun 2013
Revenue, EUR 1,000	8,372	1,290
Operating profit, EUR 1,000	5,720	985
Financial result for the period, EUR 1,000	4,973	676
Comprehensive profit for the period, EUR 1,000	4,769	834
Earnings per share, EUR	1.15	0.49
Maximum dividends to be paid during the financial period per share, EUR	1.12	1.08
Dividends paid during the period under review per share, EUR *)	0.56	0.54
Return on equity, % p.a. (ROE)	19.0%	8.9%
Total return per share, % p.a.	19.4%	11.8%
Weighted average number of shares adjusted for share issues	4,328,281	1,380,466

*) 100% dividend right

	30 Jun 2014	31 Dec 2013
Balance sheet total, EUR 1,000	103,387	88,526
Equity/assets ratio, %	54.3%	56.3%
Loan to value ratio, %	44.0%	42.2%
Net asset value per share, EUR, NAV **	12.10	11.54
Net gearing, %	75.9%	56.6%
Number of shares on 31 xxxxxx	4,733,317	4,314,394
Market capitalisation, EUR 1,000 ***	60,462	44,345

***) The 100,000 shares in possession of the company were not taken into account

**) Includes the shares listed on 1 July 2014 / 3 February 2014

	1 Jan – 30 Jun 2014	1 Jan – 30 Jun 2013
Economic occupancy rate, %, (EUR)	87.4%	95.5%
Operational occupancy rate, %, (m ²)	86.2%	94.3%
Tenant turnover/month	2.0%	2.2%
Gross rental yield, % of fair value	6.6%	8.1%
Net rental yield, % of fair value	4.2%	4.7%
EPRA Earnings, EUR 1,000	1,052	351

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(Operational result)		
EPRA Earnings per share, EUR	0.24	0.26
(Operational result per share)		
EPRA Net Asset Value, EUR 1,000	56,495	15,685
(Net assets)		
EPRA Net Asset Value per share, EUR	12.19	11.21
(Net assets per share)		
EPRA Net Initial Yield (NIY), %	4.6%	4.8%
(Initial yield)		
EPRA Vacancy Rate	6.3%	4.5%

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	=	$\left\{ \frac{\text{Net assets per share at the end of the year} + \text{dividends paid per share}}{\text{Net assets per share at the beginning of the year}} - 1 \right\} \times 100$	
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 ²)	=	$\frac{\text{Square metres let on the last day of the month during the reported period per the number of months}}{\text{Square metres available for letting on the last day of the month during the reported period per the number of months}}$	

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

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

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

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

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

FORMULAS FOR EPRA INDICATORS

$$\begin{aligned} \text{EPRA Earnings} &= \text{Net rental income} \\ \text{(Operational result)} &= - \text{marketing and administrative expenses} \\ &+/- \text{other operating income and expenses included in operations} \end{aligned}$$

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

(Operational result per share)

$$\text{EPRA Net Asset Value} = \text{Equity attributable to the shareholders of the parent company}$$

(Net assets) - any other equity reserve

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

(Net assets per share)

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

(Initial yield)

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