

**ORAVA RESIDENTIAL REIT PLC**  
**HALF YEAR FINANCIAL REPORT**  
1 JANUARY–30 JUNE 2016



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## CEO'S COMMENTS

The second quarter results of Orava Residential REIT remained unsatisfactory.

Despite the slow recovery of the housing market, the housing price development was, as a whole, weak in the second quarter; the change in value of apartments previously acquired in the housing portfolio was +0.4% in April, -0.3% in May and -0.6% in June, i.e., in the entire quarter -0.5%. This corresponds to a fall of approximately one million euros in the value of the old portfolio.

In an international comparison, the past development in Finnish housing prices has been exceptionally weak. According to the latest statistics from Eurostat, the change in housing prices in the past 12 months has been lower than in Finland in only three of the 30 EU and EEA countries. The recovery of the housing market has progressed faster than Finland in almost all European countries.



## 1 April–30 June 2016

- Revenue: EUR 2.9 million (1 April–30 June 2015: EUR 4.7 million)
- Comprehensive profit: EUR -0.4 million (EUR 1.9 million)
- Earnings per share: EUR -0.04 (EUR 0.19)
- Economic occupancy rate: 90.1% (90.9%)
- Gross rental yield: 6.9% (6.8%)
- Net rental yield: 4.0% (3.7%)
- Profit from assignments and changes in fair value: EUR -0.2 million (EUR 2.2 million)
- Total dividends distributed during the period under review: EUR 0.27 per share (EUR 0.30 per share)

## 1 January–30 June 2016

- Revenue: EUR 7.7 million (1 January–30 June 2015: EUR 9.3 million)
- Comprehensive profit: EUR 1.4 million (EUR 4.1 million)
- Earnings per share: EUR 0.18 (EUR 0.54)
- Economic occupancy rate: 90.0% (90.4%)
- Gross rental yield: 6.8% (6.8%)
- Net rental yield: 3.8% (3.9%)
- Profit from assignments and changes in fair value: EUR 1.7 million (EUR 4.5 million)
- Total dividends distributed during the period under review: EUR 0.54 per share (EUR 0.60 per share)

Adjusted net assets per share of Orava Residential REIT plc amounted to EUR 10.88 on 30 June 2016, while they were EUR 11.63 (adjusted) at the beginning of 2016. The company has continued growing, and the value of its investment properties rose to EUR 212.2 million at the end of the period under review (31 December 2015: EUR 195.9 million).

The compensation of the weak housing price development with the result impact of the wholesale discount in housing acquisitions has been made more difficult by the uncertainty that prevailed in the equity market during last winter and spring, which has been seen in the price development of the share of the Residential REIT and weakened the opportunities to acquire equity. The number of housing acquisitions remained lower than in previous quarters; 23 new apartments were acquired at a debt-free purchase price of EUR 6.7 million in the second quarter. After end of the period under review, the price development and the stock market have, however, strengthened in June and August.

Rental income improved slightly from the previous quarter; the economic occupancy rate, gross rental yield and net rental yield increased. The picking up of housing sales continued, and we made a new sales record in the quarter; sales accumulated to EUR 2.9 million. The maintenance and repair costs

of investment properties in relation to the value of the portfolio fell from 3.0 per cent to 2.8 per cent expressed as an annual-level figure.

The number of Orava Residential REIT's shareholders has continued growing to over 8,400. Trading in the company's share on the Helsinki Stock Exchange has fallen slightly; the average daily turnover in January-July was EUR 206,000.

The company estimates that it has reasonable prerequisites for getting close to achieving its targeted total return of 10 per cent on shareholders' equity.



# OPERATING ENVIRONMENT

## National economy

Finnish GDP growth is expected to settle between +0.7% and +1.1% this year, and next year slightly higher, between +0.9% and +1.3%. The growth of private consumption that is central for the housing market is expected to settle between +0.7% and +1.2% this year, while it is expected to remain between +0.3% and +0.8% next year. The market interest rates in the euro area have still continued to fall, and short-term rates are expected to remain at less than one per cent for the next seven to eight years. The estimate is based on the most recent economic forecasts by 14 parties drawing up forecasts on the Finnish economy, compiled by the Federation of Finnish Financial Services, and the market interest rate expectations calculated on the basis of the euro interest rate curve published by the European Central Bank.

We continue to expect the housing market to strengthen during 2016.

## Demand in the housing market

During April-June, households drew down EUR 5.2 billion in new mortgages, or 13% more than a year previously according to statistics from the Bank of Finland. The euro-denominated mortgage base totalled EUR 93.1 billion at the end of March, and the annual growth in the mortgage base was 2.7%.

According to the statistics from the Central Federation of Finnish Real Estate Agencies, the change in the number of transactions in old apartments was +5.8% in June and +3.2% in January-June compared to the corresponding period in the previous year. The average marketing period for old apartments in the country overall according to the Finnish Etuovi.com marketing service increased from 106 days in March to 104 days in June, while it had been 111 days in June in the previous year.

The demand for apartments seems to have strengthened slightly during the second quarter.

## Supply in the housing market

According to Statistics Finland, building permits for apartment blocks were granted for 2,267 apartments

in May, which was 36% more than a year previously. Correspondingly, in January-May, building permits for apartment blocks were granted for a total of 10,662 apartments, or 24% more than a year previously. The annual change in the sliding annual sum of building permits granted for apartment blocks rose to +27%.

The three-month change in the housing construction volume index, which describes the value of on-going new construction, was +8% in May, and the change year-on-year was +28%.

According to the August confidence indicator survey of the Confederation of Finnish Industries, the balance figure for construction production for the past three months was +32 points in the second quarter of the year, while it was +4 points in the previous quarter and +32 points a year before. The balance figure for the three-month production expectation was +23 points, compared to +41 points in the previous quarter and +27 points a year before. The number of unsold residential apartments compared to normal remained at the level of the first quarter of the year at -5; a year ago, the balance figure was +9 points.



The supply in the housing market has continued growing during the second quarter.

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

In the second quarter of 2016, the rents of non-subsidised apartments increased by 2.4% year-on-year. The change in housing prices in the second quarter according to the housing price index from Statistics Finland was 1.2% year-on-year. The change in housing prices from the previous quarter calculated by Statistics Finland was +1.4%, which we estimate to correspond to an increase of approximately 0.6% when converted seasonally. The ratio of housing prices to rents is slightly below the long-term average; the ratio calculated from the square metre prices of apartment block apartments in the fourth quarter and the rents of non-subsidised apartments was 15.1. The 42-year average for the ratio of square metre prices to annual rents in Finland is 16.9.

We expect housing prices in the country as a whole to start rising slightly during the next 12 months, and the development in rents for non-subsidised apartments to remain approximately the same, if the market interest rate expectations and

	1 Jan – 30 Jun 2016	1 Jan – 30 Jun 2015
Gross rental yield, %	6.8	6.8
Net rental yield, %	3.8	3.9
Economic occupancy rate, %	90.0	90.4
Operational occupancy rate, %	91.4	88.8
Tenant turnover/month, %	2.7	2.4

economic forecasts prove true with regard to their essential components affecting the housing market.

### RENTAL OPERATIONS

The economic occupancy rate of rental operations in the second quarter was 90.1%, which is higher than in the previous quarter (90.0%). The economic occupancy rate, adjusted so that acquisitions in the past six months have been eliminated, was 92.5%. The gross rental yield in the second quarter was 6.9%.

In the six-month period, the economic occupancy rate was 90.0 per cent (2015: 90.4 per cent and gross rental yield was 6.8 per cent (2015: 6.8 per cent).



At the end of the period, there were a total of 1,733 residential apartments and business premises (2015: 1,594), and there were 1,425 leases at the end of the period (2015: 1,320); 105 apartments were for sale (2015: 108). Approximately 98% of the entire lease base for residential apartments is in agreements valid until further notice. A total of 144 agreements were terminated in the second quarter (Q2 2015: 108).

#### Acquisitions implemented or agreed during the second quarter

Time	Property	Debt-free transaction price (EUR million)	Company loan (EUR million)	Directed issues (1000 shares)	Apartments (qty)
30 Jun 2016	Apartments from 9 properties	6.7	5.3	-	23
<b>Total</b>		<b>6.7</b>	<b>5.3</b>	<b>-</b>	<b>23</b>

### ACQUISITIONS

In the second quarter, the company acquired from Lemminkäinen Talo Oy and Skanska Talonrakennus Oy a total of 23 apartments from seven cities with binding contracts on 30 June 2016. The apartments acquired are located in 9 properties in Espoo, Helsinki, Vantaa (2), Lahti, Turku (2), Raisio and Forssa. The apartments were without tenants at the time of acquisition.

During the first half of the year, Orava Residential REIT acquired 72 apartments (2015: 304 apartments) at a debt-free purchase price of EUR 16.3 million (2015: EUR 37.8 million).

### APARTMENT SALES

Apartment sales grew in the second quarter to a significantly higher level than in the previous quarters. Measured in euros, the quarter was the best in the company's history for the third time in a row. During



Age and regional distributions of the investment portfolio	30 Jun 2016	30 Jun 2015
Newer (1990 onwards)	69 %	61 %
Older (up to 1989)	31 %	39 %
Helsinki Region	38 %	36.5 %
Major cities	31 %	30.4 %
Medium-sized cities	31 %	33.1 %

the second quarter, the company sold a total of 26 residential apartments from sixteen different housing companies. The debt-free selling prices of the apartments totalled EUR 2.9 million, and the sales commissions were EUR 103,000.

During the first half of the year, Orava Residential REIT sold 42 apartments (2015: 16 apartments) at a debt-free selling price of EUR 4.8 million (2015: EUR 1.5 million).

### INVESTMENT PROPERTIES 30 JUNE 2016

The fair value of investment properties at the end of the period totalled EUR 212.2 million (31 December 2015: EUR 195.9 million). Orava Residential REIT had a total of 1,733 apartments on 30 June 2016 (31 December 2015: 1,702); the aggregate floor area of the apartments was approximately 111,000 m<sup>2</sup>

(31 December 2015: 108,000 m<sup>2</sup>). The apartments were located at 124 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.

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 2015 financial statements.

### CONSOLIDATED PROFIT FOR THE PERIOD

The Group's revenue for the second quarter totalled EUR 2.9 million (Q2 2015: EUR 4.7 million). The revenue was divided into income from ordinary operations of EUR 3.1 million (Q2 2015: EUR 2.5 million) and capital gains of EUR -0.2 million (Q2 2015: EUR 2.2 million). The returns on rental operations include rental income and compensation for use. Capital gains are made up of the change in the fair value of apartments, as well as profit from sales of investment properties less sales commissions of sold apartments.

Operating expenses totalled EUR 2.3 million (Q2 2015: EUR 2.3 million), of which maintenance costs and annual repairs amounted to EUR 1.5 million (Q2 2015: EUR 1.3 million) and the performance-based



management fee totalled 0.0 million (Q2 2015: EUR 0.4 million). The growth in costs is mainly due to the expansion of the operations.

Operating profit amounted to EUR 0.6 million (Q2 2015: EUR 2.4 million).

Financial income and expenses totalled EUR -917,000 (Q2 2015: EUR -990,000), and taxes for the period totalled EUR 18,000 (Q2 2015: EUR 20,000).

Profit for the second quarter was EUR -0.4 million (Q2 2015: EUR 1.4 million). Comprehensive income items amounted to EUR -28,000 (Q2 2015: EUR 503,000), and comprehensive profit totalled EUR -0.4 million (Q2 2015: EUR 1.9 million).

## **FINANCING**

Financial expenses (net) totalled EUR 1.5 million during the period 1 January–30 June 2016 (2015: EUR 1.3 million).

The interest-bearing loans of Orava Residential REIT and the company loans allocated to the shares in housing companies totalled EUR 116.3 million on 30 June 2016 (31 December 2015: EUR 95.8 million).

In addition to the loans, the long-term liabilities in the statement of financial position also include EUR 755,000 in rental deposits paid by tenants (31 December 2015: EUR 660,000).



## SHARES AND SHAREHOLDERS OF ORAVA RESIDENTIAL REIT

On 20 April 2016, the company directed 200,000 shares to itself in a charge-free share issue and applied for the shares to be admitted to trading on the main list of the Helsinki Stock Exchange (trading code OREIT0116). The shares do not provide entitlement to dividends paid from the profit for 2015 during 2016, but they will provide entitlement to dividends in 2017 and subsequent years.

The number of the company's shares registered with the Finnish Trade Register at the end of June was 9,406,619, of which outstanding shares were 8,689,250.

The company has allocated and will allocate shares to itself in charge-free share issues, which it may use to strengthen its capital structure, develop its business and widen its ownership base through both acquisition of investment properties and the issue of convertible bonds. During the period 1 April–30 June 2016, the company has concluded seven convertible bond agreements worth a total of EUR 2.5 million, of which EUR 2.1 million was exchanged for 580,942 shares in the company and recognised in the company's shareholders' equity. The company's

shareholders' equity is EUR 95.8 million (31 December 2015: EUR 94.3 million). At the end of the period, the company had 717,369 shares in its possession that it had allocated to itself, which corresponds to 7.6 per cent of the total number of the company's shares and the total number of votes. More detailed information on shareholders' equity and convertible bonds is presented in the tables section, at sections 5.3 and 6.1.

The trading codes of the company's shares during the financial year were OREIT and OREITN0116.

During the period under review, the average turnover of shares was approximately EUR 206,000.

The company had over 8,400 shareholders at the end of July 2016. Of the total number of shares, 3.2% were nominee registered.

## 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

List of owners on 28 July 2016, ten largest

Shareholder	Number of shares	%
Maakunnan Asunnot Oy *	435,664	4.5
Yli-Torkko Erkki	199,862	2.1
Rakennusliike Leimarakentajat Oy	157,681	1.6
Sysmäläntien kiinteistöt Oy ***	128,212	1.3
Ålands Ömsesidiga Försäkringsbolag	100,000	1.0
Vähävara Oy	92,000	1.0
Godoinvest Oy **	79,360	0.8
Niemi Aaro	46,946	0.5
Ström Leif	46,661	0.5
Orava Funds plc ****	45,639	0.5
<b>Total</b>	<b>1,332,025</b>	<b>13.8</b>

\* Company under the control of Board members Tapani Rautiainen and Timo Valjakka

\*\* Company under the control of Board member Timo Valjakka

\*\*\* Company under the control of Board member Tapani Rautiainen

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





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

The fixed management fee is calculated on a quarterly basis, and the value is considered to be the latest fair value of the assets according to IFRS in the previous quarter. The fixed management fees during the period under review 1 January–30 June 2016

amounted to EUR 618 thousand (2015: EUR 439 thousand).

On the basis of the company's net assets per share, share price and dividend distribution realised in 2016, no performance-based management fee has been booked (1 Jan - 30 Jun 2015: EUR 704,000). The performance-based management fee will be paid after the end of 2016 on the basis of the company's realised net assets per share or the adjusted share price in March 2017.

## **PERSONNEL**

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

## **BOARD OF DIRECTORS AND AUDITORS**

The Board of Directors of Orava Residential REIT is composed of six members: Patrik Hertsberg, Mikko Larvala, Tapani Rautiainen, Veli-Matti Salmenkylä, Jouni Torasvirta and Timo Valjakka. The Chairman of the Board is Jouni Torasvirta, and the Vice Chairman is Patrik Hertsberg. The Board of Directors convened a total of 10 times during the period under review. The Board members' rate of attendance at Board meetings was 97%.

Orava Residential REIT's auditor is Authorised Public Accountants PricewaterhouseCoopers Oy, with Tuomas Honkamäki, APA, as the chief auditor. The auditor is paid a fee in accordance with the invoice.



## **AUTHORISATIONS OF THE BOARD OF DIRECTORS**

The Annual General Meeting 22.3.2016 resolved to authorise the Board of Directors to decide on share issues and issues of option rights and other special rights entitling to shares so that, on the basis of the authorisation, the Board of Directors may decide to issue no more than 6,000,000 shares held by the company or new shares which do not give entitlement to dividends in 2016. A total of 301,134 shares have been issued under the authorisation by 30 June 2016 and 5,698,866 shares could still be issued under the authorization.

## **MANAGEMENT**

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

## **REGULATION**

The current rules for real estate investment operations are available on the company's website at [www.oravaasuntorahasto.fi](http://www.oravaasuntorahasto.fi), and they are included as an appendix.

## **NEAR-TERM RISKS AND UNCERTAINTIES**

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

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

Major unexpected repairs and repair costs would have a negative impact in the occupancy rate of apartments, rental income and profitability.



## **MAJOR EVENTS 1 JANUARY–30 JUNE 2016**

The Board of Directors of Orava Residential REIT plc confirmed the company's updated strategy for 2016 on 11 January 2016. 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 objectives, the following were confirmed as the main strategic objectives:

- increasing equity to at least EUR 110 million in 2016 and maintaining an annual growth of approximately at least EUR 20% over the medium term
- diversifying the acquisition of debt financing further
- increasing the economic occupancy rate to over 95%
- reducing property maintenance costs to 5% and repair costs to 10% below the statistical benchmark
- achieving apartment sales at 5–10% of the value of investment assets on the opening statement of financial position.

The regional and age distribution objectives for portfolio management were updated. According to

the updated regional distribution objective, 53% of the market value of apartments shall be located in the Helsinki region, 22% in major cities and 25% in medium-sized cities with a variation range of plus or minus approximately 10%. The age distribution objective remained unchanged, i.e. the weighting of properties completed in the 1990s and afterwards shall be 51%, and the weighting of properties completed before 1990 shall be 49% plus or minus approximately 10% calculated from the market value of the investment portfolio.

The company's Board of Directors and the management company Orava Funds plc agreed on a change in the performance-based management fee on 17 February 2016. The hurdle rate of the performance-based management fee was increased from 6% to 7%.

The 200,000 shares that Orava Residential REIT allocated to itself in a charge-free share issue on 17 February 2016 were recorded in the Trade Register on 22 February 2016. The company may use the shares allocated to itself to strengthen its capital structure, develop its business and widen its ownership base through both acquisition of investment properties and the issue of convertible bonds.

The ISIN code of the shares directed by the company at itself is FI4000197942 (trading code OREITN0116). The shares do not provide entitlement to dividends paid from the profit for 2015 during 2016, but they will provide entitlement to dividends in 2017 and subsequent years. After the issue, the number of the company's shares totalled 9,206,619. The aforementioned 200,000 shares were listed on the stock exchange list of the Helsinki Stock Exchange, and they were subject to trading as of 23 February 2016.

The company concluded a market guarantee agreement with Nordea Finland Plc on 9 March 2016 for Orava Residential REIT's new shares (trading code OREIT0116). 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. The transaction according to the agreement was implemented on 10 March 2016.

The Annual General Meeting held on 22 March 2016 decided to authorise the Board of Directors to decide on the distribution of no more than EUR 1.08 per share in dividends. It is possible to pay a total of



no more than EUR 8,993,772.36 in dividends. The dividend that is payable by quarter is in each instalment no more than EUR 0.27 per share. The dividend payment dates are 4 April 2016, 30 June 2016, 30 September 2016 and 30 December 2016. The Board of Directors was authorised to decide on the amount of dividends and their payment by quarter within the aforementioned restrictions, provided that the company's solvency is not jeopardised as a result of the dividend payments. The Board of Directors was authorised to decide on the record dates of dividend payments.

Additionally, the Annual General Meeting decided on that a specification is made in the rules for real estate investment operations concerning the payment of the performance-based management fee so that the hurdle rate is increased from 6 per cent to 7 per cent. The hurdle rate is the return for the return exceeding which a performance-based fee is paid to the management company. According to the decision of the AGM, the rules for real estate investment operations (section 11, third paragraph) were specified with regard to the determination of the performance-based management fee. The amended first sentence of Section 11, third

paragraph, reads as follows (amendment in bold): As a performance-related management fee, the REIT pays Orava Funds plc twenty per cent (20%) of the REIT's annual return exceeding the hurdle rate of seven per cent (7%). The performance-based management fee is calculated on the basis of earnings per share for the financial period and the number of shares at the end of the financial period.

The Annual General Meeting decided to make a correction in Section 14, second paragraph, concerning the amendment of the rules for real estate investment operations due to the amendment to the Real Estate Funds Act, according to which the amendments to the rules enter into force after a month from the time they were communicated to shareholders by publishing the information in the manner required in the case of information falling within the sphere of the REIT's duty of disclosure in accordance with Section 10. In addition, it was decided that an unnecessary sentence be removed from Section 14, second paragraph, which refers to the time prior to listing. The amended Section 14, second paragraph, reads as follows: Amendments to the rules enter into force after a month from the time they were communicated to shareholders by publishing the information in

the manner required in the case of information falling within the sphere of the REIT's duty of disclosure in accordance with Section 10.

In addition, the Annual General Meeting decided to authorise the Board of Directors to decide on share issues and issues of option rights and other special rights entitling to shares so that, on the basis of the authorisation, the Board of Directors may decide to issue no more than 6,000,000 shares held by the company or new shares which do not give entitlement to dividends in 2016. The authorisation is valid until the next AGM, and terminates the previous authorisation given on 19 March 2015.

At the meeting held after the ordinary AGM, the Board of Directors of Orava Residential REIT elected Jouni Torasvirta as the Chairman from among the members and Patrik Hertsberg as the Vice Chairman. According to the authorisation received from the AGM, the Board of Directors decided that the dividends to be paid on the share of Orava Residential REIT (trading code OREIT, ISIN code FI4000068614) shall be EUR 0.27, the dividend detachment date 23 March 2016 and the record date 24 March 2016. The total amount of dividends was EUR 2,248,443.09.



On 30 March 2016, Orava Residential REIT acquired 23 residential apartments and concluded a binding transaction on the acquisition of 26 residential apartments on 31 March 2016 at a debt-free purchase price of EUR 9.6 million. Of the value of the apartments acquired, 31% is located in the Helsinki Region, 50% in Jyväskylä and Lahti, and 19% in medium-sized cities. The acquisition included 26 new apartments without tenants at a debt-free purchase price of EUR 7.1 million.

On 18 April 2016, the company concluded a loan agreement of EUR 10 million with Collector Bank AB to refinance both acquisitions and old loans. The loan has been drawn down in its entirety.

The 200,000 shares that Orava Residential REIT allocated to itself in a charge-free share issue on 20 April 2016 were recorded in the Trade Register on 22 April 2016. The company may use the shares allocated to itself to strengthen its capital structure, develop its business and widen its ownership base through both acquisition of investment properties and the issue of convertible bonds. The ISIN code of the shares directed by the company to itself is FI4000197942 (trading code OREITN0116). The shares do not provide entitlement to dividends

paid from the profit for 2015 during 2016, but they will provide entitlement to dividends in 2017 and subsequent years. After the issue, the number of the company's shares totalled 9,406,619. The aforementioned 200,000 shares were listed on the stock exchange list of the Helsinki Stock Exchange, and they were subject to trading as of 26 April 2016.

On 27 May 2016, the Financial Supervisory Authority granted the authorisation for an alternative investment fund manager to the management company of Orava Residential REIT plc, Orava Funds plc. The Act on Alternative Investment Fund Managers requires a custodian from alternative investment funds, such as Orava Residential REIT. Svenska Handelsbanken AB (publ.), Finnish branch operations, acts as the custodian of Orava Residential REIT plc. The custodian agreement was signed on 20 May 2016.

On 30 June 2016, Orava Residential REIT acquired a total of 23 residential apartments from construction companies through binding agreements at a debt-free purchase price of 6.7 million. Of the value of the apartments acquired, 36% is located in the Helsinki Region, 55% in major cities and the

remaining 9% in medium-sized cities. The apartments acquired were new and without tenants.

## **EVENTS AFTER THE FINANCIAL PERIOD**

Orava Residential REIT allocated 930,000 new shares to itself in a charge-fee directed issue on 5 July 2016 (ISIN code FI4000197942, trading code OREITN0116). The shares provide equal rights to the company's dividends with the other shares; however, so that the shares do not provide entitlement to dividends distributed in 2016. The Financial Supervisory Authority approved the prospectus for application of the issued shares to be admitted to trading on Nasdaq Helsinki (the Helsinki Stock Exchange). On 5 July 2016, the company's Board of Directors also decided to cancel 679,052 shares held by the company that provide entitlement to dividends in 2016 (ISIN code FI4000068614, trading code OREIT). When the shares subscribed in the share issue and the cancellation of the shares held by the company were registered in the Trade Register, the company's number of shares grew by 250,948 shares from 9,406,619 shares to 9,657,567 shares.

The shares subscribed in the share issue and the cancelled shares were registered in the Trade



Register and recorded in the book-entry system maintained by Euroclear Finland Oy on 8 July 2016.. The shares subscribed in the issue were listed on the stock exchange list of the Helsinki Stock Exchange, and they were subject to trading as of 11 July 2016.

On 29 May 2015, Orava Residential REIT agreed with Rakennusliike Leimarakentajat Oy on the construction of 52 apartments in Hämeenlinna. The apartments were completed at the beginning of July 2016, and the payment of the final instalment of the acquisition, EUR 1.17 million, was implemented with a directed share issue on 19 July 2016. Rakennusliike Leimarakentajat Oy subscribed to a total of 157,681 new shares in the company (OREIT0116). The subscription price of the shares was the weighted average price of the shares during the five days of stock exchange trading preceding the subscription.

The sales of Orava Residential REIT's apartments after the period under review between 1 July and 17 August was EUR 1.9 million. Thus the total sales of apartments this year was EUR 6.7 million by the middle of August.

<b>Dividends per share paid during the period under review:</b>	<b>FI4000068614</b>
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1 April 2016, 1st dividend	EUR 0.27
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30 June 2016, 2nd dividend	EUR 0.27
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<b>Total</b>	<b>EUR 0.54</b>
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## DIVIDEND

The Annual General Meeting held on 22 March 2016 decided to distribute dividends of EUR 0.27 per share from the profit for 2015 in each quarter of 2016, i.e. in total maximum of EUR 1.08 per share in 2016.

## FUTURE OUTLOOK

Orava Residential REIT estimates that it has reasonable prerequisites for getting close to its targeted total return of 10 per cent on shareholders' equity.

The change in the value of current apartments in the investment portfolio is expected to turn slightly positive during this year. The gross and net rental yields are estimated to remain approximately at the level of the first half of the year. During the current year, the euro-denominated result impact of the acquisitions of investment properties is expected to remain lower than last year. The ratio of maintenance and repair costs to the value of investment properties is also not expected to change materially compared to the previous year.

Helsinki, 17 August 2016

**Orava Residential REIT plc**

**Board of Directors**



## Consolidated Statement of Comprehensive Income

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

Consolidated Statement of Comprehensive Income	Notes	1 Apr – 30 Jun 2016	1 Apr – 30 Jun 2015	1 Jan – 30 Jun 2016	1 Jan – 30 Jun 2015
	1,000 EUR				
<b>Revenue</b>					
Income from rental operations	2	3,097	2,496	6,021	4,738
Gains from disposals and changes in the fair value of apartments	2	-187	2,204	1,725	4,541
<b>Total revenue</b>		<b>2,910</b>	<b>4,700</b>	<b>7,747</b>	<b>9,280</b>
Maintenance expenses	3	-1,469	-1,264	-3,062	-2,300
Expenses from rental operations	3	-230	-87	-329	-236
Administrative expenses	3	-639	-568	-1,287	-1,028
Other operating income and expenses	3	1	-367	3	-704
<b>Total expenses</b>		<b>-2,337</b>	<b>-2,286</b>	<b>-4,675</b>	<b>-4,268</b>
<b>Operating Profit</b>		<b>573</b>	<b>2,414</b>	<b>3,071</b>	<b>5,012</b>
Finance expenses (net)	5.1	-917	-990	-1,546	-1,312
<b>Profit before taxes</b>		<b>-344</b>	<b>1,424</b>	<b>1,525</b>	<b>3,701</b>
Direct taxes	3	-18	-20	-25	-46
<b>Profit/loss for the period</b>		<b>-362</b>	<b>1,404</b>	<b>1,500</b>	<b>3,654</b>
<b>Profit/loss for the period attributable to the owners of the parent company</b>					
		-362	1,404	1,500	3,654
<b>Earnings per share calculated from the profit attributable to the owners of the parent company</b>					
Earnings per share, undiluted, EUR	5.8	-0,04	0,19	0,18	0,54
<b>Other comprehensive income items</b>					
Items that may in the future be reclassified to profit or loss					
Derivatives - interest rate swaps	5.7	-28	503	-81	493
Items that are not reclassified to profit or loss		-0	0	0	0
<b>Comprehensive profit/loss for the period</b>		<b>-390</b>	<b>1,907</b>	<b>1,419</b>	<b>4,147</b>
<b>Comprehensive profit/loss for the period attributable to the owners of the parent company</b>					
		-390	1,907	1,419	4,147
non-controlling interests		0	0	0	0



## Consolidated statement of financial position

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

Consolidated statement of financial position	Notes	30 Jun 2016	31 Dec 2015
<b>ASSETS</b>			
	1 000 EUR		
<b>Non-current assets</b>			
Investment properties in rental use	4	201 529	182 610
Investment properties available for sale	4	10 635	13 241
Fair value of investment properties	4	<b>212 164</b>	<b>195 851</b>
<b>Current assets</b>			
Trade and other receivables	2, 5.2	429	676
Cash and cash equivalents	5.2	4 453	2 790
		<b>4 882</b>	<b>3 464</b>
<b>TOTAL ASSETS</b>		<b>217 046</b>	<b>199 315</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to the owners of the parent company</b>			
Share capital	5.8	72 131	72 131
Share issue		0	0
Reserve for invested unrestricted equity	5.8	18 523	13 713
Hedge reserve	5.7	-84	-3
Retained earnings		3 760	1 574
Profit for the period		1 500	6 931
<b>Total equity</b>		<b>95 831</b>	<b>94 346</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest-bearing liabilities	5.3	107 948	87 092
Other non-current liabilities	5.3	755	660
<b>Total non-current liabilities</b>		<b>108 702</b>	<b>87 752</b>
<b>Current liabilities</b>			
Interest-bearing liabilities, borrowings	5.3	4 947	4 002
Trade payables and other current liabilities	3, 5.3	4 122	8 541
Derivatives	5.7	84	3
<b>Total current liabilities</b>		<b>9 152</b>	<b>12 546</b>
<b>Liabilities allocated to investment properties available for sale</b>		<b>3 362</b>	<b>4 671</b>
<b>TOTAL LIABILITIES</b>		<b>121 215</b>	<b>104 969</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>217 046</b>	<b>199 315</b>



## Consolidated statement of cash flows

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

Consolidated statement of cash flows	1 Jan - 30 Jun 2016	1 Jan - 30 Jun 2015	1 Jan - 31 Dec 2015
	EUR		
	1,000		
<b>Cash flows from operational activities</b>			
Payments received from sales	6,107	4,691	9,801
Payments for operating expenses	-4,826	-4,209	-7,987
Cash flows from operational activities before financial items	1,281	483	1,814
Interest paid and other finance expenses, net	-1,668	-2,448	-3,602
Taxes paid	14	-38	-47
<b>Net cash flows from operational activities</b>	<b>-373</b>	<b>-2,003</b>	<b>-1,836</b>
<b>Cash flows from investment activities</b>			
Acquisition of subsidiaries less acquired cash and cash equivalents	-11,363	-4,611	-13,778
Income from divestures of investment properties	2,871	946	4,708
<b>Net cash flows used in investments</b>	<b>-8,492</b>	<b>-3,665</b>	<b>-9,070</b>
<b>Cash flows from financing activities</b>			
Increase in equity subject to payment	0	481	2,472
Drawdowns of and increases in loans	20,274	20,000	26,931
Payments received from the issue of a convertible bond	4,811	8,000	15,000
Loan repayments	-10,094	-18,863	-24,997
Dividends paid	-4,463	-3,532	-7,701
<b>Net cash flows used in financing activities</b>	<b>10,528</b>	<b>6,086</b>	<b>11,705</b>
<b>Net decrease (-) / increase (+) in cash and cash equivalents</b>	<b>1,663</b>	<b>419</b>	<b>800</b>
Cash and cash equivalents at the beginning of the period	2,790	1,990	1,990
<b>Cash and cash equivalents at the end of the period</b>	<b>4,453</b>	<b>2,409</b>	<b>2,790</b>



## Statement of changes in equity

1 000 EUR						
	1	2	3	4	5	6
<b>Equity on 31 Dec 2013</b>	<b>43 144</b>	<b>0</b>	<b>-224</b>	<b>6 859</b>	<b>49 780</b>	<b>49 780</b>
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 Sep 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 31 Dec 2014	1 486				1 486	1 486
Cost to gain equity		-120		-258	-378	-378
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				8 451	8 451	8 451
Comprehensive income items			-270		-270	-270
<b>Equity on 31 Dec 2014</b>	<b>57 863</b>	<b>2 260</b>	<b>-493</b>	<b>10 230</b>	<b>69 860</b>	<b>69 860</b>
Proceeds from shares issued 11 Feb 2015	396	24			420	420
Proceeds from shares issued 26 Feb 2015	50	8			58	58
Proceeds from shares issued 31 Mar 2015	2 442	361			2 803	2 803
Conversion of convertible bond 19 Mar 2015	2 024	490			2 514	2 514
Proceeds from shares issued 29 May 2015	505	80			585	585
Conversion of convertible bond 17 Jun 2015	3 776	725			4 501	4 501

The company's equity consists of share capital, the reserve for invested unrestricted equity and retained earnings. Fees paid to outsiders related to an increase in the share capital are deducted from equity. The company may only distribute its assets as dividends. In accordance with the Tax Exemption Act, the acquisition of treasury shares is prohibited.

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

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

## Statement of changes in equity (continued)

EUR 1,000	1	2	3	4	5	6
Proceeds from shares issued 29 Jun 2015	4 377	493			4 871	4 871
Conversion of convertible bond 29 Jun 2015		500			500	500
Proceeds from shares issued 31 Jul 2015	697	65			762	762
Conversion of convertible bond 29 Sep 2015		4 500			4 500	4 500
Proceeds from shares issued 18 Dec 2015		1 455			1 455	1 455
Conversion of convertible bond 31 Dec 2015		2 750			2 750	2 750
Cost to gain equity				-705	-705	-705
Distribution of dividends 31 Mar 2015				-1 795	-1 795	-1 795
Distribution of dividends 30 Jun 2015				-1 927	-1 927	-1 927
Distribution of dividends 30 Sep 2015				-2 080	-2 080	-2 080
Distribution of dividends 30 Dec 2015				-2 150	-2 150	-2 150
Profit from the period				6 931	6 931	6 931
Comprehensive income items			-3		-3	-3
Maturing of hedging instrument			493		493	493
<b>Equity on 31 Dec 2015</b>	<b>72 131</b>	<b>13 713</b>	<b>-3</b>	<b>8 504</b>	<b>94 346</b>	<b>94 346</b>
Conversion of convertible bond 31 Mar 2016		2 750			2 750	2 750
Distribution of dividends Q1 2016				-2 248	-2 248	-2 248
Distribution of dividends Q2 2016				-2 248	-2 248	-2 248
Cost to gain equity				-248	-248	-248
Conversion of convertible bond 30 Jun 2016		2 061			2 061	2 061
Profit from the period				1 500	1 500	1 500
Comprehensive income items			-81		-81	-81
<b>Equity on 30 Jun 2016</b>	<b>72 131</b>	<b>18 523</b>	<b>-84</b>	<b>5 260</b>	<b>95 831</b>	<b>95 831</b>

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



## NOTES

### 1. Consolidation

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

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

#### 1.1 Basic details of the Group

Orava Residential REIT plc (business ID 2382127-4, address Fabianinkatu 14 B, 00100 HELSINKI, Finland) was established on 30 December 2010 as a real estate fund as referred to in the Real Estate Funds Act. The up-to-date rules for real estate investment operations are included as an appendix to the financial statements.

"The purpose of the company as a real estate fund under the Real Estate Funds Act (1173/1997)

is to let apartments and real estate which it owns or possesses due to its shareholding, to engage in ordinary housing management and maintenance focusing on its own property, to exercise construction contracting on the company's own behalf and to finance all these operations. The operations of the company aim to take advantage of the Act on the Tax Exemption of Certain Limited Liability Companies Engaging in Apartment Rental Operations (299/2009) ("the Tax Exemption Act"). The company has been granted an exemption from the payment of income tax as of 30 December 2010.

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

Orava Residential REIT's Board of Directors approved these financial statements for publication at its meeting on 17 August 2016.

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

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



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

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

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

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

**The company becomes partially liable for tax**

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

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

It is not possible to set off disposal gains and losses in capital gains taxation. Income tax is only recognised if it is known that the company will become partially liable to pay tax. For taxation purposes, a capital gain is created when the disposal price exceeds the sum total of the original acquisition price, the asset transfer tax paid, the estate agent's fee and the apartment repair expenses and capitalised repairs.

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

### **1.3 Accounting principles**

The consolidated financial statements have been prepared in accordance with International

Financial Reporting Standards applying the IAS and IFRS standards and SIC and IFRIC interpretations endorsed for use in the EU and in force on 30 January 2016. The statements have been prepared in compliance with IAS34. The term "International Financial Reporting Standards" refers to the standards and their interpretations in the Finnish Accounting Act and provisions based on this approved for application in the EU in accordance with the procedure established in EU Regulation No 1606/2002. The notes to the consolidated financial statements also comply with the provisions of Finnish accounting and corporate legislation that supplement the IFRS provisions. In addition, Orava Residential REIT complies with the recommendations of the European Public Real Estate Association (EPRA), as applicable. EPRA performance measures are calculated complying the EPRA Best Practice recommendation of December 2014.

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



"The consolidated financial statements are based on the acquisition cost method apart from investment properties and interest rate swaps used for hedging cash flows, which are recognised at fair value.

The preparation of IFRS-compliant financial statements requires discretion from the management. Discretion influences the selection and application of accounting principles, the amount of reported assets, liabilities, income and expenses, as well as the notes presented. When exercising discretion, the management uses estimates and assumptions based on previous experience and its best view on the closing date concerning the future development of the real estate market, in particular. The final outcome may differ from the estimates made. Any changes in estimates and assumptions are recognised in accounting in the financial period during which the estimates or assumptions are adjusted. "

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

## 1.4 Consolidation principles

Orava Residential REIT consolidates the wholly-owned housing companies in compliance with IFRS

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

## 1.5 Asset items available for sale

In accordance with the company's investment strategy, the aim is to annually sell apartments for 5 to 10 per cent of the value of the investment properties on the company's opening statement of financial position. The sales of apartments are implemented by selling apartments released from rental use individually. The sales of apartments may be supplemented by sales of plots. Apartment sales totalled EUR 2.9 million. Asset items classified as available for sale are measured at fair value.

The book values of assets items available for sale on 30 June 2016 were EUR 10.6 million (31 December 2015: EUR 13.2 million).

## 2. Segments and income

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

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

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

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



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

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

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

During the period 1 January - 30 June 2016, a total of 42 apartments were sold (2015: 16 apartments).

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

Changes in fair values are presented in profit and loss. Investment properties are initially recognized at acquisition cost, later

Revenue	1 Jan - 30 Jun 2016	1 Jan - 30 Jun 2015
<b>Income from rental operations</b>		
Gross rental yield	5 826	4 582
Compensation for use and service income	195	156
<b>Gains from disposals and changes in the fair value of apartments</b>		
Disposal prices of apartments less the fair value in the previous quarter's closing balance	-133	-119
Brokerage fees for apartments disposed of	-164	-59
Net gains and losses from changes in the fair value of investment properties	2 022	4 719
<b>Total</b>	<b>7 747</b>	<b>9 279</b>

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

Distribution of investment property values by their location, %	30 Jun 2016	30 Jun 2015
Helsinki Region	38	37
Major cities	31	30
Medium-size towns	31	33
<b>Total</b>	<b>100</b>	<b>100</b>
Distribution of investment property values by age group, %	30 Jun 2016	30 Jun 2015
Built in 1989 or earlier	31	39
Built in 1990 or later	69	61
<b>Total</b>	<b>100</b>	<b>100</b>



Trade receivables	30 Jun 2016	30 Jun 2015
Rental and trade receivables	235	187
<b>Total</b>	<b>235</b>	<b>187</b>

During the period, EUR -3 000 in credit losses were recognised for rental receivables.

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

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

The most important credit risks of the Group at the end of period under review were incurred from rental receivables. The Group does not have significant receivable or credit risk concentrations. Rental receivables totalled EUR 235,000 on 31 June 2016 (31 December 2015: EUR 187,000).

### 3. Operating expenses

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

The expenses include the management, maintenance and annual repair expenses of investment properties, expenses for rental operations and the administrative expenses of the Residential REIT. Administrative expenses include the remuneration of the Board of Directors, the fixed fee of the management company and other administrative expenses. Other administrative expenses include any performance-based fee of the management company and credit losses. Operating expenses are presented on an accrual basis.

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

Expenses by type	1 Jan - 30 Jun 2016	1 Jan - 30 Jun 2015
Property maintenance expenses	-3 062	-2 300
Expenses from rental operations	-329	-236
Board of Directors' fees	-67	-67
Management fee Orava Funds plc	-618	-439
Other administrative expenses	-602	-521
Other operating expenses	3	-704
<b>Total</b>	<b>-4 675</b>	<b>-4 267</b>



Property maintenance expenses	1 Jan - 30 Jun 2016	1 Jan - 30 Jun 2015
Property maintenance expenses less compensation for use	-2 867	-2 144
Property maintenance expenses less compensation for use as percentage of market value, p.a.	-2.8 %	-2.7 %
Average market value of investment properties during the period, EUR 1,000	205 154	159 150

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

Board of Directors' fees	1 Jan - 30 Jun 2016	1 Jan - 30 Jun 2015
Jouni Torasvirta	-18	-18
Peter Ahlström	0	-4
Patrik Hertsberg	-10	-6
Mikko Larvala	-10	-10
Tapani Rautiainen	-10	-10
Veli Matti Salmenkylä	-10	-10
Timo Valjakka	-10	-9
<b>Total</b>	<b>-67</b>	<b>-66</b>

The fees of the Board of Directors consist of monthly and meeting fees. The Board's attendance at meetings during the period was 96.7%. The Board held 10 meetings (2015: 12 meetings) during the period. Orava Residential REIT is externally managed. It has no personnel.

Auditor's fees	1 Jan - 30 Jun 2016	1 Jan - 30 Jun 2015
Audit, parent company	-37	-58
Audit, subsidiaries	-8	-35
<b>Total</b>	<b>-45</b>	<b>-93</b>

The auditor's fees are included in other administrative expenses. The auditor is paid a fee in accordance with the invoice.

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

Other operating expenses	1 Jan - 30 Jun 2016	1 Jan - 30 Jun 2015
Credit losses	3	0
Performance-based fee paid to the management company	0	-704
<b>Total</b>	<b>3</b>	<b>-704</b>

Previously recognised credit losses EUR 3,000 have been refunded (2015: EUR 000). No performance-based fee was payable for 2015.

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

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



Trade payables related to expenses	1 Jan - 30 Jun 2016	1 Jan - 31 Dec 2015
Trade payables	93	185

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

### Income Taxes

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

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

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

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

	1 Jan - 30 Jun 2016	1 Jan - 31 Jun 2015
Tasex of the Group for the period	-25	-46

## 4. Investment properties

In the investment properties group, we have collected notes particularly related to investment properties and their valuation. More detailed information on the measurement of the fair value of investment properties is available in the Consolidated Financial Statements of Orava Residential REIT plc of 31 December 2015.

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

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

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

In the valuation of its investment properties, Orava Residential REIT applies section 18 of the Real Estate Funds Act and the fair value model according to IFRS 13, Fair Value Measurement. Any profit or loss from changes in fair value is recog-



nised through profit or loss for the period during which it arises.

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

Orava Residential REIT possesses investment properties under construction to obtain rental income or increase in the value of its assets or both in the future. On the closing date, long-term development and construction projects where a new building or new apartments are built are measured at fair value. Use of fair value requires that the percentage of completion of the project can be reliably estimated. Investment properties under construction also include apartments for which Orava Residential REIT has signed a construction-stage deed of purchase for a residential apartment.

As residential apartments are disposed of individually according to Orava Residential REIT's strategy, the value of Orava Residential REIT's investment

Investment properties, fair value	30 Jun 2016	31 Dec 2015
Acquisition cost on 1 Jan	195 851	130 668
Increases	19 194	64 453
Transfer of cash and cash equivalents away from the fair value of investment properties	0	-913
Decreases	-4 903	-6 140
Change in fair value in the period taking the impact of asset transfer tax into account	2 022	7 784
<b>Fair value on 31 Xxx</b>	<b>212 164</b>	<b>195 851</b>

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

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

An external expert annually audits the fair value measurement process and determination method used by Orava Residential REIT. In addition to the

audit, an external expert issues a calculation of value on the values of all Orava Residential REIT's investment properties twice a year.

The total calculation value on the values of all investment properties of the external appraisers Jones Lang LaSalle, Realia Management Oy and Turun seudun OPKK on 30 June 2016 was 1,7 % less than the fair value on the balance sheet on 30 June 2016.

The decreases are disposals of residential apartments. A total of 42 apartments were sold during the period 1 Jan - 30 Jun 2016.

The change in the value of investment properties that had been in the portfolio during the period 1 April - 30 June 2016 was -0,5% (1 April - 30 June 2015: 0%) i.e. EUR -1000 000 (1 April - 30 June 2015: EUR 0).



## Investment properties on 30 Jun 2016

	Area	City	Holding, %	Built in, year	Apartments	Floor area, m <sup>2</sup>
As Oy Espoon Albert	Helsinki Region	Espoo	13 %	2014	4	275
As Oy Espoon Revontuli	Helsinki Region	Espoo	5 %	2015	2	115
As Oy Espoon Suulperi	Helsinki Region	Espoo	7 %	2014	3	226
As Oy Espoon Tiilentekijä	Helsinki Region	Espoo	9 %	2015	2	235
As Oy Espoon Tähestäjä	Helsinki Region	Espoo	3 %	2013	1	81
As Oy Sininärhentie 5	Helsinki Region	Espoo	2 %	2013	1	84
As Oy Helsingin Apteekkari	Helsinki Region	Helsinki	21 %	2014	4	344
As Oy Helsingin Hjalmar	Helsinki Region	Helsinki	10 %	2014	2	202
As Oy Helsingin Koirasaarentie 1	Helsinki Region	Helsinki	85 %	2000	20	1,225
As Oy Helsingin Limnologi	Helsinki Region	Helsinki	14 %	2015	5	427
As Oy Helsingin Umbra	Helsinki Region	Helsinki	4 %	2016	2	166
As Oy Helsingin Werner	Helsinki Region	Helsinki	2 %	2016	1	75
As Oy Hyvinkään Rukki	Helsinki Region	Hyvinkää	3 %	2013	1	92
As Oy Hyvinkään Ryijy	Helsinki Region	Hyvinkää	4 %	2016	1	107
As Oy Hyvinkään Ukko-Pekka	Helsinki Region	Hyvinkää	14 %	2014	5	505
As Oy Järvenpään Terho	Helsinki Region	Järvenpää	5 %	2012	1	95
As Oy Järvenpään Tuohi	Helsinki Region	Järvenpää	82 %	2013	14	1,116
As Oy Järvenpään Saundi	Helsinki Region	Järvenpää	15 %	2013	7	596
As Oy Kauniaisten Kvartetti	Helsinki Region	Kauniainen	4 %	2014	2	142
As Oy Kauniaisten Venevalkamantie 3	Helsinki Region	Kauniainen	19 %	2012	5	301
As Oy Keravan Nissilänpiha 9-11	Helsinki Region	Kerava	100 %	1974	28	2,493
As Oy Keravan Ritariperho	Helsinki Region	Kerava	100 %	2011	19	2,071
As Oy Kirkkonummen Kummikallio	Helsinki Region	Kirkkonummi	100 %	1973	84	5,241
As Oy Kirkkonummen Pomada	Helsinki Region	Kirkkonummi	33 %	2012	6	650
As Oy Kirkkonummen Tammi	Helsinki Region	Kirkkonummi	28 %	2013	13	993
As Oy Nurmijärven Puurata 15-17	Helsinki Region	Nurmijärvi	46 %	1974-75	22	1,400
As Oy Nurmijärven Soittaja	Helsinki Region	Nurmijärvi	59 %	2013	15	1,326
As Oy Lindheerst, Sipoo	Helsinki Region	Sipoo	56 %	1982	12	984



## Investment properties on 30 Jun 2016

	Area	City	Holding, %	Built in, year	Apartments	Floor area, m <sup>2</sup>
Sipoonranta Saalinki	Helsinki Region	Sipoo	7 %	2011	3	253
As Oy Tuusulan Pihta	Helsinki Region	Tuusula	27 %	2014	7	725
As Oy Vantaan Kaakkoisväylä 4	Helsinki Region	Vantaa	80 %	1979	43	3,133
As Oy Vantaan Kruununmasto	Helsinki Region	Vantaa	5 %	2016	2	119
As Oy Vantaan Paddington	Helsinki Region	Vantaa	6 %	2015	2	180
As Oy Vantaan Piletti	Helsinki Region	Vantaa	2 %	2015	2	173
As Oy Vantaan Popliini	Helsinki Region	Vantaa	12 %	2015	5	396
As Oy Vantaan Rasinrinne 13	Helsinki Region	Vantaa	64 %	1975	24	1,267
As Oy Vantaan Rusakko	Helsinki Region	Vantaa	66 %	1992	6	333
As Oy Vantaan Maaunintie 14	Helsinki Region	Vantaa	100 %	1975	75	5,065
As Oy Jyväskylän Kruunutorni (business premises)	Large urban centres	Jyväskylä	36 %	2010	5	1,232
As Oy Jyväskylän Ahjotar	Large urban centres	Jyväskylä	24 %	2014	7	340
As Oy Jyväskylän Kyläseppä	Large urban centres	Jyväskylä	16 %	2014	3	207
As Oy Jyväskylän Maailmanpylväs	Large urban centres	Jyväskylä	6 %	2014	2	218
As Oy Jyväskylän Tukkipoika	Large urban centres	Jyväskylä	12 %	2013	3	228
As Oy Jyväskylän Valssikuja 6	Large urban centres	Jyväskylä	100 %	1995	23	1,833
As Oy Kaarinan Lampaankääpä	Large urban centres	Kaarina	100 %	1974	36	2,254
As Oy Lahden Aleksanteri	Large urban centres	Lahti	23 %	2014	9	728
As Oy Lahden Helkalanhovi	Large urban centres	Lahti	77 %	1975	32	1,894
As Oy Lahden Jukolan Tuomas	Large urban centres	Lahti	100 %	2010	22	1,306
As Oy Lahden Jukolan Aapo	Large urban centres	Lahti	100 %	2010	22	1,306
As Oy Lahden Leinikki	Large urban centres	Lahti	9 %	2013	2	160
As Oy Malskin Kruunu	Large urban centres	Lahti	5 %	2015	2	170
As Oy Lahden Poikkikatu 4	Large urban centres	Lahti	58 %	1971	23	1,281
As Oy Lahden Pormestari	Large urban centres	Lahti	8 %	2012	2	121
As Oy Lahden Vuoksenkatu 4	Large urban centres	Lahti	44 %	1970	10	428
As Oy Lempäälän Tikanhovi	Large urban centres	Lempäälä	50 %	2014	16	993
As Oy Naantalin Vesperi	Large urban centres	Naantali	24 %	2015	11	655



## Investment properties on 30 Jun 2016

	Area	City	Holding, %	Built in, year	Apartments	Floor area, m <sup>2</sup>
As Oy Alppilan Iiris	Large urban centres	Oulu	17 %	2014	7	490
As Oy Oulun Eveliina	Large urban centres	Oulu	14 %	2011	2	161
As Oy Oulun Jatulinmäki	Large urban centres	Oulu	8 %	2013	2	160
As Oy Merijalinväylä	Large urban centres	Oulu	5 %	2012	2	138
As Oy Oulun Seilitie 1	Large urban centres	Oulu	69 %	2009	14	761
As Oy Oulun Resiina	Large urban centres	Oulu	8 %	2015	6	446
As Oy Oulunsalon Poutapilvi	Large urban centres	Oulunsalo	4 %	2010	1	93
As Oy Raision Kertunpuisto	Large urban centres	Raisio	19 %	2014	3	245
As Oy Raision Lumme	Large urban centres	Raisio	27 %	2015	9	541
As Oy Raision Vaisaaren Kunnaankatu 7	Large urban centres	Raisio	100 %	1978	51	2,807
As Oy Raision Valonsäde	Large urban centres	Raisio	48 %	2014	13	870
As Oy Härmälänrannan Nalle	Large urban centres	Tampere	7 %	2013	3	249
As Oy Tampereen Professori	Large urban centres	Tampere	12 %	2013	3	257
As Oy Tampereen Ruuti	Large urban centres	Tampere	53 %	2014	18	839
As Oy Tampereen Solaris	Large urban centres	Tampere	22 %	2014	11	881
As Oy Tampereen Vuoreksen Emilia	Large urban centres	Tampere	21 %	2014	9	706
As Oy Tampereen Vuorenpaikka	Large urban centres	Tampere	3 %	2013	1	68
As Oy Turun Androksenranta	Large urban centres	Turku	16 %	2014	5	390
As Oy Turun Aurajoen Helmi	Large urban centres	Turku	8 %	2014	3	212
As Oy Turun Michailowinlinna	Large urban centres	Turku	9 %	2015	5	285
As Oy Turun Michailowinportti	Large urban centres	Turku	18 %	2013	4	337
As Oy Turun Sataman Tähti	Large urban centres	Turku	16 %	2015	5	300
As Oy Forssan Hellaanpuisto	Medium-sized towns	Forssa	10 %	2014	3	186
As Oy Haminan Kaivopuisto	Medium-sized towns	Hamina	13 %	2014	4	236
As Oy Haminan Tervaniemi	Medium-sized towns	Hamina	96 %	1999	16	1,040
As Oy Heinolan Tammilahdenkulma	Medium-sized towns	Heinola	87 %	1977	17	1,011
As Oy Heinolan Torihovi	Medium-sized towns	Heinola	12 %	2015	5	224
As Oy Hämeenlinnan Aulangontie 39	Medium-sized towns	Hämeenlinna	51 %	1974	11	527



## Investment properties on 30 Jun 2016

	Area	City	Holding, %	Built in, year	Apartments	Floor area, m <sup>2</sup>
As Oy Hämeenlinnan Salmiakki	Medium-sized towns	Hämeenlinna	100 %	2016	52	2,557
As Oy Kokkolan Luotsi	Medium-sized towns	Kokkola	23 %	2012	4	321
As Oy Kokkolan Omenapiha	Medium-sized towns	Kokkola	26 %	2012	3	261
As Oy Kotkan Alahovintie 7	Medium-sized towns	Kotka	98 %	1974	35	2,107
As Oy Kotkan Alahovintorni	Medium-sized towns	Kotka	91 %	1973	26	1,449
As Oy Kotkan Matruusi	Medium-sized towns	Kotka	13 %	2013	4	265
As Oy Kotkan Vuorenrinne 19	Medium-sized towns	Kotka	95 %	1973-75	70	3,824
As Oy Mällinkatu 6	Medium-sized towns	Kotka	100 %	1958 and 1974	54	2,875
As Oy Kuopion Rantahelmi	Medium-sized towns	Kuopio	3 %	2014	1	100
As Oy Lohjan Koulukuja 14	Medium-sized towns	Lohja	88 %	1976	47	2,656
As Oy Lohjan Pinus	Medium-sized towns	Lohja	57 %	2012	11	1,056
As Oy Mikkelin Neptun	Medium-sized towns	Mikkeli	44 %	2013	12	776
As Oy Paimion Jokilaivuri	Medium-sized towns	Paimio	6 %	2013	2	72
As Oy Porin Huvitus	Medium-sized towns	Pori	33 %	2014	10	736
As Oy Porin Kommodori	Medium-sized towns	Pori	9 %	2013	4	372
As Oy Porin Pihlavankangas	Medium-sized towns	Pori	95 %	1974 and 1976	50	2,692
Koy Liikepuisto (incl. business premises)	Medium-sized towns	Porvoo	100 %	1960	10	607
As Oy Kaivopolku (incl. business premises)	Medium-sized towns	Porvoo	100 %	1993	32	2,055
As Oy Porvoon Laamanninpiha	Medium-sized towns	Porvoo	9 %	2013	2	181
As Oy Riihimäen Laidunaho	Medium-sized towns	Riihimäki	12 %	2013	2	157
As Oy Riihimäen Lovisa	Medium-sized towns	Riihimäki	20 %	2013	2	177
As Oy Riihimäen Vuorelanmäki I	Medium-sized towns	Riihimäki	100 %	1956	16	773
As Oy Rovaniemen Koivula	Medium-sized towns	Rovaniemi	7 %	2014	2	172
As Oy Rovaniemen Laura	Medium-sized towns	Rovaniemi	3 %	2014	2	104
As Oy Rovaniemen Rekimatka 16-18	Medium-sized towns	Rovaniemi	93 %	1991	22	1,350
As Oy Rovaniemen Rekimatka 29	Medium-sized towns	Rovaniemi	98 %	1989	53	2,996
As Oy Rovaniemen Suviheinä	Medium-sized towns	Rovaniemi	7 %	2014	2	119
As Oy Rovaniemen Uitto	Medium-sized towns	Rovaniemi	21 %	2015	9	576



Investment properties on 30 Jun 2016

	Area	City	Holding, %	Built in, year	Apartments	Floor area, m <sup>2</sup>
As Oy Salon Ristinkedonkatu 33	Medium-sized towns	Salo	90 %	1975	65	4,054
As Oy Savonlinnan Kotiranta	Medium-sized towns	Savonlinna	49 %	2014	9	521
As Oy Savonlinnan Postityttö	Medium-sized towns	Savonlinna	6 %	2015	6	320
As Oy Savonlinnan Välimäentie 5-7	Medium-sized towns	Savonlinna	100 %	1977	51	2,723
As Oy Tornion Aarnintie 7	Medium-sized towns	Tornio	39 %	1974	19	1,138
As Oy Tornion Kuparimarkka	Medium-sized towns	Tornio	86 %	1975	44	2,511
As Oy Vaasan Aleksander	Medium-sized towns	Vaasa	11 %	2015	3	131
As Oy Vaasan Asemankatu 9	Medium-sized towns	Vaasa	21 %	2014	5	363
As Oy Vaasan Leipurinkulma	Medium-sized towns	Vaasa	2 %	2015	4	119
As Oy Varkauden Ahlströminkatu 12	Medium-sized towns	Varkaus	95 %	1954	31	1,979
As Oy Varkauden Onnela	Medium-sized towns	Varkaus	100 %	1920	9	864
As Oy Varkauden Parsius	Medium-sized towns	Varkaus	92 %	1973	34	1,871



Investment properties on 30 June 2016						
Region	No of properties	Apartments and business facilities	Floor area, m <sup>2</sup>	Fair value, EUR 1000	% of investment portfolio	EUR / m <sup>2</sup>
Vantaa	8	159	10,666	19,295	9.1 %	1,809
Kirkkonummi	3	103	6,884	14,581	6.9 %	2,118
Helsinki	6	34	2,438	9,832	4.6 %	4,034
Kerava	2	47	4,564	9,817	4.6 %	2,151
Järvenpää	3	22	1,807	6,123	2.9 %	3,389
Helsinki Region, others	16	86	6,848	21,477	10.1 %	3,136
<b>Helsinki Region</b>	<b>38</b>	<b>451</b>	<b>33,205</b>	<b>81,125</b>	<b>38.2 %</b>	<b>2,443</b>
Lahti	9	124	7,392	16,831	7.9 %	2,277
Tampere	6	45	2,999	9,754	4.6 %	3,253
Raisio	4	76	4,463	7,876	3.7 %	1,765
Jyväskylä	6	43	4,058	7,838	3.7 %	1,932
Turku	5	22	1,523	7,217	3.4 %	4,738
Large urban centres, others	10	97	6,150	15,634	7.4 %	2,542
<b>Major cities</b>	<b>40</b>	<b>407</b>	<b>26,583</b>	<b>65,150</b>	<b>30.7 %</b>	<b>2,451</b>
Lahti	2	63	3,084	8,186	3.9 %	2,655
Tampere	5	189	10,520	7,486	3.5 %	712
Raisio	6	90	5,317	7,145	3.4 %	1,344
Jyväskylä	3	44	2,843	6,526	3.1 %	2,295
Turku	3	64	3,799	5,386	2.5 %	1,418
Medium-sized towns, others	27	425	25,637	31,160	14.7 %	1,215
<b>Medium-sized towns</b>	<b>46</b>	<b>875</b>	<b>51,198</b>	<b>65,889</b>	<b>31.1 %</b>	<b>1,287</b>
<b>TOTAL (100%)</b>	<b>124</b>	<b>1,733</b>	<b>110,986</b>	<b>212,164</b>	<b>100.0 %</b>	<b>1,912</b>

The sales portfolio contained 30 June 2016 105 apartments in 42 properties. The sales portfolio's floor area was in total 6,702 m<sup>2</sup> and the fair value was EUR 10,635,000.



## Hierarchy of fair values

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

**Level 1** Prices of totally identical assets quoted on active markets

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

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

Assets	Level 1	Level 2	Level 3
Investment properties on 30 Jun 2016	-	-	212,164
Investment properties on 31 Dec 2015	-	-	195,851

In 2015, the company re-estimated the division of its investment properties between level 2 and level 3. Investment properties have in all respects been transferred to level 3.

## 5. Capital structure and financial expenses

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

### 5.1 Finance income and expenses

The company issued a nominal value EUR 20 million covered bond on 1 April 2015. The bond will fall due on 1 April 2020, and it has a fixed coupon of 4.25%. In the same context, on 1 April 2015, the parent company repaid its financial institution loans of approximately EUR 17 million.

Finance income and expenses	1 Jan - 30 Jun 2016	1 Jan - 30 Jun 2015
Interest expenses and fees for loans and interest rate hedges	-1441	-1284
Other finance expenses	-109	-31
<b>Total finance expenses</b>	<b>-1550</b>	<b>-1315</b>
Finance income	4	3
<b>Total</b>	<b>-1546</b>	<b>-1312</b>



## 5.2 Financial assets

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

Cash and cash equivalents	30 Jun 2016	31 Dec 2015
Cash and cash equivalents held in accounts	4,453	2,790
<b>Total</b>	<b>4,453</b>	<b>2,790</b>

In addition, the company has an unused bank account overdraft facility of EUR 200,000.

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

Current financial assets	30 Jun 2016	31 Dec 2015
Other receivables	7	209
Prepaid expenses and accrued income	187	280
<b>Total</b>	<b>194</b>	<b>489</b>

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

## 5.3 Financial liabilities

### Non-current liabilities

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

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

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

Non-current liabilities	30 Jun 2016	31 Dec 2015
Bond	19,382	19,382
The group's loans from financial institutions	91,928	72,381
Long-term security deposits received	755	660
<b>Total non-current liabilities</b>	<b>112,065</b>	<b>92,423</b>

Helsinki Stock Exchange on 2 April 2015. In the same connection, on 1 April 2015, the parent company repaid its financial institution loans of approximately EUR 17 million.

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

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

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



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

### Current interest-bearing liabilities

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

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

Current liabilities	30.6.2016	31.12.2015
The Group's loans from financial institutions	2,447	602
Current loans from related parties	2,500	0
Current loans from others	0	3,400
<b>Total of current liabilities</b>	<b>4,947</b>	<b>4,002</b>
Liabilities allocated to investment properties available for sale	3,362	4,671

### Convertible bond agreements

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

During the period 1 January - 30 June 2016, the company has concluded convertible bond agreements worth EUR 70 million, and EUR 4.7 million was exchanged for 580,942 shares in the company and recognised in the company's shareholders' equity. The company's shareholders' equity is EUR 95.831 million (31 December 2015: EUR 94.346 million). At the end of the period, the company had 717,369 shares in its possession that it had allocated to itself.

During 1 January - 30 June 2016, the convertible bond agreements were used to convert 580,942 shares, which correspond to approximately 6,5% of the company's all shares and the votes conferred by them at the beginning of period and approximately 6,2% of the company's all shares and the votes conferred by them at 30 June 2016.

The ownership of shareholders owning shares at the beginning of 2016 was diluted as a result of

shares converted through convertible bond agreements in 2016 by approximately 6,5%.

Dates of convertible bond agreements concluded during 1 January - 30 June 2016, the shares converted through them and the dates of their entry in equity.

Date	Shares	Entry in equity
Dec 29. 2015	26,565	Mar 31. 2016
Dec 29. 2015	26,766	Mar 31. 2016
Jan 13. 2016	26,738	Mar 31. 2016
Jan 13. 2016	27,212	Mar 31. 2016
Jan 18. 2016	28,400	Mar 31. 2016
Jan 18. 2016	27,957	Mar 31. 2016
Feb 02. 2016	27,676	Mar 31. 2016
Feb 02. 2016	27,945	Mar 31. 2016
Feb 22. 2016	30,469	Mar 31. 2016
Feb 22. 2016	30,080	Mar 31. 2016
Mar 21. 2016	31,430	Mar 31. 2016
Mar 21. 2016	32,439	Jun 30. 2016
Mar 29. 2016	32,387	Jun 30. 2016
Mar 29. 2016	32,933	Jun 30. 2016
Mar 30. 2016		
Apr 01. 2016		
Apr 22. 2016	32,462	Jun 30. 2016
Apr 22. 2016	32,184	Jun 30. 2016
May 09. 2016	32,779	Jun 30. 2016
May 09. 2016	33,264	Jun 30. 2016
Jun 07. 2016	33,672	Jun 30. 2016
Jun 07. 2016	7,584	Jun 30. 2016



### Other current liabilities

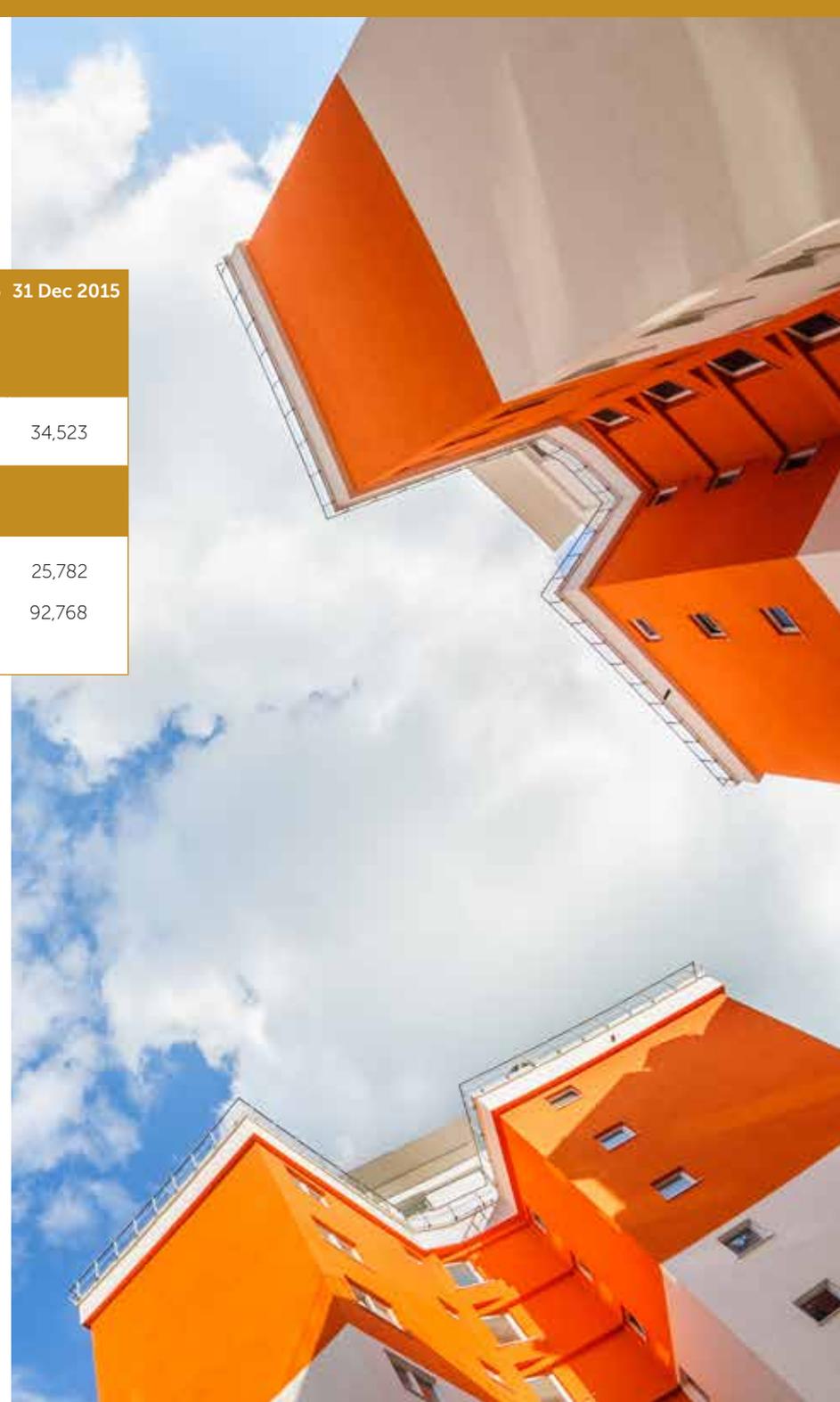
Other current loans include, among other things, advance payments received and accrued liabilities and deferred income. If trade payables fall due within over a year, they are recognised under noncurrent liabilities.

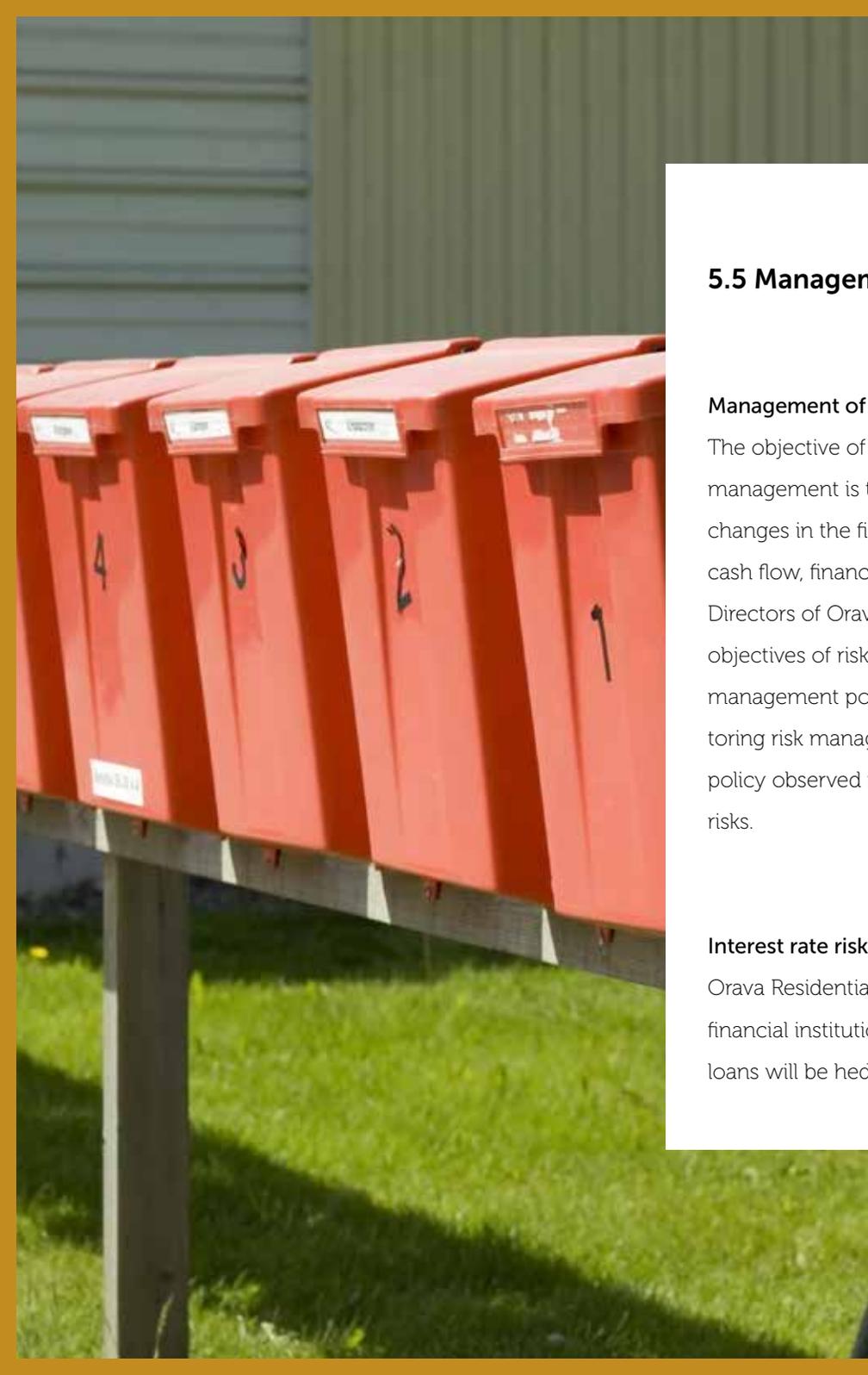
Other current liabilities	30 Jun 2016	31 Dec 2015
Advance payments received	161	164
Other liabilities	730	639
Accrued expenses and deferred income	3,137	7,546
Fair value of interest rate hedges	84	3
<b>Total current liabilities</b>	<b>4,113</b>	<b>8,352</b>

Other liabilities mainly consist of tax retained in advance (EUR 530,000) and the tax liability (EUR 0). Accrued liabilities and deferred income consist of transaction price (EUR 1,825,000), asset transfer tax (EUR 464,000), interest accruals (EUR 317,000) and dividend loan (EUR 0) and other accrued liabilities and deferred income.

### 5.4 Contingent liabilities

General pledge as collateral, real estate mortgages given to custody as collateral for the debt	30 Jun 2016	31 Dec 2015
Total real estate mortgages	34,523	34,523
Loans for which shares have been pledged		
Loans and a bond	38,689	25,782
Book value of the pledged shares	102,136	92,768





## 5.5 Management of financing risks

### Management of financing risks

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

### Interest rate risk

Orava Residential REIT uses variable-rate loans from financial institutions to finance its acquisitions. The loans will be hedged with interest rate swaps. On

30 June 2016, the hedging degree of variable-rate loans was 38% (31 December 2015: 100%). The company loans allocated to the shares of the housing companies in total EUR 78,000,000 were uncovered.

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 has no significant impact on 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. The parent company had drawn down bank loans of about EUR 16 million on 31 June 2016. Within the framework of the loan agreement, the loan may be drawn by a total of EUR 25 million. The loan arrangement will fall due on spring 2020 and 2021.

30 June 2016	less than 1 year	1-5 years	over 5 years
Parent company loans and bond	0	35,622	0
Company loans allocated to the shares in housing companies	2,258	13,466	62,222
Convertible bonds	2,689	0	0
<b>Interest bearing loans, EUR 1,000</b>	<b>4,947</b>	<b>49,088</b>	<b>63,222</b>

### 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 2016, rental receivables totalled EUR 235 000 (31 December 2015: 187 000).

### 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 2016, the equity-to-assets ratio was 44,2% (31 December 2015: 47,4%).

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.



## 5.6 Classification of liabilities

### Fair value hierarchy

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

**Level 1** Prices of totally identical liabilities quoted on active markets

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

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

Liabilities	Level 1	Level 2	Level 3
Interest rate hedging contracts on 30 Jun 2016	-	-84	-
Interest rate hedging contracts on 31 Dec 2015	-	-3	-

## 5.7 Derivatives

In accordance with its risk management policy, Orava Residential REIT uses interest rate derivatives to reduce the interest rate risk of its variable-rate loans. Orava Residential REIT may only use derivatives for hedging the interest rate risk within the limits allowed by the Tax Exemption Act. Through interest rate swaps, variable-rate loans are changed into fixed-rate loans, so the hedging instruments and the underlying objects are consistent as to their critical characteristics (amount, maturity).

Changes in the fair value of interest rate swaps are recognised under comprehensive income items and shareholders' equity. The fair values of interest rate swaps 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 the swaps is calculated by linear interpolation using the interest rates determined from the above zero-coupon curve.

## Interest rate swaps

Instrument	EUR 1,000	Fixed interest	Maturity
OTC interest rate swap	3,500	0.22	Feb 21, 2020
OTC interest rate swap	1,500	0.17	Mar 31, 2020
OTC interest rate swap	1,000	0.053	Mar 31, 2020

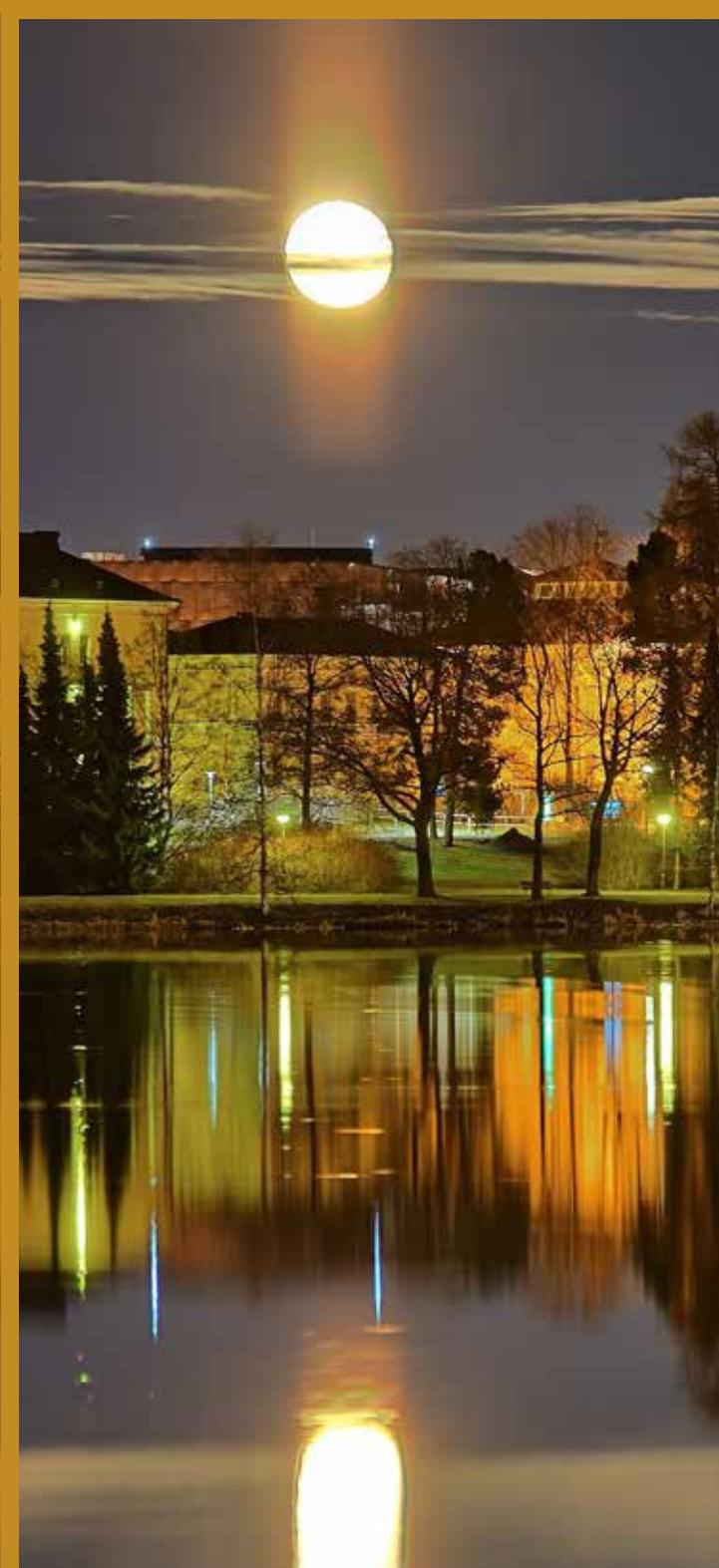
Fair value of interest rate hedges, EUR 1,000	30 Jun 2016	31 Dec 2015
At the end of the period, the fair value of interest rate swaps was	-84	-3
Change in fair value during the period	-81	490

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

## 5.8. Equity

Up to 30 June 2015, EUR 10.00 per share has been recognised in the share capital for directed issues and the conversions of convertible bond agreements, and the excess has been recognised





in the reserve for invested unrestricted equity. Since the summer of 2015, increases in equity have been recognised in the reserve for invested unrestricted equity. The costs of the acquisition of equity and the changes in the fair value of interest rate hedges have been deducted directly from equity.

Share capital and share premium account	30 Jun 2016	31 Dec 2015
Share capital on 1 January	72,131	72,131
<b>Share capital on 31 Xxx</b>	<b>72,131</b>	<b>72,131</b>
Share premium account 1.1	13,713	2,260
Increase in share premium account	4,810	11,453
Share premium account 31.xx	18,523	13,713
<b>Total share capital and share premium account</b>	<b>90,654</b>	<b>85,844</b>

The number of shares on 31 December 2015 was 9,006,619. The number of shares on 30 June 2016 was 9406 619, of which the company possessed 717 369 shares.

The company's equity has grown with the convertible bond agreements concluded.

In 2016, a total of 20 convertible bond agreements were entered into to a total value of EUR 70 million.

## Earnings per share

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

	1 Jan - 30 Jun 2016	1 Jan - 30 Jun 2015
<b>(a) Undiluted</b>		
Undiluted earnings per share are calculated by dividing earnings before comprehensive income items attributable to the company's shareholders by the weighted average number of shares outstanding during the period.		
Profit attributable to the company's shareholders, EUR 1000	1,500	3,654
Weighted average number of outstanding shares, 1,000 shares	8,405	6,746
<b>Undiluted earnings per share, EUR</b>	<b>0.18</b>	<b>0.54</b>
<b>(b) Adjusted for dilution effect</b>		
During the period there were an average about 183,000 potentially diluting shares outstanding.		
	0.17	



## Dividend distribution obligation

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

## 6 Additional information

### 6.1 Related parties

According to IAS 24, a party is a related party of a corporation when he or she owns a share in the corporation that gives him or her significant influence

or he or she is a member of the key management personnel of the corporation or its parent company. Key persons' family members, corporations under the person's control and corporations where the person has significant influence are also included in related parties.

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

The fixed management fees to management company Orava Funds plc during the period 1 Jan - 30 Jun 2016 amounted to EUR 618,000 (1 Jan - 30 Jun 2015: EUR 439,000). A performance-based management fee of EUR 0 has been booked during 1 Jan - 30 Jun 2016 (2015: EUR 704,000).

In January 2016 the Company made a loan agreement with Royal House Oy to borrow a short time loan of EUR 600,000 to finance the acquisition of new properties. The fixed annual interest rate was 2.7 per cent. 31 March 2016 the outstanding loan was EUR 200,000. The loan was paid back in April 2016.

On 30 March 2016, the company acquired 23 apartments from Royal House Oy at Asunto Oy Jyväskylän Valssikuja 6 at a transaction price of EUR 2.5 million. The transaction was financed through

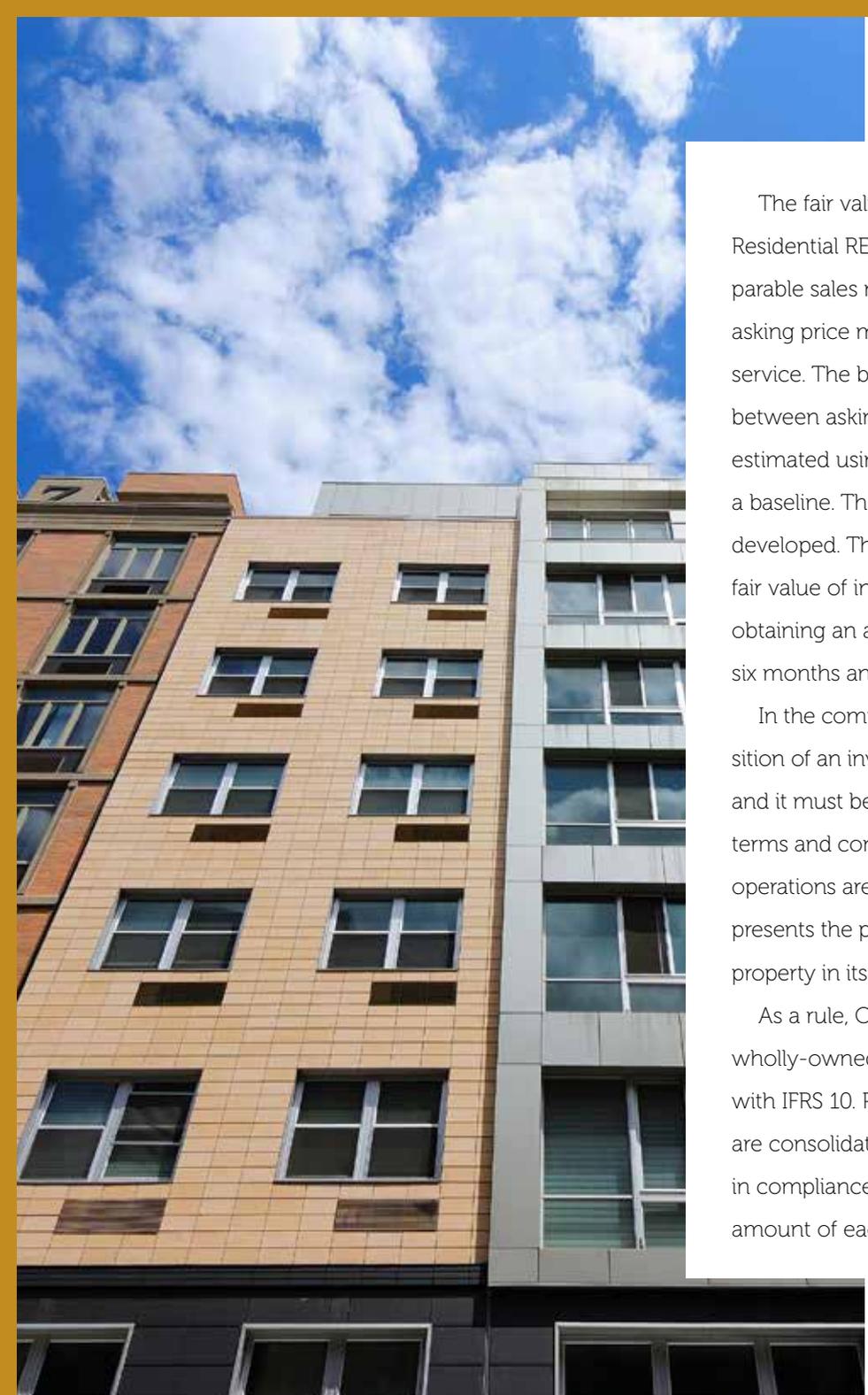
a EUR 1.5 million convertible bond loan concluded with Royal House Oy and a loan of EUR 1 million drawn down from Danske Bank.

On 1 April 2016, the company concluded a EUR 1.0 million convertible bond agreement with Royal House Oy. The convertible bond agreements corresponds to the convertible bond agreements concluded by the company with other investors as to their key terms.

### 6.2 Accounting principles requiring management discretion

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





The fair value of the apartment portfolio of Orava Residential REIT is monthly determined with a comparable sales multi-variable regression method using asking price material obtained from the Oikotie.fi service. The bargaining range – i.e. the difference between asking prices and transaction prices – is estimated using the material of Statistics Finland as a baseline. The measurement model is continuously developed. The uncertainty in the appraisal of the fair value of investment properties is reduced by obtaining an appraisal by an external valuer every six months and by selling apartments.

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

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

sheet item of the subsidiaries corresponding to the holding of the Group is consolidated.

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

## FINANCIAL INDICATORS FOR THE GROUP

	1 Jan - 30 Jun 2016	1 Jan - 30 Jun 2015
Revenue, EUR 1,000	7,747	9,280
Operating profit, EUR 1,000	3,071	5,012
Financial result for the period, EUR 1,000	1,500	3,654
Comprehensive profit for the period, EUR 1,000	1,419	4,147
Earnings per share, EUR	0.18	0.54
Maximum dividends per share for the year, EUR	1.08	1.20
Dividends paid during the period under review per share, EUR *	0.54	0.60
Return on equity, % p.a. (ROE)	3.2 %	9.4 %
Total return per share, % p.a.	-3.6 %	7.4 %
Weighted average number of shares	8,405,701	6,015,590

	30 Jun 2016	31 Dec 2015
Balance sheet total, EUR 1,000	217,046	199,315
Equity/assets ratio, %	44.2 %	47.4 %
Loan to value ratio, %	53.6 %	48.0 %
Net asset value per share, EUR, NAV	11.03	11.64
Adjusted net asset value per share, EUR, NAV	10.88	11.63
Net gearing, %	116.7 %	98.5 %
Number of shares on 31 Xxx	9,406,619	9,006,619
Adjusted number of shares on 31 xx	8,689,250	8,108,308
Market capitalisation, EUR 1,000 on 31 xx	76,684	85,563



## FINANCIAL INDICATORS FOR THE GROUP (CONTINUED)

	1 Jan - 30 Jun 2016	1 Jan - 30 Jun 2015
Economic occupancy rate, %, (EUR)	90.0 %	90.4 %
Operational occupancy rate, %, (m2)	91.4 %	88.8 %
Tenant turnover / month	2.7 %	2.4 %
Gross rental yield, % of fair value	6.8 %	6.8 %
Net rental yield, % of fair value	3.8 %	3.9 %
	1 Jan - 30 Jun 2016	1 Jan - 30 Jun 2015
EPRA Earnings, EUR 1,000	-200	-840
EPRA Earnings per share, EUR	-0.02	-0.14
EPRA Net Asset Value, EUR, 1,000	95,915	94,349
EPRA Net Asset Value per share, EUR	10.89	11.64
EPRA Net Initial Yield (NIY), %	4.0	3.9
EPRA Vacancy Rate	10.0 %	9.6 %

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

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

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



## FORMULAS FOR FINANCIAL INDICATORS (1/3)

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

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

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

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

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

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

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



## FORMULAS FOR FINANCIAL INDICATORS (2/3)

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

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

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

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

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

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 FINANCIAL INDICATORS (3/3)

$$\text{EPRA Earnings} = \begin{array}{l} \text{Profit/Loss for the period} \\ +/\text{- Gains from disposals and changes in the fair value of apartments} \\ + \text{ Direct taxes} \end{array}$$

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

$$\text{EPRA Net Asset Value} = \begin{array}{l} \text{Equity attributable to the shareholders of the parent company} \\ - \text{ any other equity reserve} \end{array}$$

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

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

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



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