

ORAVA RESIDENTIAL REIT PLC
INTERIM REPORT
1 JANUARY – 31 MARCH 2016



ORAVA

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CEO'S COMMENTS

"The financial result of the first quarter of Orava Residential REIT was reasonable, but lagged slightly behind of the targeted return of 10 per cent on shareholders' equity.

The Finnish housing market has slowly picked up during the early part of the year. For the first time in over two years, the value of apartments previously acquired for the portfolio of the Residential REIT increased during the quarter; however, the value change remained at +0.4%. It is noteworthy in the development of the value change within the quarter that in January–February the prices rose fairly rapidly, but in March the value of the old portfolio of the Residential REIT fell by 0.5%, i.e. by approximately EUR 1 million. The general price development of housing is, above all, secondary in importance; according to the monthly index published by Statistics Finland in



1 January – 31 March 2016

- Revenue: EUR 4.8 million (1 January – 31 March 2015: EUR 4.6 million)
- Comprehensive profit: EUR 1.8 million (EUR 2.3 million)
- Earnings per share: EUR 0.23 (EUR 0.41)
- Economic occupancy rate: 90.0% (89.8%)
- Gross rental yield: 6.8% (6.8%)
- Net rental yield: 3.6% (4.0%)
- Profit from acquisitions and changes in fair value: EUR 1.9 million (EUR 2.4 million)
- Total dividends distributed during the first quarter: EUR 0.27 per share (EUR 0.30 per share)

Net assets per share of Orava Residential REIT plc were EUR 11.46 on 31 March 2016 while they were EUR 11.64 at the beginning of the year 2016. The company has continued growing, and the value of its investment properties totalled EUR 207.4 million at the end of the period (31 December 2015: EUR 195.9 million).

April, the price development of old owner-occupied apartments in the whole country fell by 0.4% from the previous month in March.

In the first quarter, the REIT acquired a total of 49 apartments at a debt-free transaction price of EUR 9.6 million. The fair value of the investment properties owned by the REIT increased from EUR 195.9 million at the end of December to EUR 207.4 million at the end of March, while it was EUR 152.1 million at the end of March 2015.

The rental of apartments acquired without tenants at the turn of the year progressed without problems, but it had a slightly declining impact on the rental income. However, the financial occupancy rate rose slightly compared to the previous quarter. The picking up of apartment sales continued, and we made a new sales record of EUR 1.9 million in the quarter. The maintenance and repair expenses of investment properties in relation to the value of the portfolio remained at the level of the previous quarter, i.e. at 3.0 per cent converted to the annual level.

The number of shareholders of Orava Residential REIT has continued to grow to over 8,300. Trading in the company's share on the Helsinki Stock Exchange has remained at a good level; the average daily turnover in early 2016 exceeded EUR 230,000.

The Annual General Meeting of 22 March 2016 decided that the dividends to be distributed in 2016 shall be EUR 1.08 per share, i.e. approximately 9.3 per cent on net assets per share at the beginning of the year. The dividend payments will be EUR 0.27 per share by each quarter.

The Company continues to estimate that it has reasonably good prerequisites for maintaining good profitability and achieving the targeted total return of 10 per cent on shareholders' equity in 2016."



OPERATING ENVIRONMENT

National economy

According to the preliminary information from Statistics Finland, GDP growth remained at +0.5% in Finland last year, and it is expected to settle between +0.5% and +1.0% this year. The growth of private consumption that is central from the point of view of the housing market ended up at +1.4% last year according to preliminary information, while it is forecast to settle between +0.4% and +1.0% in 2016. Market interest rates in the euro area have continued to fall, and short-term rates are also expected to remain at less than 1% for approximately the next five to six years. The estimate is based on the most recent economic forecasts by 14 parties drawing up forecasts on the Finnish economy and the market interest rate expectations calculated on the basis of the euro interest rate curve published by the European Central Bank.

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

Demand in the housing market

In January–March 2015, households drew down EUR 3.7 billion in new mortgages, or 3% more year-on-

year, according to statistics from the Bank of Finland.

The euro-denominated mortgage base totalled EUR 92.2 billion at the end of March, and the annual growth in the mortgage base amounted to 2.5%.

The average marketing period for old apartments in the country overall, according to the Finnish Etuovi.com marketing service, decreased from 122 days in January to 111 days in April, while it was 110 days in April in the previous year.

The careful recovery of the demand for housing seems to have continued during the early part of the year.

Supply in the housing market

According to Statistics Finland, building permits for apartment blocks were granted for 2,853 apartments in February, which was 113% more than a year previously. Correspondingly, in January–February, building permits for apartment blocks were granted for a total of 4,051 apartments, or 47% more than a year previously. The annual change in the sliding annual sum of building permits granted for apartment blocks rose to +16%.

The three-month change in the housing construction volume index that describes the value of on-going new construction was -10% in February, and the change year-on-year was +16%.

According to the May confidence indicator survey of the Confederation of Finnish Industries, the balance figure for construction production for the past three months was +4 points in the first quarter of the year, while it was the +2 points in the previous quarter and -12 points a year before. The balance figure for the three-month production expectation was +41 points, compared to -21 points in the previous quarter and +20 points a year before. The number of unsold residential apartments compared to normal fell from +10 in the last quarter of the previous year to -5; a year ago, the balance figure was +24 points.

The supply in the housing market has increased significantly during the past winter and spring.

Prices, rents and returns in the housing market

In the first quarter of 2016, the rents of non-subsidised apartments increased by 2.6% year-on-year. In the first quarter of the year, the change



in housing prices was +0.8% compared to the previous year. The change in housing prices from the previous quarter was +0.6%, which we estimate to correspond to a rise of approximately 0.2% when evened out 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 first quarter and the rents of non-subsidised apartments was 15.1.

The corresponding 42-year average for the ratio of square metre prices to annual rents in Finland is 16.9.

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

RENTAL OPERATIONS

In the first quarter, the financial occupancy rate of rental operations was 90.0%. The economic occupancy rate, adjusted so that the acquisitions

	1 Jan – 31 Mar 2016	1 Jan – 31 Mar 2015
Gross rental yield, %	6.8	6.8
Net rental yield, %	3.6	4.0
Economic occupancy rate, %	90.0	89.8
Operational occupancy rate, %	90.9	90.8
Tenant turnover/month, %	2.3	2.2

in the past six months were eliminated, was 92,5%.

Gross rental yield was 6.8%.

At the end of the period, the company had a total of 1,736 residential apartments (Q1 2015: 1,456). There were 1,408 leases at the end of the period (Q1 2015: 1,208), and 115 apartments were for sale (Q1 2015: 105). Approximately 98% of the entire lease base for residential apartments is in agreements valid until further notice. A total of 102 agreements were terminated during the period (Q1 2015: 78).



ACQUISITIONS

In the first quarter, the company acquired a total of 49 apartments. On 31 March 2016, the REIT acquired a total of 26 apartments from eleven cities by a binding agreement from YIT Construction Ltd. The apartments acquired were located in 14 properties in Espoo, Hamina, Helsinki, Hyvinkää (2), Jyväskylä, Lahti, Riihimäki (2), Savonlinna, Tuusula, Vaasa and Vantaa (2). The apartments were without tenants at the time of the acquisition. The REIT acquired 23 apartments at one property in Jyväskylä from Royal House Oy. The debt-free transaction prices of the acquisitions totalled EUR 9.6 million.

APARTMENT SALES

Housing sales grew during the first quarter in the manner of the last quarter of 2015 to a significantly higher level than during the previous quarters. Measured in euros, the quarter was the best in the company's history. The company sold a total of 16 residential apartments from 14 different housing

Acquisitions implemented or agreed during the period under review

Time	Property	Debt-free transaction price (EUR million)	Company loan (EUR million)	Directed issues (1000 shares)	Apartments (qty)
30 Mar 2015	Apartments from a property in Jyväskylä	2.5	-	-	23
31 Mar 2015	Apartments from 14 properties	7.1	4.9	-	26
TOTAL		9.6	4.9	-	49

companies in the first quarter. The debt-free selling prices of the apartments totalled EUR 1.9 million. The brokerage fees for the sales amounted to EUR 61 thousand.

INVESTMENT PROPERTIES ON 31 MARCH 2016

The fair value of investment properties at the end of the period totalled EUR 207.4 million (31 December 2015: EUR 195.9 million). Orava Residential REIT had a total of 1,736 apartments on 31 March

2016 (31 December 2015: 1,702) with an aggregate leasable surface area of approximately 111,000 m² (31 December 2015: 108,000 m²). The apartments were located at 116 different housing companies, and 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



Age and regional distributions of the investment portfolio	31.3.2016	31.3.2015
Newer (1990–present)	67%	60%
Older (up to 1989)	33%	40%
Helsinki Region	39%	37%
Major cities	30%	27%
Medium-sized towns	31%	36%

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

Consolidated revenue for the period totalled EUR 4.8 million (Q1 2015: EUR 4.6 million). The revenue was divided into income from rental operations of EUR 2.9 million (Q1 2015: EUR 2.2 million) and capital gains of EUR 1.9 million (Q1 2015: EUR 2.4 million). Income from rental operations includes

rental income, compensation for use and other income. Capital gains are made up of profit from sales of investment properties less sales commissions for sold apartments, as well as the change in the fair value of apartments.

Operating expenses totalled EUR 2.3 million (Q1 2015: EUR 2.0 million), of which maintenance costs and annual repairs accounted for EUR 1.6 million (Q1 2015: EUR 1.0 million) and the performance-based management fee for EUR 0 (Q1 2015: EUR 338,000). The increase in expenses is mainly a result of the expansion of our operations.

Operating profit amounted to EUR 2.5 million (Q1 2015: EUR 2.6 million)

Financial income and expenses stood at EUR -629,000 (Q1 2015: -322,000) and taxes for the period at EUR 7,000 (Q1 2015: EUR 26,000).

Profit for the period amounted to EUR 1.9 million (Q1 2015: EUR 2.3 million). Comprehensive income items totalled EUR -53,000 (Q1 2015: EUR -10,000) and comprehensive profit for the period totalled EUR 1.8 million (Q1 2015: EUR 2.3 million).

FINANCING

Financial expenses (net) totalled EUR 629,000 during the period 1 January – 31 March 2016 (Q1 2015: EUR 322,000).

The interest-bearing loans of Orava Residential REIT and the company loans allocated to the

shares in housing companies totalled EUR 108.0 million on 31 March 2016 (31 December 2015: EUR 95.8 million).

In addition to these, the long-term loans on the statement of financial position also include EUR 715,000 in rental deposits paid by tenants (31 December 2015: EUR 660,000).



SHARES AND SHAREHOLDERS OF ORAVA RESIDENTIAL REIT

On 22 February 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 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.

The number of the company's shares in the Trade Register at the end of April was 9,206,619.

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. During the period of 1 January – 31 March 2016, the company has concluded 13 convertible bond agreements worth EUR 4.5 million, and 2.8 million euros were exchanged for 311,238 shares in the company and recorded in the company's shareholders' equity. The company's shareholders' equity was EUR 96.5 million (31 December 2015: EUR 94.3 million). At the end of the period under

review, the company had 787,073 shares in its possession which it had directed to itself. More detailed information on shareholders' equity and convertible bonds is presented in the tables part in sections 5.3 and 6.1.

The trading codes of the company's shares were OREIT and OREITN0116 during the period under review. The average daily turnover of shares in January–April was approximately EUR 233,000.

The company had more than 8,300 shareholders at the beginning of May 2016.

MANAGEMENT OF THE RESIDENTIAL REIT

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

As compensation for management services, Orava Residential REIT pays the management company 0.6% of the fair value of the assets of the REIT as an annual fixed management fee and 20% of the annual return on the REIT exceeding the hurdle

List of owners on 4 May 2016, ten largest

Shareholder	Number of shares	%
Maakunnan Asunnot Oy *	433,664	4.6
Royal House -konserni ***	300,000	3.2
Yli-Torkko Erkki	160,544	1.7
Godoinvest Oy **	129,360	1.4
Ålands Ömsesidiga Försäkringsbolag	100,000	1.1
Vähävara Oy	95,047	1.0
Rannikko Reino	52,000	0.6
Orava Rahastot Oyj ****	45,639	0.5
Ström Leif	44,846	0.5
Signe och Ane Gyllenbergs Striftelse SR	43,845	0.5
Total	1,404,945	14.9

* 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





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 1 January – 31 March 2016 amounted

to EUR 299,000 (Q1 2015: EUR 205,000), including value added tax.

On the basis of the company's net assets per share, share price and dividend distribution realised in 2016, a performance-based management fee has not been booked (Q1 2015: EUR 338,000). Any 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 has 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 six times during the period under review. The Board members' rate of attendance at Board meetings was 100%.



Orava Residential REIT's auditor is PricewaterhouseCoopers Oy, with 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 Board of Directors has an authorisation for a share issue of 6,000,000 shares given by the Annual General Meeting on 22 March 2016. On 31 March 2016, a total of 6,000,000 shares remain of the share issue authorisation.

MANAGEMENT

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

REGULATION

The current rules for real estate investment operations are available on the company's website

at 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 result in a decline in the occupancy rate of apartments, loss of rental income and a decline in profitability.



MAJOR EVENTS 1 JANUARY – 31 MARCH 2016

The Board Of Directors of Orava Residential REIT plc has confirmed the company's updated strategy for 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%.

Alongside financial targets, the main strategic objectives were confirmed to be:

- increasing equity to at least EUR 110 million in 2016 and maintaining annual growth of at least 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, and
- maintaining apartment sales at 5–10% of the value of investment properties of the opening balance sheet.

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 towns with a variation range of plus minus approximately 10%. According to the updated age distribution objective, 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 minus approximately 10% calculated from the market value of the investment portfolio.

The Board of Directors of the company 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 per cent to 7 per cent.

The 200,000 shares that Orava Residential REIT plc 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 the company directed 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 9,206,619. The aforementioned 200,000 shares were listed on the stock exchange list of the Helsinki Stock Exchange, and they have been subject to trading since 23 February 2016.

The company concluded a market making agreement with Nordea Finland Plc on 9 March 2016 concerning the market making of the new shares in Orava Residential REIT (trading code OREITN0116). 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 market making according to the agreement started on 10 March 2016.



The Annual General Meeting of 22 March 2016 decided to authorise the Board of Directors to decide on the distribution of dividends of no more than EUR 1.08. A total of no more than EUR 8,993,772.36 may be distributed in dividends. The dividends paid by quarter shall be no more than EUR 0.27 per share in each instalment. 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 framework of the aforementioned restraints provided that the company's solvency is not jeopardised as a result of the payment of dividends. The Board of Directors was authorised to decide on the record dates of dividend payments.

The Annual General Meeting of 22 March 2016 decided that a specification concerning the

payment of the performance-based management fee will be made in the rules for real estate investment operations so that the hurdle rate will be increased from 6 per cent to 7 per cent. According to the decision of the AGM, the rules for real estate investment operations (section 11, paragraph 3) were specified with regard to the determination of the management fee. The first sentence of the amended section 11, paragraph 3, reads as follows:



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-related 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 AGM of 22 March 2016 decided that a correction be made in section 14, second paragraph, of the rules for real estate investment operations due to the amendment to the Real Estate Funds Act, according to which amendments to the rules enter into force after a month from their communication 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 and the publication of the information concerning the REIT in accordance with Section 10. In addition, it was decided that an unnecessary sentence shall 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 their communication 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 and the publication of the information concerning the REIT in accordance with Section 10.

The AGM decided to grant a share issue authorisation to the Board of Directors so that, on the basis of the authorisation, the Board may decide to issue no more than 6,000,000 new shares in the company which do not give entitlement to dividends during 2016. The authorisation is valid until the next AGM, and it revokes the previous authorisation issued on 19 March 2015.

At its meeting held after the AGM, the Board of Directors of Orava Residential REIT plc elected Jouni Torasvirta as the Chairman and Patrik Hertsberg as the Vice Chairman from among its members. According to the authorisation given by the AGM, the Board of Directors decided that the dividends paid on the share in Orava Residential REIT plc (trading code OREIT, ISIN code FI4000068614) on 4 April 2016 shall be EUR 0.27, the dividend detachment date shall be 23 March 2016 and the record date shall be 24 March 2016. The total amount of dividends shall be EUR 2,248,443.09.

Orava Residential REIT plc acquired 23 residential apartments on 30 March 2016 and concluded on 31 March 2016 a binding purchase agreement on the acquisition of 26 residential apartments at debt-free transaction prices of a total of EUR 9.6 million. Thirty-one per cent of the value of the acquired apartments is located in the Helsinki Region, 50% in Jyväskylä and Lahti, and the remaining 19% in medium-sized towns. The acquisition included 26 new, non-rented apartments at a debt-free transaction price of EUR 7.1 million.

EVENTS AFTER THE FINANCIAL PERIOD

On 18 April 2016, the company concluded a loan agreement of EUR 10 million with Collector Bank AB both to finance acquisitions and refinance old loans. By the end of April, EUR 6.4 million has been drawn down of the loan.

The 200,000 shares that Orava Residential REIT plc 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 the company directed 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 have been subject to trading since 26 April 2016.

DIVIDEND

Year 2016

The Annual General Meeting of 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. a total of at most EUR 1.08 per share in 2016.

Dividends per share paid during the period under review	FI4000068614
4 April 2016 1st dividend	EUR 0.27
Total	EUR 0.27

FUTURE OUTLOOK

Orava Residential REIT continues to estimate that it has reasonably good prerequisites for maintaining good profitability in 2016 and achieving the targeted total return of 10 per cent on shareholders' equity.

The change in the value of the current apartments in the investment portfolio is expected to become slightly positive during the current year. The gross and net rental yields are estimated to remain approximately at the level of last year. The result impact of the acquisition of properties in euros is expected to remain in the size category of the year 2015. In addition no material change is expected to take place in the maintenance and repair costs in relation to the value of investment properties with regard to last year.

Helsinki, 18 May 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	Note	1 Jan - 31 Mar 2016	1 Jan - 31 Mar 2015
	EUR 1,000		
Revenue			
Income from rental operations	2	2,924	2,242
Gains from disposals and changes in the fair value of apartments	2	1,912	2,379
Total revenue		4,836	4,621
Maintenance expenses	3	-1,593	-1,036
Expenses from rental operations	3	-99	-149
Administrative expenses	3	-648	-460
Other operating income and expenses	3	2	-337
Total expenses	,	-2,338	-1,982
Operating profit	,	2,498	2,639
Financial expenses (net)	5.1	-629	-322
Profit before taxes	,	1,869	2,317
Direct taxes	3	-7	-26
Profit/loss for the period	,	1,862	2,291
Profit/loss for the period attributable to	,		
the owners of the parent company		1,862	2,291
Earnings per share calculated from the profit attributable to the owners of the parent company	,	,	
Earnings per share, diluted and undiluted, EUR	5.8	1,862	2,291
Other comprehensive income items	,		
Items that may in the future be reclassified to profit or loss			
Derivatives - interest rate swaps	5.7	1,862	2,291
Items that are not reclassified to profit or loss	,	0	0
Comprehensive profit/loss for the period	,	1,809	2,281
Comprehensive profit/loss for the period attributable to,			
the owners of the parent company		1,809	2,281
non-controlling interests		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	Note	31 Mar 2016	31 Dec 2015
ASSETS	EUR 1,000		
Non-current assets			
Investment properties in rental use	4	195,160	182,610
Investment properties available for sale	4	12,288	13,241
Fair value of investment properties	4	207,448	195,851
Current assets			
Trade and other receivables	2, 5.2	620	674
Cash and cash equivalents	5.2	4,880	2,790
		5,500	3,464
TOTAL ASSETS		212,948	199,315
EQUITY AND LIABILITIES			
Equity attributable to the owners of the parent company			
Share capital	5.8	72,131	72,131
Share issue		0	0
Reserve for invested unrestricted equity	5.8	16,462	13,713
Hedge reserve	5.7	-56	-3
Retained earnings		6,059	1,574
Profit for the period		1,862	6,931
Total equity		96,458	94,346
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	5.3	95,982	87,092
Other non-current liabilities	5.3	715	660
Total non-current liabilities		96,697	87,752
Current liabilities			
Interest-bearing liabilities, borrowings	5.3	7,203	4,002
Trade payables and other current liabilities	3, 5.3	7,739	8,541
Derivatives	5.7	56	3
Total current liabilities		14,998	12,546
Liabilities allocated to investment properties available for sale		4,795	4,671
TOTAL LIABILITIES		116,490	104,969
TOTAL EQUITY AND LIABILITIES		212,948	199,315



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 - 31 Mar 2016	1 Jan - 31 Mar 2015	1 Jan - 31 Dec 2015
	EUR 1,000		
Cash flows from operational activities			
Payments received from sales	2,857	2,138	9,801
Payments for operating expenses	-1,866	-2,032	-7,987
Cash flows from operational activities before financial items	991	106	1,814
Interest paid and other financial expenses, net	-1,012	-696	-4,165
Taxes paid	0	-21	-47
Net cash flows from operational activities	-21	-611	-2,399
Cash flows from investment activities			
Acquisition of subsidiaries less acquired cash and cash equivalents	-7,925	-1,479	-13,778
Income from divestitures of investment properties	963	571	4,708
Net cash flows used in investments	-6,962	-908	-9,070
Cash flows from financing activities			
Increase in equity subject to payment	0	481	2,472
Drawdowns of and increases in loans	10,051	0	26,931
Payments received from the issue of a convertible bond	2,500	3,553	15,000
Loan repayments	-3,001	-386	-24,434
Dividends paid	-479	-1,732	-7,701
Net cash flows used in financing activities	9,071	1,916	12,268
Net decrease (-) / increase (+) in cash and cash equivalents	2,090	398	800
Cash and cash equivalents at the beginning of the period	2,790	1,990	1,990
Cash and cash equivalents at the end of the period	4,880	2,389	2,790



Statement of changes in equity

EUR 1,000						
	1	2	3	4	5	6
Equity on 31 Dec 2013	43,144	0	-224	6,859	49,780	49,780
Proceeds from shares issued on 25 Jun 2014	3,189	899			4,088	4,088
Proceeds from shares issued on 30 Sep 2014	1,148	302			1,450	1,450
Proceeds from shares issued on 30 Sep 2014	6,039	535			6,574	6,574
Conversion of convertible bond on 8 Oct 2014	1,576	424			2,000	2,000
Conversion of convertible bond on 23 Dec 2014	1,280	220			1,500	1,500
Conversion of convertible bond on 31 Dec 2014	1,486				1,486	1,486
Costs to gain equity		-120		-258	-378	-378
Distribution of dividends on 28 Mar 2014				-1,206	-1,206	-1,206
Distribution of dividends on 30 Jun 2014				-1,206	-1,206	-1,206
Distribution of dividends on 30 Sep 2014				-1,206	-1,206	-1,206
Distribution of dividends on 30 Dec 2014				-1,206	-1,206	-1,206
Profit for the period				8,451	8,451	8,451
Comprehensive income items			-270		-270	-270
Equity on 31 Dec 2014	57,863	2,260	-493	10,230	69,860	69,860
Proceeds from shares issued on 11 Feb 2015	396	24			420	420
Proceeds from shares issued on 26 Feb 2015	50	8			58	58
Proceeds from shares issued on 31 Mar 2015	2,442	361			2,803	2,803
Conversion of convertible bond on 19 Mar 2015	2,024	490			2,514	2,514
Proceeds from shares issued on 29 May 2015	505	80			585	585
Conversion of convertible bond on 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

In the first quarter, a total of 13 convertible bond agreements were entered into on 13 January, 18 January, 2 February, 22 February, 21 March, 29 March and 30 March to a total value of EUR 4.5 million. The lenders were domestic investment companies introduced to the company by UB Securities Ltd and Royal House Oy.

Statement of changes in equity (continued)

EUR 1,000	1	2	3	4	5	6
Proceeds from shares issued on 29 Jun 2015	4,377	493			4,871	4,871
Conversion of convertible bond on 29 Jun 2015		500			500	500
Proceeds from shares issued on 31 Jul 2015	697	65			762	762
Conversion of convertible bond on 29 Sep 2015		4,500			4,500	4,500
Proceeds from shares issued on 18 Dec 2015		1,455			1,455	1,455
Conversion of convertible bond on 31 Dec 2015		2,750			2,750	2,750
Costs to gain equity				-705	-705	-705
Distribution of dividends on 31 Mar 2015				-1,795	-1,795	-1,795
Distribution of dividends on 30 Jun 2015				-1,927	-1,927	-1,927
Distribution of dividends on 30 Sep 2015				-2,080	-2,080	-2,080
Distribution of dividends on 30 Dec 2015				-2,150	-2,150	-2,150
Profit for the period				6,931	6,931	6,931
Comprehensive income items			-3		-3	-3
Maturing of hedging instrument			493		493	493
Equity on 31 Dec 2015	72,131	13,713	-3	8,504	94,346	94,346
Conversion of convertible bond 31 Mar 2016		2,750			2,750	2,750
Distribution of dividends Q1 2016				-2,248	-2,248	-2,248
Cost to gain equity				-199	-199	-199
Profit for the period				1,862	1,862	1,862
Comprehensive income items			-53		-53	-53
Equity on 31 Mar 2016	72,131	16,462	-56	7,919	96,458	96,458

- 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 Act on 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 Interim Report.

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. The tax exemption started from the beginning of the first tax year on 30 December 2010.

Orava Residential REIT was listed on NASDAQ Helsinki ("the Helsinki Stock Exchange") in October 2013.

Orava Residential REIT's Board of Directors approved these financial statements for publication at its meeting on 18 May 2016.



1.2 The Act on the Tax Exemption of Certain Limited Liability Companies Engaging in Apartment Rental Operations (299/2009) ("the Tax Exemption Act")

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

The main prerequisites for granting the 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 in the third year at the latest
- The company does not distribute its funds in any other manner than as dividends

The company becomes partially liable for tax

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

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

It is not possible to set off disposal gains and losses in capital gains taxation. Income tax is only recognised if it is known that the company will become partially liable to pay tax. For taxation purposes, a capital gain is created when the disposal

price exceeds the sum total of the original acquisition price, the asset transfer tax paid, the estate agent's fee and the apartment repair expenses and capitalised repairs.

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

1.3 Accounting principles

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards applying the IAS and IFRS standards and SIC and IFRIC interpretations endorsed for use in the EU and in force on 31 March 2016. The statements have been prepared in compliance with IAS 34. The term "International Financial Reporting Standards" refers to the standards and their interpretations in the Finnish Accounting Act and provisions based on this approved for application in the EU in accordance with the procedure established in EU Regulation No 1606/2002. The notes to the consolidated financial statements also comply with the provisions of Finnish accounting and corporate legislation that supplement the IFRS provisions. In addition, Orava Residential REIT complies with the recommendations of the



European Public Real Estate Association (EPRA) of August 2011, as applicable.

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

The consolidated financial statements are based on the 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 Interim Report 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 1.9 million. Asset items classified as available for sale are measured at fair value.

The book values of assets items available for sale on 31 March 2016 were EUR 12.3 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

Revenue	1 Jan - 31 Mar 2016	1 Jan - 31 Mar 2015
Income from rental operations		
Gross rental yield	2,831	2,171
Compensarion for use and service income	92	71
Gains from disposals and changes in the fair value of apartments		
Disposal prices of apartments less the fair value of the previuos quarter's closing balance	-120	-69
Brokerage fees for apartments disposed of	-61	-31
Net gains and losses from valuation of investment properties at fair value	2,093	2,479
Total	4,836	4,621

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 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, %	31 Mar 2016	31 Mar 2015
Helsinki Region	39	37
Major cities	30	27
Medium-sized towns	31	36
Total	100	100
Distribution of investment property values by age group, %	31 Mar 2016	31 Mar 2015
Built in 1989 or earlier	33	40
Built in 1990 or later	67	60
Total	100	100



Trade receivables	31 Mar 2016	31 Dec 2015
Rental and trade receivables	228	187
Total	228	187

During the period, EUR -2 000 in credit losses were recognised for rental receivables.

share of the apartments of the asset transfer tax, activated repairs and apartment repair expenses that have not been activated yet.

During the period 1 January-31 March 2016, a total of 16 apartments were sold (2015: 9 apartments).

Orava Residential REIT measures investment properties at fair value according to section 18 of the Real Estate Funds Act ('Kiinteistörahastolaki') and according to the fair value model in IFRS 13, Fair Value Measurement. Thereby, gains or losses from changes in fair values are presented through profit and loss in the reporting period they occur.

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

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 recog-

nised 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 on the closing date were incurred from rental receivables. The Group does not have significant receivable or credit risk concentrations. Rental receivables totalled EUR 228,000 on 31 March 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 - 31 Mar 2016	1 Jan - 31 Mar 2015
Property maintenance expenses	-1,594	-1,036
Expenses from rental operations	-84	-149
Board of Directors' fees	-34	-32
Management fee Orava Funds plc	-299	-205
Other administrative expenses	-330	-222
Other operating expenses	2	-337
Total	-2,337	-1,981

Property maintenance expenses	1 Jan - 31 Mar 2016	1 Jan - 31 Mar 2015
Property maintenance expenses less compensation for use	-1,502	-965
Property maintenance expenses less compensation for use as percentage of market value, p.a.	-3.0 %	-2.7 %
Average market value of investment properties during the period, EUR 1,000	201,649	141,400

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

Board of Directors' fees	1 Jan - 31 Mar 2016	1 Jan - 31 Mar 2015
Jouni Torasvirta	-10	-9
Peter Ahlström	0	-4
Patrik Hertsberg	-5	-1
Mikko Larvala	-5	-5
Tapani Rautiainen	-5	-5
Veli Matti Salmenkylä	-5	-5
Timo Valjakka	-5	-5
Total	-34	-33

The fees of the Board of Directors consist of monthly and meeting fees. The Board's attendance at meetings during the period was 100%. The Board held 6 meetings (2015: 7 meetings) during the period. Orava Residential REIT is externally managed. It has no personnel.

Auditor's fees	1 Jan - 31 Mar 2016	1 Jan - 31 Mar 2015
Audit, parent company	-37	0
Audit, subsidiaries	0	-2
Total	-37	-2

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 - 31 Mar 2016	1 Jan - 31 Mar 2015
Credit losses	2	1
Performance-based fee paid to the management company	0	-337
Total	2	-336

EUR -2,000 in credit losses has been recognised during the period (2015: EUR -1,000). 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, if it is lower than net assets per share, for the financial period is higher than the highest stock exchange



price for the previous financial periods, 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 - 31 Mar 2016	1 Jan - 31 Dec 2015
Trade payables	281	185

Trade payables are initially recognised at fair value and subsequently measured at amortised cost. The majority of the Group's trade payables are related to acquisitions made by 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 - 31 Mar 2016	1 Jan - 31 Mar 2015
Taxes of the Group for the period	-7	-26

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

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

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

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

Investment properties, fair value	31 Mar 2016	31 Dec 2015
Acquisition cost on 1 Jan	195,851	130,668
Increases	11,476	64,453
Transfer of cash and cash equivalents away from the fair value of investment properties	0	-913
Decreases	-1,972	-6,140
Change in fair value in the period taking the impact of asset transfer tax into account	2,093	7,784
Fair value on 31 Xxx	207,448	195,851

The decreases are disposals of residential apartments. A total of 16 apartments were sold during the period 1 Jan-31 Mar 2016.

The change in the value of investment properties that had been in the portfolio during the period 1 January-31 March 2016 was +0.4 (1 January-31 March 2015: -0,6%) i.e. EUR +720,000 (1 January-31 March 2015: EUR -260,000).



Investment properties on 31 Mar 2016

	Area	City	Holding, %	Built in, year	Apartments	Floor area, m2
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 Tähyistäjä	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	93 %	2000	22	1,336
As Oy Helsingin Limnologi	Helsinki Region	Helsinki	14 %	2015	5	427
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 Ryjy	Helsinki Region	Hyvinkää	4 %	2016	1	107
As Oy Hyvinkään Ukko-Pekka	Helsinki Region	Hyvinkää	14 %	2014	5	505
As Oy Järvenpään Terho	Helsinki Region	Järvenpää	5 %	2012	1	95
As Oy Järvenpään Tuohi	Helsinki Region	Järvenpää	82 %	2013	14	1,116
As Oy Järvenpään Saundi	Helsinki Region	Järvenpää	17 %	2013	8	688
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 911	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	50 %	1974-75	24	1,515



Investment properties on 31 Mar 2016

	Area	City	Holding, %	Built in, year	Apartments	Floor area, m2
As Oy Nurmijärven Soittaja	Helsinki Region	Nurmijärvi	59 %	2013	15	1,326
As Oy Lindheerst, Sipoo	Helsinki Region	Sipoo	65 %	1982	14	1,140
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	86 %	1979	46	3,341
As Oy Vantaan Kruununmasto	Helsinki Region	Vantaa	5 %	2016	2	119
As Oy Vantaan Piletti	Helsinki Region	Vantaa	2 %	2015	2	173
As Oy Vantaan Popliini	Helsinki Region	Vantaa	8 %	2015	4	321
As Oy Vantaan Rasinrinne 13	Helsinki Region	Vantaa	64 %	1975	25	1,299
As Oy Vantaan Rusakko	Helsinki Region	Vantaa	66 %	1992	6	333
As Oy Vantaan Maauunintie 14	Helsinki Region	Vantaa	100 %	1975	75	5,065
As Oy Jyväskylän Kruunutorni (liiketilat)	Large urban centres	Jyväskylä	36 %	2010	5	1,232
As Oy Jyväskylän Ahjotar	Large urban centres	Jyväskylä	28 %	2014	8	394
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	95 %	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 Lahden Poikkikatu 4	Large urban centres	Lahti	60 %	1971	24	1,334



Investment properties on 31 Mar 2016

	Area	City	Holding, %	Built in, year	Apartments	Floor area, m2
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
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 Jatulinmetsä	Large urban centres	Oulu	8 %	2013	2	160
As Oy Merijalinväylä	Large urban centres	Oulu	5 %	2012	2	138
As Oy Oulun Seilitie 1	Large urban centres	Oulu	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 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	60 %	2014	20	945
As Oy Tampereen Solaris	Large urban centres	Tampere	22 %	2014	11	881
As Oy Tampereen Vuoreksen Emilia	Large urban centres	Tampere	27 %	2014	11	839
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 Michailowinlinna	Large urban centres	Turku	9 %	2015	5	285
As Oy Turun Michailowinportti	Large urban centres	Turku	22 %	2013	5	417
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



Investment properties on 31 Mar 2016

	Area	City	Holding, %	Built in, year	Apartments	Floor area, m2
As Oy Heinolan Tamppilahdenkulma	Medium-sized towns	Heinola	87 %	1977	17	1,011
As Oy Heinolan Torihovi	Medium-sized towns	Heinola	12 %	2015	5	224
As Oy Hämeenlinnan Aulangontie 39	Medium-sized towns	Hämeenlinna	51 %	1974	11	527
As Oy Hämeenlinnan Salmiakki	Medium-sized towns	Hämeenlinna	100 %	2016	52	2,557
As Oy Kokkolan Luotsi	Medium-sized towns	Kokkola	23 %	2012	4	321
As Oy Kokkolan Omenapiha	Medium-sized towns	Kokkola	26 %	2012	3	261
As Oy Kotkan Alahovintie 7	Medium-sized towns	Kotka	100 %	1974	36	2,141
As Oy Kotkan Alahovintorni	Medium-sized towns	Kotka	91 %	1973	26	1,449
As Oy Kotkan Matruusi	Medium-sized towns	Kotka	13 %	2013	4	265
As Oy Kotkan Vuorenrinne 19	Medium-sized towns	Kotka	95 %	1973-75	70	3,824
As Oy Mällinkatu 6	Medium-sized towns	Kotka	100 %	1958 ja 74	54	2,875
As Oy Kuopion Rantahelmi	Medium-sized towns	Kuopio	3 %	2014	1	100
As Oy Lohjan Koulukuja 14	Medium-sized towns	Lohja	94 %	1976	50	2,802
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 %	1973	50	2,692
Koy Liikepuisto (sis. liiketiloja)	Medium-sized towns	Porvoo	100 %	1960	10	607
As Oy Kaivopolku (sis. liiketiloja)	Medium-sized towns	Porvoo	100 %	1993	32	2,055
As Oy Porvoon Laamanninpiha	Medium-sized towns	Porvoo	9 %	2013	2	181
As Oy Riihimäen Laidunaho	Medium-sized towns	Riihimäki	12 %	2013	2	157
As Oy Riihimäen Lovisa	Medium-sized towns	Riihimäki	20 %	2013	2	177
As Oy Riihimäen Vuorelanmäki I	Medium-sized towns	Riihimäki	100 %	1956	16	773



Investment properties on 31 Mar 2016

	Area	City	Holding, %	Built in, year	Apartments	Floor area, m2
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	23	1,392
As Oy Rovaniemen Rekimatka 29	Medium-sized towns	Rovaniemi	98 %	1989	53	2,996
As Oy Rovaniemen Suvihainä	Medium-sized towns	Rovaniemi	7 %	2014	2	119
As Oy Rovaniemen Uitto	Medium-sized towns	Rovaniemi	21 %	2015	9	576
As Oy Salon Ristinkedonkatu 33	Medium-sized towns	Salo	92 %	1975	67	4,172
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	97 %	1973	35	1,929



Investment properties on
31 March 2016

Region	No of prop- erties	Apart- ments and business facilities	Floor area, m ²	Valuation, EUR 1000	% of invest- ment portfolio	EUR / m ²
Vantaa	7	160	10,651	18,379	9 %	1,726
Kirkkonummi	3	103	6,884	13,972	7 %	2,030
Helsinki	5	34	2,383	9,851	5 %	4,134
Kerava	2	47	4,564	9,847	5 %	2,158
Järvenpää	3	23	1,899	6,772	3 %	3,566
Helsinki Region, others	15	88	6,883	21,212	10 %	3,082
Helsinki Region	35	455	33,263	80,034	39 %	2,406
Lahti	8	123	7,276	16,601	8 %	2,282
Tampere	6	49	3,238	10,665	5 %	3,294
Jyväskylä	6	44	4,112	8,208	4 %	1,996
Raisio	3	73	4,218	7,412	4 %	1,757
Oulu	7	33	2,248	6,594	3 %	2,933
Major urban centres, others	6	79	4,994	15,151	7 %	3,034
Major cities	36	401	26,085	64,630	31 %	2,478
Kotka	5	190	10,553	7,773	4 %	737
Rovaniemi	6	91	5,359	7,360	4 %	1,373
Hämeenlinna	2	63	3,084	6,721	3 %	2,179
Porvoo	3	44	2,843	6,590	3 %	2,318
Pori	3	64	3,799	5,336	3 %	1,405
Medium-sized towns, others	26	428	25,770	29,004	14 %	1,126
Medium-sized towns	45	880	51,408	62,785	30 %	1,221
Total	116	1,736	110,756	207,448	100 %	1,873

The sales portfolio contained 31 March 2016 115 apartments in 43 properties. The sales portfolio's floor area was in total 7,527 m² and the fair value was EUR 12,288,155.



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 31 Mar 2016		-	207 448
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 time proportion basis using the effective interest method.

5.1. Financial income and expenses

The company issued covered bond of a nominal value EUR 20 million 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.

Financial income and expenses	1 Jan - 31 Mar 2016	1 Jan - 31 Mar 2015
Interest expenses and fees for loans and interest rate hedges	-471	-192
Share of the capital charges of associated companies expensed	-100	-117
Other financial expenses	-60	-14
Total financial expenses	-631	-323
Financial income	2	1
Total	-629	-322



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 concluded.

Cash and cash equivalents	31 Mar 2016	31 Dec 2015
Cash and cash equivalents held in accounts	4 880	2 790
Total	4 880	2 790

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	31 Mar 2016	31 Dec 2015
Other receivables	2	209
Prepaid expenses and accrued income	391	280
Total	393	489

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 using the effective interest method. 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.

The company issued a covered bond of EUR 20 million on 1 April 2015. The loan will fall due on 1 April 2020, and it has a fixed coupon of 4.25%. The bond

Non-current liabilities	31 Mar 2016	31 Dec 2015
Bond	19,382	19,382
The Group's loans from financial institutions	81,395	72,381
Long-term security deposits received	715	660
Total non-current liabilities	101,492	92,423

was listed on the regulated market of the 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-to-assets ratio and the loan servicing margin. The margin of parent company loans was 2.5% on 31 March 2016. The margin of housing companies' loans was between 0.54% and 1.65%.

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	31 Mar 2016	31 Dec 2015
The Group's loans from financial institutions	853	602
Current loans from related parties	2,700	0
Current loans from others	3,650	3,400
Total current liabilities	7,203	4,002

	31 Mar 2016	31 Dec 2015
Liabilities allocated to investment properties available for sale	4,795	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-31 March 2016, the company has concluded convertible bond agreements worth EUR 4.5 million, and EUR 2.75 million was exchanged for 311,238 shares in the company and recognised in the company's shareholders' equity. The company's shareholders' equity was EUR 96,458 million on 31 March 2016 (31 December 2015: EUR 94,346 million), and the company had 787,073 shares in its possession that it had allocated to itself.

During 1 January-31 March 2016, the convertible bond agreements were used to convert 311,238 shares, which correspond to approximately 3.5% of the company's all shares and votes conferred

by them at the beginning of period and approximately 3.4% of the company's all shares and votes conferred by them at the end of the period.

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 3.5%.

Dates of convertible bond agreements concluded during 1 January-31 March 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 2, 2016	27,676	Mar 31, 2016
Feb 2, 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		
Mar 29, 2016		
Mar 29, 2016		
Mar 30, 2016		



Other current liabilities

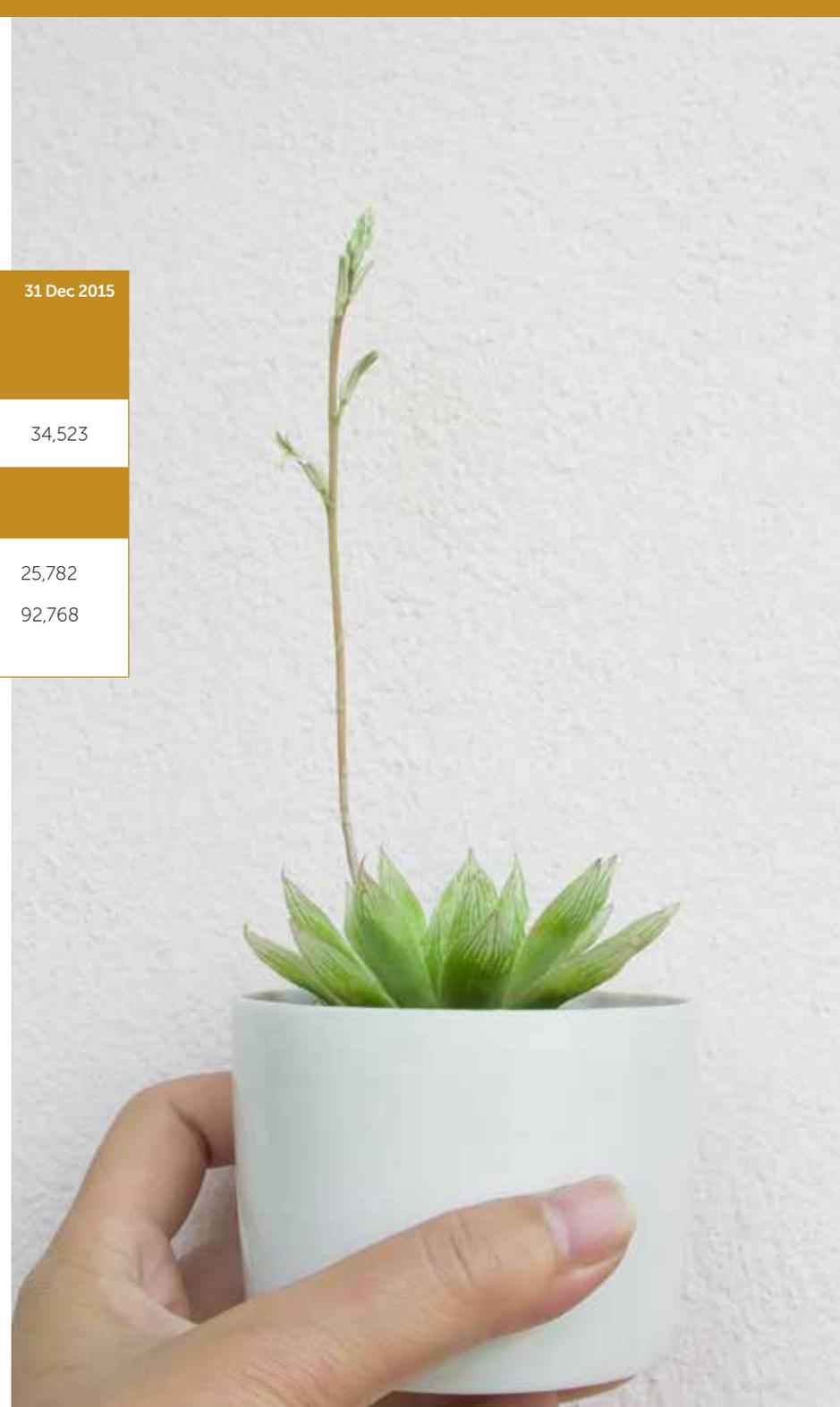
Other current liabilities include, among other things, advance payments received and accrued liabilities and deferred income. If the liabilities fall due within over a year, they are recognised under non-current liabilities.

Other current liabilities	31 Mar 2016	31 Dec 2015
Advance payments received	170	128
Other liabilities	688	305
Accrued expenses and deferred income	6,600	5,189
Fair value of interest rate hedges	56	493
Total current liabilities	7,515	6,115

Other liabilities mainly consist of tax retained in advance (EUR 478) and the tax liability (EUR 182,000). Accrued liabilities and deferred income consist of transaction price (EUR 5,835,000), asset transfer tax (EUR 475,000) and interest (EUR 638,000) accruals 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	31 Mar 2016	31 Dec 2015
Total real estate mortgages	34,523	34,523
Loans for which shares have been pledged		
Loans and a bond	29,782	25,782
Book value of the pledged shares	93,193	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 are hedged with interest rate swaps. On 31 March 2016, the hedging degree of variable-rate loans was 100% (31 December 2015: 100%). The company loans allocated to the shares of the housing companies, totalling EUR 68,865,000, 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 6 million on 31 March 2016. Within the framework of the loan agreement, the loan may be drawn by a total of EUR 15 million. The loan arrangement will fall due on 31 March 2020. In addition, the parent company had drawn down other loans of about EUR 5 million.

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

	less than 1 year	1-5 years	over 5 years
Parent company loans and bond	4,100	25,622	0
Company loans allocated to the shares on housing companies	853	12,845	62,310
Convertible bonds	2,250	0	0
Interest bearing loans, EUR 1,000 on 31 March 2016	7,203	38,467	62,310

receivables. The Group does not have any significant concentrations of receivable or credit risks. On 31 March 2016, rental receivables totalled EUR 228 000 (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 31 March 2016, the equity-to-assets ratio was 45.3% (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. Hierarchy 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 31 Mar 2016		-56	
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	31 Mar 2016	31 Dec 2015
At the end of the period, the fair value of interest rate swaps was	-56	-3
Change in fair value during the period	-53	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 reserve for invested unrestricted equity	31 Mar 2016	31 Dec 2015
Share capital on 1 January	72,131	72,131
Increase in share capital, paid	0	0
Share capital on 31 Xxx	72,131	72,131
Reserve for invested unrestricted equity	16,462	13,713
Total share capital and reserve for invested unrestricted equity	88,593	85,844

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

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

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

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

The number of shares on 31 December 2015 was 9,006,619.

The number of shares on 31 March 2016 was 9 206 619, of which the company possessed 787 073 shares.

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

In 2016, a total of 13 convertible bond agreements were entered into to a total value of EUR 4.5 million.

The lenders were domestic investment companies introduced to the company by UB Securities Ltd and Royal House Oy.

Earnings per share

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

	1 Jan - 31 Mar 2016	1 Jan - 31 Mar 2015
(a) Undiluted		
Undiluted earnings per share are calculated by dividing earnings before comprehensive income items attributable to the company's shareholders by the weighted average number of shares outstanding during the period.		
Profit attributable to the company's shareholders, EUR 1,000	1,862	2,281
Weighted average number of outstanding shares, 1,000 shares	8,264	5,597
Undiluted earnings per share, EUR	0,23	0,41
(b) Adjusted for dilution effect	0,22	
During the period there were an average about 249,000 potentially diluting shares outstanding.		



Dividend distribution obligation

Under the Tax Exemption Act, at least 90% of the profit for the period shall be distributed annually in dividends, excluding any unrealised change in the fair value of investment properties. On the other hand, the Tax Exemption Act restricts the distribution of funds for the distribution of profit only. The dividends that the Board of Directors proposes to be distributed are not recognised before the General Meeting approves them. Dividend distribution is recorded on the consolidated statement of financial position for the period during which the dividend is approved at the General Meeting. If the General Meeting authorises the Board of Directors to decide on the distribution of dividends, the distribution of dividends is recognised on the consolidated statement of financial position in 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 they own a share in the corporation that gives them significant influence or they are 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 paid to the management company Orava Funds plc during the period 1 Jan-31 Mar 2016 amounted to EUR 299,000 (1 Jan-31 Mar 2015: EUR 205,000). A performance-based management fee of EUR 0 has been booked during 1 Jan-31 Mar 2016 (2015: EUR 337,000).

In January 2016, the company concluded a loan agreement with Royal House Oy to acquire a short time loan of EUR 600,000 to finance the acquisition of apartments. The fixed annual interest rate is 2.7%.

On 31 March 2016, the outstanding loan was EUR 200,000.

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

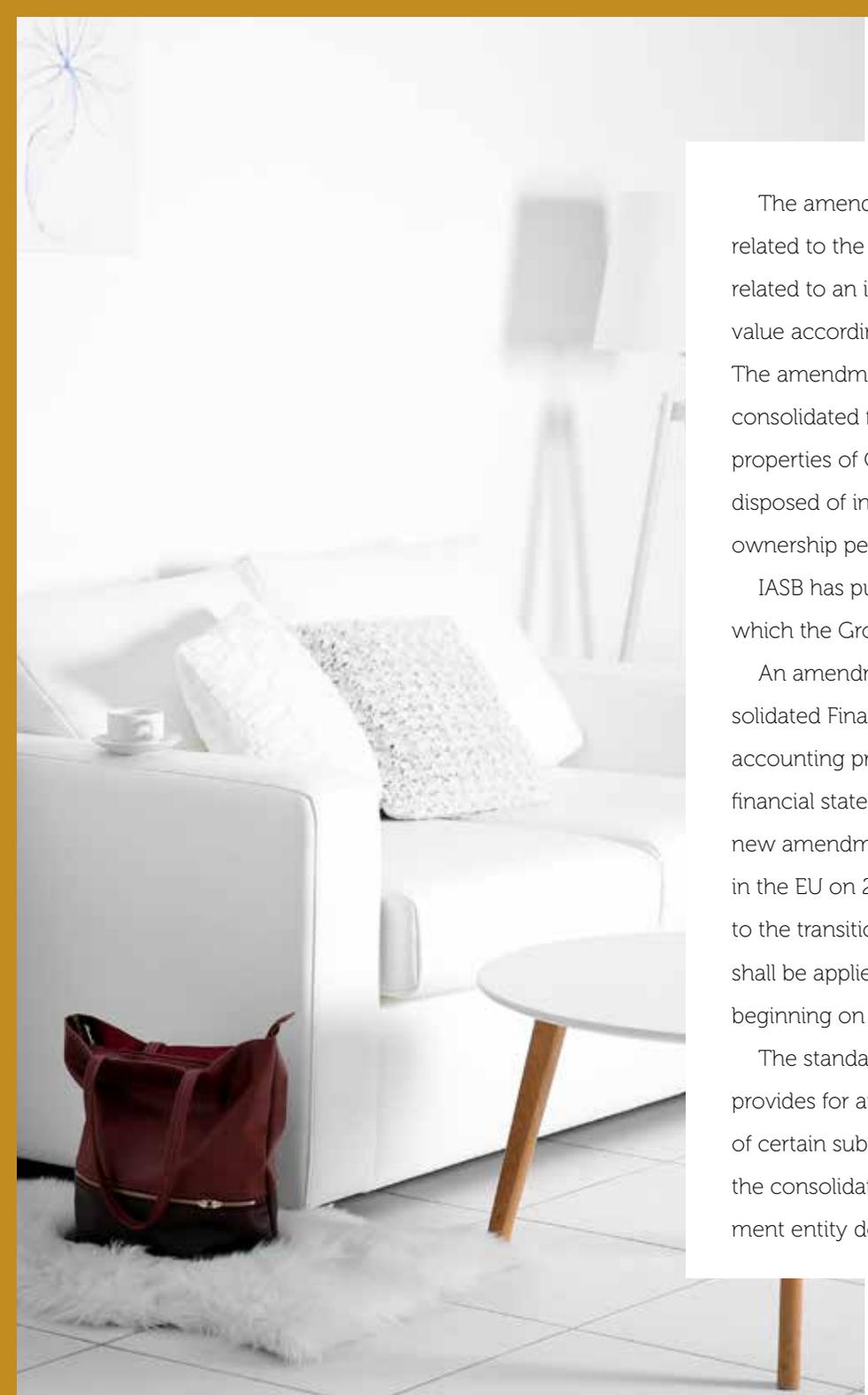
On 1 April 2016, the company concluded a convertible bond agreement with Royal House Oy. The convertible bond agreements corresponds to the convertible bond agreements concluded by the company with other investors as to their key terms.

6.2 New IFRS standards and interpretations

Orava Residential REIT used the same accounting principles as in the 2014 financial statements, except for the application of new or revised standards and interpretations.

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





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

IASB has published the following new standards, which the Group has not complied with.

An amendment was made to IFRS 10, Consolidated Financial Statements, relating to the accounting principles applied to the consolidated financial statements for investment entities. The new amendment to the standard was endorsed in the EU on 22 November 2013, and according to the transitional provisions, the new provisions shall be applied at the latest during financial periods beginning on or after 1 January 2014.

The standard defines an investment entity and provides for an exception for the consolidation of certain subsidiaries of the investment entity in the consolidated financial statements. An investment entity does not need to present consolidated

financial statements if it shall measure all of its subsidiaries at fair value through profit or loss according to paragraph 31 of IFRS 10. The company continues its investigations into the requirements of IFRS 10 to estimate the treatment of housing companies in its financial statements.

IFRS standards, interpretations and amendments which have been published but which will enter into force later than on 31 December 2015 and which may have an impact on the company's interim reports and consolidated financial statements, include the following:

IFRS 9 Financial instruments. The classification and measurement models in accordance with IAS 39 Financial Instruments: Recognition and Measurement will be replaced in IFRS 9 with a single model.

IAS 34 – it will be specified what 'the information presented elsewhere in the interim report' referred to in the standard means.

The amendments made to IAS 1 Presentation of Financial Statements are related to an IASB project concerning the information disclosed where it is clarified how the financial statements could be developed.



6.3 Accounting principles requiring management discretion

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

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

obtaining an appraisal by an external valuer every six months and by selling apartments.

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

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

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

	1.1 - 31.3.2016	1.1 - 31.3.2015
Revenue, EUR 1,000	4,836	4,621
Operating profit, EUR 1,000	2,498	2,639
Financial result for the period, EUR 1,000	1,862	2,291
Comprehensive profit for the period, EUR 1,000	1,809	2,281
Earnings per share, EUR	0,23	0,41
Maximum dividends per share for the year, EUR	1,08	1,20
Dividends per share paid during the period under review, EUR *	0,27	0,30
Return on equity, % p.a. (ROE)	8.7 %	12.6 %
Total return per share, % p.a.	3.1 %	9.7 %
Weighted average number of shares	9,164,855	5,597,307

	31.3.2016	31.12.2015
Balance sheet total, EUR 1,000	212,948	199,315
Equity-to-assets ratio, %	45.3 %	47.4 %
Loan to value ratio, %	48.1 %	48.0 %
Net asset value per share, EUR, NAV	11,46	11,64
Adjusted net asset value per share, EUR, NAV	10,88	11,64
Net gearing, %	106.9 %	98.5 %
Number of shares on 31 Xxx	9,206,619	9,006,619
Adjusted number of shares on 31 xx	8,419,546	8,108,308
Market capitalisation, EUR 1,000 on 31 xx	83,510	85,563



FINANCIAL INDICATORS FOR THE GROUP

	1.1 - 31.3.2016	1.1 - 31.3.2015
Economic occupancy rate, % (EUR)	90.0 %	89.8 %
Operational occupancy rate, % (m2)	90.9 %	90.8 %
Tenant turnover / month	2.3 %	2.2 %
Gross rental yield, % of fair value	6.8 %	6.8 %
Net rental yield, % of fair value	3.6 %	4.0 %
EPRA Earnings, EUR 1,000	586	597
(Operational result)		
EPRA Earnings per share, EUR	0,06	0,11
	31 Mar 2016	31 Dec 2015
(Operational result per share)		
EPRA Net Asset Value, EUR 1,000	96,514	94,346
(Net Asset Value)		
EPRA Net Asset Value per share, EUR	11,46	11,64
(Net Asset Value per share)		
EPRA Net Initial Yield (NIY), %	3.8 %	3.8 %
(Net Initial Yield)		
EPRA Vacancy Rate	10.0 %	9.6 %



FORMULAS FOR FINANCIAL INDICATORS (1/3)

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

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

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

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

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

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



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)

$$\text{EPRA Earnings (Operational result)} = \frac{\text{Net rental income} - \text{marketing and administrative expenses} \pm \text{other operating income and expenses included in operations}}{\text{Weighted average number of shares during the reported period}}$$

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

$$\text{EPRA Net Asset Value (Net assets)} = \frac{\text{Equity attributable to the shareholders of the parent company} - \text{any other equity reserve}}{\text{Undiluted number of shares at the end of the reported period}}$$

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

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

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



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