

Orava Residential REIT plc

Financial statements bulletin 18 February 2016 at 8:00 a.m.

## **ORAVA RESIDENTIAL REIT PLC FINANCIAL STATEMENTS BULLETIN 1 JANUARY – 31 DECEMBER 2015**

1 October – 31 December 2015

- Revenue: EUR 4.5 million (1 October – 31 December 2014: EUR 2.8 million)
- Comprehensive profit: EUR 1.3 million (EUR 1.7 million)
- Earnings per share: EUR 0.16 (EUR 0.35)
- Economic occupancy rate: 89.7% (88.4%)
- Gross rental yield: 7.0% (6.6%)
- Net rental yield: 3.7% (3.6%)
- Profit from assignments and changes in fair value: EUR 1.8 million (EUR 0.8 million)
- Total dividends distributed during the period under review: EUR 0.30 per share (EUR 0.28 per share)

1 January – 31 December 2015

- Revenue: EUR 17.5 million (1 January – 31 December 2014: EUR 15.3 million)
- Comprehensive profit: EUR 7.4 million (EUR 8.2 million)
- Earnings per share: EUR 0.96 (EUR 1.83)
- Economic occupancy rate: 90.4% (89.4%)
- Gross rental yield: 6.8% (6.7%)
- Net rental yield: 3.8% (4.0%)
- Profit from assignments and changes in fair value: EUR 7.4 million (EUR 8.8 million)
- Total dividends distributed in 2015: EUR 1.20 per share (EUR 1.12 per share)

Net assets per share of Orava Residential REIT plc amounted to EUR 11.64, while they were EUR 12.02 (adjusted) at the beginning of the year. The company has continued growing, and the value of its investment properties rose to EUR 195.9 million at the end of the period under review (31 December 2014: EUR 130.6 million). The company's proposal to the Annual General Meeting concerning dividends to be paid in 2016 is EUR 0.27 per share in each quarter, or a total of EUR 1.08 per share.

### **CEO's comments:**

"The financial result for the fourth quarter and the entire financial year for Orava Residential REIT lagged slightly behind the targeted result of 10% return on equity.

The price development of apartments in Finland in the fourth quarter and the entire year 2015 was weak. The change in the value of apartments owned for the entire quarter by the Residential REIT was -0.9% in the fourth quarter, while it was -0.7% in the first, 0% in the second and -0.5% in the third quarter. However, the market situation enabled profitable acquisition of new apartments, and the wholesale discounts for acquisitions compensated for the fall in the value of the old portfolio. In the fourth quarter, we agreed on the acquisition of 81 apartments at a debt-free price of EUR 16.4 million. The fair value of the investment properties owned by the Residential REIT grew from EUR 178.9 million at the end of September to EUR 195.9 million at the end of December, while it was EUR 130.6 million at the end of December 2014.

No material changes took place in rental operations in the fourth quarter compared to the previous quarter. The gross rental yield for the year 2015 was 6.8%, while net rental yield was 3.8% and the economic occupancy rate was 90.4%.

With regard to apartment sales, the situation improved slightly towards the end of the year. We sold apartments at EUR 1.4 million in the fourth quarter, and the apartment and plot sales totalled EUR 6.1 million in 2015. The fourth quarter was the best in the history of the Residential REIT in terms of apartments sales measured in euros.

The maintenance and repair costs of investment properties in relation to the value of the portfolio came to 3.0% converted to an annual level in the fourth quarter and 2.9% for the entire year. The anticipated increase in the fourth quarter compared to the third quarter was mainly due to seasonal fluctuation. At the annual level, the slight increase in the ratio is explained by the rise in the cost index of the maintenance of apartment blocks by a few percentage points at the same time as the prices of apartments have fallen.

The number of shareholders of Orava Residential REIT continued growing and reached over 7,500 at the end of the year, while it was 5,500 at the end of the previous year. Trading in the company's shares on the Helsinki Stock Exchange also grew; the average daily turnover in 2015 was EUR 270,000 (EUR 254,000 a year before).

Shareholders have been paid a total of EUR 1.20 per share in dividends on the last business days of March, June, September and December according to the decision of the Annual General Meeting.

The company estimates that it has reasonably good prerequisites for maintaining good profitability and achieving the targeted total return of 10% on shareholders' equity in 2016."

## **Operating environment**

### National economy

GDP growth was estimated to remain at between -0.1% and +0.3% in Finland last year and to settle at 0.6–1.1% this year. The growth in private consumption, which is of key importance for the housing market, is estimated to have settled at 0.5–1.1% last year, and it is predicted to remain at approximately at the same level, 0.2–1.0%, in 2016. The market interest rates in the euro area have continued to fall, and short-term rates are also expected to remain at less than one per cent for the next four to five years. The estimate is based on the most recent economic forecasts by 15 parties drawing up forecasts on the Finnish economy, compiled by the Federation of Finnish Financial Services, and the market interest rate expectations calculated on the basis of the euro interest rate curve published by the European Central Bank.

We expect the housing market to strengthen during 2016.

### Demand in the housing market

During October–December 2015, households drew down EUR 4.3 billion in new mortgages, or 11% more than a year previously according to statistics from the Bank of Finland. The euro-denominated mortgage base totalled EUR 92.0 billion at the end of December, and the annual growth in the mortgage base was 2.8%.

The average marketing period for old apartments in the country overall according to the Finnish marketing service Etuovi.com rose slightly from 117 days in October to 122 days in January, while it had been 127 days in January in the previous year.

A slight recovery seems to have taken place in the demand for housing during the second half of the year.

### Supply in the housing market

According to Statistics Finland, building permits for apartment blocks were granted for 1,462 apartments in November, which was 6% more than a year previously. Correspondingly, in January–November, building permits for apartment blocks were granted for a total of 18,994 apartments, or 11% more than a year previously. The annual change in the sliding annual sum of building permits granted for apartment blocks was +8%.

The three-month change in the housing construction volume index that describes the value of on-going new construction was +5% in November, and the change year-on-year was +3%.

According to the February confidence indicator survey by the Confederation of Finnish Industries, the balance figure for construction production over the past three months was +2 points in the fourth quarter of the year, while it was +17 points in the previous quarter and -12 points a year before. The balance figure for construction production for the past three months was -2 points, in the previous quarter +21 points and -10 points a year before. The number of unsold residential apartments compared to normal fell from +20 in the third quarter of the year to +10; a year ago, the balance figure was +30 points.

Signs of recovery are still being seen in the supply in the housing market.

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

In the fourth quarter of 2015, the rents of non-subsidised apartments increased by 2.7% year-on-year. The change in the prices of apartments during the fourth quarter was +0.2% compared to the situation a year previously. The change in housing prices from the previous quarter was -0.2%, which we estimate to correspond to an increase of approximately 0.8% when converted seasonally. The ratio of housing prices to rents is slightly below the long-term average; the ratio calculated from the square metre prices of apartment block apartments in the fourth quarter and the rents non-subsidised apartments was 15.2. The 42-year average for the ratio of square metre prices to annual rents in Finland is 16.9.

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

#### **Rental operations**

The economic occupancy rate for the fourth quarter was 89.7%. The slight fall in the economic occupancy rate compared with the previous quarter (90.6%) is influenced by the apartments acquired without tenants at the end of the third quarter. The economic occupancy rate, adjusted so that acquisitions over the past six months have been eliminated, was 92.2%.

We managed to increase the economic occupancy rate slightly during the financial year. The economic occupancy rate at the end of 2015 was 90.4%, while it was 89.4% a year previously.

	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2014
Gross rental yield, %	6.8	6.7
Net rental yield, %	3.8	4.0
Economic occupancy rate, %	90.4	89.4
Operational occupancy rate, %	90.4	88.7
Tenant turnover/month, %	2.3	2.1

At the end of the period, there were a total of 1,702 residential apartments (2014: 1,318). There were 1,323 leases at the end of the period (2014: 1,017) and 124 apartments were for sale (2014: 62). Approximately 98% of the entire lease base for residential apartments is in agreements valid until further notice. A total of 108 agreements were terminated in the fourth quarter (2014: 55) and 443 during the entire financial year (2014: 237).

#### **Acquisitions**

Acquisitions implemented or agreed during the period under review

Debt-free	Company	Directed
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		<b>purchase price</b>	<b>debt</b>	<b>issues (1,000)</b>	
<b>Time</b>	<b>Property (EUR million)</b>	<b>(EUR million)</b>			
<b>shares)</b>	<b>(qty.)</b>				
January-September	5 properties and apartments from 25 properties	48.2	30.3	801	346
30 Dec 2015	Property from Kerava and apartments from 16 properties	16.4	9.8	-	81
<b>TOTAL</b>		<b>64.6</b>	<b>40.1</b>	<b>801</b>	<b>427</b>

On 31 December 2015, the company acquired 81 apartments with binding agreements. The company acquired a total of 23 apartments from five properties from Skanska Talonrakennus Oy and Sipoonranta Oy. A total of 30 apartments were acquired from eleven properties from YIT Construction Ltd. The apartments acquired are located in a total of 16 properties in Espoo, Hyvinkää, Kauniainen, Sipoo, Tuusula, Vantaa, Lahti, Oulu, Hamina, Heinola, Naantali, Paimio, Porvoo, Riihimäki (2 apartments) and Savonlinna. The apartments were without tenants at the time of acquisition. In addition, a property of 26 apartments in Kerava was acquired from VVO. The debt-free selling prices of the acquisitions totalled EUR 16.4 million.

## Apartment sales

Apartment sales picked up significantly in the fourth quarter compared with the previous quarters and the last quarter of 2014. During the fourth quarter, the company sold a total of 18 residential apartments from thirteen different housing companies. The debt-free selling prices of the apartments totalled EUR 1.4 million. Measured in euros, the quarter was the best in the company's history. The brokerage fees for the sales amounted to EUR 63,000.

During the period, the company sold a total of 43 apartments from 21 different housing companies. The total sales in the period, EUR 3.6 million, exceed the sales in the corresponding period in the previous year (1 January – 31 December 2014: EUR 2.9 million). The brokerage fees for the sales amounted to EUR 151,000.

Apartment sales were supplemented by selling five plots at a selling price totalling EUR 2.6 million. The plots were located in Kerava, Lahti (2 plots), Kaarina and Riihimäki. The housing companies located on the plots concluded leases with the new owner.

The total sales from the investment portfolio in 2015 were EUR 6.1 million (1 January – 31 December 2014: EUR 5.7 million).

## Investment properties 31 Dec 2015

The fair value of investment properties at the end of the period totalled EUR 195.9 million (31 December 2014: EUR 130.6 million). Orava Residential REIT had a total of 1,702 apartments on 31 December 2015 (31 December 2014: 1,318); the aggregate floor area of the apartments was approximately 108,000 m<sup>2</sup> (31 December 2014: EUR 82,000 m<sup>2</sup>). The apartments were located at 108 different housing companies, and the company's holding was 100% in 17 of the cases. More detailed information on the investment properties is presented in the tables section.

### Age and regional distributions of the investment portfolio

	31 Dec 2015	31 Dec 2014
Newer (1990 onwards)	65%	58%
Older (up to 1989)	35%	42%

Helsinki Region	40%	43%
Major cities	29%	23%
Medium-sized cities	31%	34%

The values of the apartments owned by the REIT are measured at fair value at least on a monthly basis and are published at least on a quarterly basis, and always when a change in the REIT's economic situation requires it or when changes in the condition of the real estate have a material impact on the value of the holdings of the REIT. A more detailed account of the apartment price measurement model is presented in the 2014 financial statements.

### **Consolidated profit for the period**

The Group's revenue for the financial year totalled EUR 17.5 million (2014: EUR 15.3 million). The revenue was divided into income from ordinary operations of EUR 10.0 million (2014: EUR 6.5 million) and capital gains of EUR 7.4 million (2014: EUR 8.8 million). Income from ordinary operations includes rental income, compensation for use and other income. Capital gains are made up of profit from sales of investment properties less sales commissions for sold apartments, as well as the change in the fair value of apartments.

Operating expenses totalled EUR 7.8 million (2014: EUR 5,4 million), of which maintenance costs and annual repairs amounted to EUR 5,1 million (2014: EUR 2.8 million) and the performance-based management fee totalled 0.0 million (2014: EUR 0.8 million). The growth in costs is mainly due to the expansion of the operations.

Operating profit amounted to EUR 9.7 million (2014: EUR 9.9 million).

Financial income and expenses totalled EUR -2.6 million (2014: EUR -1,4 million), and taxes for the period totalled EUR 161,000 (2014: EUR 94,000).

Profit for the period stood at EUR 6.9 million (2014: EUR 8.5 million). Comprehensive income items amounted to EUR 490,000 (2014: EUR -270,000), and comprehensive profit for the period totalled EUR 7.4 million (2014: EUR 8.2 million).

### **Financing**

Financial expenses (net) totalled EUR 2.6 million during the period 1 January – 31 December 2015 (2014: EUR 1.4 million).

Orava Residential REIT issued a EUR 20 million bond on 1 April 2015. The bond will fall due on 1 April 2020, and it has a fixed coupon of 4.25%. In the same connection, the parent company repaid the variable-rate loans of EUR 16.9 million taken out from Danske Bank and concluded a credit limit agreement of EUR 15 million with Danske Bank.

The interest-bearing loans of Orava Residential REIT and the company loans allocated to the shares in housing companies totalled EUR 95.8 million on 31 December 2015 (31 December 2014: EUR 60.5 million).

In addition to the loans, the long-term liabilities in the statement of financial position also include EUR 660,000 in rental deposits paid by tenants (31 December 2014: EUR 478,000).

### **Shares and shareholders of Orava Residential REIT**

In the first quarter, the company implemented directed issues of a total of 444,193 shares, and applied for the shares to be admitted to trading on the main list of the Helsinki Stock Exchange (trading codes OREIT and OREITN0115). The company allocated 200,000 shares to itself in a charge-free share issue on 9 February 2015. In addition, in a directed issue related to an acquisition, Osuusasunnot Oy subscribed to

244,193 shares on 31 March 2015. The subscription price of the shares was the weighted average price during the five days of stock exchange trading on the NASDAQ Helsinki preceding the subscription. Of the shares subscribed to in the issues, 328,461 shares do not provide entitlement to dividends paid from the profit for 2014 during 2015, but they will provide entitlement to dividends in 2016 and subsequent years.

In the second quarter, the company implemented directed issues of a total of 1,119,668 shares and applied for the shares to be admitted to trading on the main list of the Helsinki Stock Exchange (trading codes OREIT and OREITN0115). The company allocated 200,000 shares and 500,000 shares to itself in charge-free share issues implemented on 4 June 2015 and 17 June 2015. In addition to these, in directed issues related to acquisitions, 50,450 shares subscribed by Rakennusliike Leimarakentajat Oy on 29 May 2015 and 369,218 shares subscribed by Maakunnan Asunnot Oy on 29 June 2015 were recorded in the Trade Register by 3 July 2015. Of the shares subscribed to in the issues, 419,383 shares do not provide entitlement to dividends paid from the profit for 2014 during 2015, but they will provide entitlement to dividends in 2016 and subsequent years.

In the third quarter, the company implemented directed issues of a total of 69,717 shares and applied for the shares to be admitted to trading on the main list of the Helsinki Stock Exchange (trading codes OREIT and OREITN0115). On 31 July 2015, the company allocated 69,717 shares to Suomen Vuokrakodit Oy related to an acquisition communicated on 30 June 2015, of which 35,926 shares do not provide entitlement to dividends to be paid from the result for 2014 during 2015, but they will provide entitlement to dividends in 2016 and subsequent years.

In the fourth quarter, the company implemented a directed issue of a total of 1,045,000 shares and applied for the shares to be admitted to trading on the main list of the Helsinki Stock Exchange (trading code OREIT). In the share issue, 150,000 shares were subscribed by experienced investors and 895,000 shares were subscribed by the company. A prospectus was prepared for the shares, which was published on 21 December 2015.

After the record date, 18 December 2015, of the dividend paid on 30 December, all shares in the company were combined (ISIN code FI4000068614) and all shares had equal rights to dividends. Trading with the trading code OREITN0114 on the Helsinki Stock Exchange ended on 18 December 2014. The number of the company's shares in the Trade Register at the end of 2015 was 9,006,619.

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 December 2015, the company has concluded convertible bond agreements worth EUR 15.3 million, of which EUR 14.8 million was exchanged for 1,340,673 shares in the company and recognised in the company's shareholders' equity. In addition to these agreements, the company's equity has grown in the period under review by EUR 11.0 million through directed issues. The company's shareholders' equity is EUR 94.3 million (31 December 2014: EUR 69.9 million). At the end of the period, the company had 898,311 shares in its possession that it had allocated to itself. More detailed information on shareholders' equity and convertible bonds is presented in the tables section.

The trading codes of the company's shares during the financial year were OREIT and OREITN0115. The average daily turnover of the company's shares during the financial period was EUR 270,000, and the weighted average price of the share during the last five days of stock exchange trading was EUR 9.37.

The company had more than 7,500 shareholders at the end of December.

#### **LIST OF OWNERS ON 31 DECEMBER 2015, TEN LARGEST**

<b>Shareholder</b>	<b>Number of shares</b>	<b>%</b>
Royal House Group***	488,421	5.4
Maakunnan Asunnot Oy*	433,664	4.8
Godoinvest Oy**	204,360	2.3
Yli-Torkko Erkki	135,205	1.5
Ålands Ömsesidiga Försäkringsbolag	100,000	1.1
Vähävara Oy	92,000	1.0

Rannikko Reino	91,000	1.0
Osuusasunnot Oy	76,000	0.8
Orava Funds plc****	45,639	0.5
Ström Leif	45,240	0.5
<b>Total</b>	<b>1,711,529</b>	<b>19.0</b>

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

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

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

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

## Management of the Residential REIT

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

As compensation for management services, Orava Residential REIT pays the management company 0.6% of the fair value of the assets of the REIT as an annual fixed management fee and 20% of the annual return on the REIT exceeding the hurdle rate of 6% as a performance-based management fee. The stock exchange price is used in the calculation of the performance-based management fee if it is lower than net assets per share. The performance-based management fee is only paid if the closing stock exchange price for the financial period is higher than the highest closing stock exchange price for the previous financial periods, adjusted for dividends, issues and splits.

The fixed management fee is calculated on a quarterly basis, and the value is considered to be the latest fair value of the assets according to IFRS in the previous quarter. The fixed management fees during the period under review 1 January – 31 December 2015 amounted to EUR 967,000 (2014: EUR 614,000).

On the basis of the company's net assets per share, share price and dividend distribution realised in 2015, no performance-based management fee has been booked (2014: EUR 1.6 million).

During the period, Newsec Asset Management Oy and Ovenia Oy were paid a total of EUR 790,000 for financial administration and other support activities and for apartment rental operations and administrative services, including value added tax.

## Personnel

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

## Board of Directors and auditors

The Board of Directors of Orava Residential REI is composed of six members: Tapani Rautiainen, Veli Matti Salmenkylä, Jouni Torasvirta, Timo Valjakka, Mikko Larvala and Patrik Hertsberg (as of 19 March 2015) as well as Peter Ahlström (until 19 March 2015). The Chairman of the Board is Jouni Torasvirta, and the Vice Chairman is Tapani Rautiainen. The Board of Directors convened a total of 26 times during the period under review. The Board members' rate of attendance at Board meetings was 97%.

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 19 March 2015. On 31 December 2015, a total of 3,503,426 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](http://www.oravaasuntorahasto.fi), and they are included as an appendix.

## **Near-term risks and uncertainties**

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

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

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

## **Major events 1 January – 31 December 2015**

The 500,000 shares that Orava Residential REIT allocated to itself in a charge-free share issue on 17 December 2014 were recorded in the Trade Register on 5 January 2015. 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. After the issue, the number of the company's shares totalled 5,706,123.

On 19 January 2015, Orava Residential REIT submitted a listing application for 47,800 shares to be admitted to trading on the stock exchange list of the Helsinki Stock Exchange as of 20 January 2015. The shares are included in the 500,000 shares recorded in the Trade Register on 5 January 2015. The trading code of the shares is OREIT, and the ISIN code is FI4000068614. After the listing, the number of the company's listed shares totalled 5,253,923.

On 23 January 2015, the Financial Supervisory Authority approved the company's prospectus, which was related to the listing of a total of 1,056,122 shares. The shares were related to the directed issue allocated to Osuusasunnot Oy (235,922 shares), communicated by the company on 28 November 2014, the directed issue allocated to Royal House Oy (368,000 shares), communicated on 31 December 2014, and the charge-free directed issue allocated to the company itself (500,000 shares, of which 47,800 shares were listed on 20 January 2015), communicated on 5 January 2015. In the directed issues subject to a payment, the subscription price of new shares was the average stock exchange price on the Helsinki Stock Exchange weighted by the share turnover during the five trading days preceding the subscription. The subscription price of Osuusasunnot Oy was EUR 11.33 per share, and the subscription price of Royal House Oy was EUR 10.60 per share.

The 368,000 new shares allocated by Orava Residential REIT plc to Royal House Oy in connection with a property acquisition on 31 December 2014, and the 200,000 shares allocated to the company itself in a charge-free share issue on 9 February 2015 were recorded in the Trade Register on 12 February 2015. The company may use the new shares allocated to itself to strengthen its capital structure, develop its

business and widen its ownership base through both acquisition of investment properties and issue of convertible bonds. After the issues, the number of the company's shares recorded in the Trade Register totalled 6,510,045.

The Helsinki Stock Exchange approved Orava Residential REIT's listing application concerning the aforementioned 568,000 shares, and the new shares have been subject to trading on the stock exchange list since 13 February 2015. The trading code of the 368,000 shares allocated to Royal House Oy is OREIT, and the ISIN code is FI4000068614. The trading code of the 200,000 shares allocated by the company to itself is OREITN0115, and the ISIN code is FI4000148036. The shares with the trading code OREITN0115 do not provide entitlement to dividends paid from the profit for 2014 during 2015, but they will provide entitlement to dividends in 2016 and subsequent years. After these issues, the number of the company's listed shares totalled 6,510,045.

The company's Annual General Meeting was held on 19 March 2015. The AGM decided to change the company name to Orava Residential REIT plc (previously Orava Residential Real Estate Investment Trust plc). The related amendment to section 1 of the Articles of Association was recorded in the Trade Register on 31 March 2015.

The AGM decided to make a specification in the rules for real estate investment operations concerning the payment of the performance-related management fee so that the stock exchange price of the share shall be used in the calculation of the management fee if it is lower than net assets per share. 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 performance-based management fee. The clause "if the stock exchange price of the share is lower than net assets per share" was added to the end of the sentence, "After listing, the stock exchange price of the share shall be used in the calculation instead of net assets per share" in section 11, paragraph 3.

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 (of which no more than 1,500,000 shares shall provide entitlement to dividends as of 1 April 2015 and 4,500,000 shares shall not provide entitlement to dividends during 2015).

The company acquired a total of 140 apartments through transactions made and an agreement concluded on 31 March 2015. Their aggregate debt-free purchase price was EUR 16.1 million. The company concluded a binding agreement with Skanska Talonrakennus Oy on a transaction of 53 apartments, which are located in a total of nine properties in Tampere (11 apartments), Turku (5), Oulu (7), Vaasa (5), Rovaniemi (13), Kokkola (3) and Savonlinna (9). In addition, a residential property of 36 apartments at Hoviherrankatu 3 in Kaarina and a residential property of 51 apartments at Kunnaankatu 7 in Raisio were purchased from Osuusasunnot Oy. The transaction was partly financed through a directed issue allocated to Osuusasunnot Oy, where Osuusasunnot Oy subscribed to 244,193 new shares issued by the company. Of these shares, 128,461 do not provide entitlement to dividends paid in 2015. The subscription price of the shares was the weighted average price during the five days of stock exchange trading on the NASDAQ Helsinki preceding the subscription.

Orava Residential REIT issued a EUR 20 million bond on 1 April, and communicated its decision to issue the bond on 26 March 2015. The bond will fall due on 1 April 2020, and it has a fixed coupon of 4.25%. The bond was listed on the regulated market of the Helsinki Stock Exchange on 2 April 2015. Danske Bank Plc acted as the lead manager in the issue of the bond, and Castrén & Snellman Attorneys Ltd acted as the legal advisor in the arrangement.

The 244,193 new shares allocated by Orava Residential REIT plc to Osuusasunnot Oy in connection with an acquisition on 31 March 2015 were recorded in the Trade Register on 17 April 2015. After the issue, the number of the company's shares recorded in the Trade Register totalled 6,754,238. Of the shares allocated to Osuusasunnot Oy, the ISIN code of 115,732 shares is FI400068614 (trading code OREIT), and the ISIN code of 128,461 shares is FI4000148036 (trading code OREITN0115). The shares whose trading code is OREITN0115 do not provide entitlement to dividends paid from the profit for 2014 during 2015, but they will provide entitlement to dividends in 2016 and subsequent years. The company submitted a listing application to the Helsinki Stock Exchange concerning the aforementioned 244,193 shares, and the new shares have been subject to trading on the stock exchange list since 21 April 2015. After the listing, the number of the company's listed shares totalled 6,754,238.

The transaction of 53 residential apartments agreed with Skanska Talonrakennus Oy in March 2015 was completed on 28 April 2015.

On 29 May 2015, the company agreed with Rakennusliike Leimarakentajat Oy on the construction of 52 apartments in Hämeenlinna. The apartments to be built will be completed by the end of 2016. The company is financing the building project with directed issues allocated to Rakennusliike Leimarakentajat Oy and company loans taken out for the company established. The total value of the directed issues allocated to Rakennusliike Leimarakentajat Oy during the building period is approximately EUR 1.8 million. At the time of the agreement, Rakennusliike Leimarakentajat Oy had subscribed to a total of 50,450 shares at EUR 0.6 million. The subscription price of the shares was the weighted average price during the five days of stock exchange trading on the NASDAQ Helsinki preceding the subscription. The remainder of the directed issues will be subscribed after the project has been completed.

The 200,000 shares that Orava Residential REIT plc allocated to itself in a charge-free share issue on 4 June 2015 were recorded in the Trade Register on 9 June 2015. 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. After the issue, the number of the company's shares recorded in the Trade Register totalled 6,954,238. Of the shares allocated to the company itself, the ISIN code of 150,000 shares is FI400068614 (trading code OREIT), and the ISIN code of 50,000 shares is FI4000148036 (trading code OREITN0115). The shares whose trading code is OREITN0115 do not provide entitlement to dividends paid from the profit for 2014 during 2015, but they will provide entitlement to dividends in 2016 and subsequent years.

The company submitted a listing application to the Helsinki Stock Exchange concerning the aforementioned 200,000 shares, and the new shares have been subject to trading on the stock exchange list since 10 June 2015. After the listing, the number of the company's listed shares totalled 6,954,238.

The 500,000 shares that Orava Residential REIT plc allocated to itself in a charge-free share issue on 17 June 2015 were recorded in the Trade Register on 23 June 2015. 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. After the issue, the number of the company's shares recorded in the Trade Register totalled 7,454,238. Of the shares allocated to the company itself, the ISIN code of 350,000 shares is FI400068614 (trading code OREIT), and the ISIN code of 150,000 shares is FI4000148036 (trading code OREITN0115). The shares whose trading code is OREITN0115 do not provide entitlement to dividends paid from the profit for 2014 during 2015, but they will provide entitlement to dividends in 2016 and subsequent years.

The 50,450 shares allocated by the company to Rakennusliike Leimarakentajat Oy in May 2015 and the 377,502 shares assigned by the company on the basis of convertible bond agreements concluded between 1 March and 31 May 2015 were recorded in the company's shareholders' equity items on 23 June 2015. The increase in share capital is EUR 4.3 million, in addition to which EUR 0.8 million was booked in the company's reserve for invested unrestricted equity. After the increases, the company's share capital was EUR 67,057,020.00.

Through a transaction concluded on 29 June 2015, the company acquired 46 apartments from Asunto Oy Vantaan Kaakkoisväylä 4 at a purchase price of EUR 4.15 million. The transaction was financed through a directed issue allocated to Maakunnan Asunnot Oy, where Maakunnan Asunnot Oy subscribed to 369,218 new shares issued by the company. Of these shares, 192,889 do not provide entitlement to dividends paid in 2015. The subscription price of the shares was the weighted average price during the five days of stock exchange trading on the NASDAQ Helsinki preceding the subscription.

On 30 June 2015, the company concluded a binding agreement to acquire a total of 44 apartments from Asunto Oy Lahden Jukolan Aapo and Asunto Oy Lahden Jukolan Tuomas at a debt-free purchase price of EUR 7.1 million. The transaction will be financed through a directed issue allocated to Suomen Vuokrakodit Oy, where Suomen Vuokrakodit Oy has undertaken to subscribe to 138,163 new shares issued by the company. Of these shares, 71,684 do not provide entitlement to dividends paid in 2015. The subscription price of the shares was the weighted average price during the five days of stock exchange trading on the NASDAQ Helsinki preceding the subscription.

On 30 June 2015, the Financial Supervisory Authority approved the company's prospectus, which was related to the listing of a total of 937,664 shares. The shares are related to the directed issues to Maakunnan Asunnot Oy (369,218 shares) communicated on 29 June 2015 and Suomen Vuokrakodit Oy (68,446 shares) communicated on 30 June 2015, and the charge-free directed issue allocated to the company itself (500,000 shares) communicated on 23 June 2015. In the directed issues allocated to Maakunnan Asunnot Oy and Suomen Vuokrakodit Oy, the subscription price of the new shares was the average stock exchange price on the Helsinki Stock Exchange weighted by the share turnover during the five trading days preceding 29 June 2015. The subscription prices of the shares were EUR 11.65 per share (trading code OREIT) and EUR 10.65 per share (trading code OREIN0115).

On 1 July 2015, the company submitted a listing application to the Helsinki Stock Exchange concerning the admission of the shares subscribed in the directed issue allocated to Maakunnan Asunnot Oy on 29 June 2015 and the shares allocated to the company itself and communicated on 23 June 2015, i.e. a total of 869,218 shares, to trading on the stock exchange list of the Helsinki Stock Exchange. Trading in the new shares started on 6 July 2015. Of the shares, 526,329 were applied to be admitted to trading on the stock exchange list with the trading code OREIT (ISIN code FI4000068614) and 342,889 with the trading code OREITN0115 (ISIN code FI4000148036).

The Financial Supervisory Authority approved the supplement to the company's prospectus on 2 July 2015. The prospectus estimated that the 937,664 shares will be applied to be admitted to trading on the stock exchange list of the NASDAQ Helsinki on or around 3 July 2015. The 68,446 shares subscribed by Suomen Vuokrakodit Oy will be applied to be admitted to trading later.

The 369,128 shares allocated by the company to Maakunnan Asunnot Oy on 29 June 2015 were recorded in the Trade Register on 3 July 2015. The increase in the share capital was EUR 3.7 million. After the increases, the number of the company's shares recorded in the Trade Register totalled 7,823,456 and the company's share capital was EUR 70,749,200.00.

Orava Residential REIT allocated a new share issue to Suomen Vuokrakodit Oy on 31 July 2015. Suomen Vuokrakodit Oy has undertaken to subscribe to 69,717 new shares issued by the company. Of these shares, 35,926 do not provide entitlement to dividends paid in 2015. The subscription price of the shares is the weighted average price during the five days of stock exchange trading on the NASDAQ Helsinki preceding 31 July 2015. The directed issue is related to the binding agreement communicated on 30 June 2015, by which Orava Residential REIT acquired a total of 44 apartments from Asunto Oy Lahden Jukolan Aapo and Asunto Oy Lahden Jukolan Tuomas at a debt-free purchase price of EUR 7.1 million.

The company's auditor, PricewaterhouseCoopers Oy, has appointed Tuomas Honkamäki, APA, as the company's chief auditor as of 11 August 2015.

The Financial Supervisory Authority approved the supplement to the company's prospectus on 24 August 2015. The prospectus was supplemented with the changed information concerning the transaction concluded with Suomen Vuokrakodit Oy, and reference was made in the prospectus to the company's interim report for 1 January – 30 June 2015.

The 138,163 new shares allocated by Orava Residential REIT plc to Suomen Vuokrakodit Oy in directed issues on 29 June 2015 and 31 July 2015 were recorded in the Trade Register on 24 August 2015. After the issue, the number of the company's shares recorded in the Trade Register totalled 7,961,619. The company submitted a listing application to the Helsinki Stock Exchange concerning the aforementioned 138,163 shares, and the new shares have been subject to trading on the stock exchange list since 26 August 2015. After the listing, the number of the company's listed shares totalled 7,961,619.

On 30 September 2015, the company acquired a total of 42 apartments from YIT Construction Ltd through a binding agreement at a debt-free purchase price of 10.3 million. The apartments acquired are new, and they are located in Helsinki, Espoo, Hyvinkää, Turku, Raisio, Oulu, Kuopio, Rovaniemi and Vaasa. The apartments were not leased.

Through conditional agreements concluded on 30 September 2015, housing companies owned by Orava Residential REIT sold five plots at a total selling price of EUR 2.6 million. The plots are located in Kerava,

Lahti, Kaarina and Riihimäki. The completion of the transactions requires that pledge arrangements are concluded.

On 18 November 2015, Orava Residential REIT signed an agreement on the acquisition of equity with Carnegie Investment Bank AB (hereinafter "Carnegie"). Under the agreement, the company attempts to issue no more than 4 million shares, which correspond to a no more than 50% addition to the current number of shares of Orava Residential REIT. On 19 March 2015, the Annual General Meeting of Orava Residential REIT authorised the Board of Directors to implement directed issues of no more than 6 million shares. Approximately 4.5 million shares remain of the share issue authorisation. On the basis of the agreement, Carnegie will to the best of its abilities and in accordance with the instructions of Orava Residential REIT attempt to sell the shares issued by the company in one or several batches at the prevailing market price. The purpose of the agreement is to acquire new capital for Orava Residential REIT to expand the company's operations in accordance with its strategic growth objectives, expand the shareholder base and increase the awareness of international institutional investors of Orava Residential REIT.

The plot transactions agreed by the housing companies owned by Orava Residential REIT on 30 September 2015 were completed at the beginning of November after pledge arrangements.

On 14 December 2015, the company published its intention to offer the company's shares to a limited group of institutional investors and the company itself. Orava Residential REIT would offer no more than 4,000,000 new shares in the company to be subscribed against payment by a restricted number of institutional, experienced investors within the meaning of the Prospectus Directive, designated by Carnegie Investment Bank AB and participating in a tender procedure in the European Economic Area, and if the issued shares would not be subscribed to in their entirety by the institutional investors, they would be subscribed by the company free of charge. The subscription price of the issued shares would be determined finally by the subscription offers made by the institutional investors in the tender procedure. The company and Carnegie Investment Bank AB set the preliminary price range for the issued shares at EUR 9.70 –10.50 per issued share. The tender procedure began on 14 December 2015 at 9:30 a.m. Finnish time, and it ended no later than 17 December 2015 at 6:30 p.m. Finnish time. The issued shares do not give entitlement to dividends distributed by the company in 2015. Carnegie Investment Bank AB acted as the lead manager in the share issue. Bird & Bird Attorneys Ltd acted as the legal advisor of the company in the share issue.

The company communicated on 16 December 2015 that the dividend to be paid for the shares of Orava Residential REIT (trading code OREIT, ISIN code FI4000068614) on 30 December 2015 is EUR 0.30. The dividend detachment date was 17 December 2015, and the record date was 18 December 2015. The total amount of dividends was EUR 2,149,664.10.

On 18 December 2015, the company decided on a share issue where the company offers no more than 500,000 issued shares as communicated by the company on 14 December 2015 to experienced investors participating in an organised tender procedure and no more than 1,000,000 issued shares to the company itself so that the company may, however, subscribe to no more than 10% of the number of shares remaining after the share issue together with the company shares already owned by the company. The company's Board of Directors approved the terms and conditions of the share issue. On the basis of the tender procedure, the subscription price of the issued shares for experienced investors was set at EUR 9.70 per issued share. The issued shares that the company itself subscribes to according to the terms and conditions, are charge-free. The maximum amount of the share issue before fees and costs is EUR 4,850,000. The subscription price of the issued shares is recognised in its entirety in the company's reserve for invested unrestricted equity. The issued shares do not give entitlement to dividends distributed by the company in 2015. The subscription period of the share issue started on 18 December 2015 at 8:00 a.m. Finnish time and ended at 12:00 Finnish time. The company will apply for the issued shares to be admitted to trading on the Helsinki Stock Exchange on or around 28 December 2015 together with the company's other shares. The company's Board of Directors decided on the share issue on the basis of the authorisation given to it by the AGM on 19 March 2015. Carnegie Investment Bank AB acted as the lead manager in the share issue. Bird & Bird Attorneys Ltd acted as the legal advisor of the company in the share issue.

The company's Board of Directors decided to approve the subscriptions made in the share issue on 18 December 2015. In the share issue, 150,00 shares were subscribed by experienced investors and 895,000 shares were subscribed by the company. Accordingly, the company collected approximately EUR 1,455,000 of new equity through the share issue before fees and costs. The subscription price of the issued shares will be recognised in its entirety in the company's reserve for invested unrestricted equity. The issued shares do not give entitlement to dividends distributed by the company in 2015.

Since the difference in dividends between the company's OREIT (ISIN code FI4000068614) and OREITN0115 (ISIN code FI4000148036) shares was removed on 17 December 2015, the company's shares have the same and equal rights to dividends, including the dividends paid in 2016 and subsequent years. The trading code OREITN0115 was removed from the main list of the stock exchange on Friday 18 December 2015 after the close of trading, at which time the combination of the shares with the OREIT shares also took place.

The Financial Supervisory Authority approved the prospectus of Orava Residential REIT on 21 December 2015. On 18 December 2016, Orava Residential REIT plc communicated a directed issue where a restricted group of experienced investors and the company subscribed to a total of 1,045,000 new shares in the company. The experienced investors subscribed to the issued shares for approximately EUR 1.5 million. The issued shares subscribed to by the company were charge-free. The Financial Supervisory Authority approved the prospectus for application of the issued shares in the share issue to be admitted to trading on Nasdaq Helsinki (the Helsinki Stock Exchange). When the issued shares were recorded in the Trade Register, the company's number of shares grew by 1,045,000 shares from 7,961,619 shares to 9,006,619 shares.

The 1,045,000 shares subscribed to in the share issue were recorded in the Trade Register on 23 December 2015. After the issue, the number of the company's shares recorded in the Trade Register totalled 9,006,619. The company submitted a listing application to Nasdaq Helsinki (the Helsinki Stock Exchange) concerning the aforementioned additional 1,045,000 shares, and the new shares have been subject to trading on the stock exchange list since 28 December 2015. After the listing, the number of the company's listed shares totalled 9,006,619.

On 30 December /2015, the company acquired a total of 81 apartments from YIT Construction Ltd through binding agreements at a debt-free purchase price of 16.4 million. Out of the value of the apartments acquired, 62% are located in the Helsinki Region, 22% in major cities and 16% in medium-sized cities. The 53 apartments acquired from construction companies were not leased.

## **Events after the financial period**

The Board of Directors of Orava Residential REIT plc confirmed the company's updated strategy for 2016 on 11 January 2016. The strategic financial objectives remained unchanged: the targeted total return on the share shall be at least 10% p.a., the targeted dividend return shall be 7–10% p.a. on net assets per share, and the crediting rate shall be approximately 50%.

In addition to the financial objectives, the following were confirmed as the main strategic objectives:

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

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

The Board of Directors of Orava Residential REIT plc and management company Orava Funds plc agreed to change the performance-based management fee on 17 February 2016. The hurdle rate of six per cent was increased to seven per cent. The Board of Directors of Orava Residential REIT plc proposes that the same change concerning the payment of performance-based management fee be made to the rules of investment operations.

## **Dividend**

### 2015

The Annual General Meeting of 19 March 2015 decided to distribute a dividend of EUR 0.30 per share from the profit for 2014 in each quarter of 2015, i.e. in total at most EUR 1.20 per share in 2015. The dividend will be paid on the last business day of each quarter.

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

	FI4000068614	
	(100%)	
31 Mar 2015, 1st dividend		EUR 0.30
30 Jun 2015, 2nd dividend		EUR 0.30
30 Sep 2015, 3rd dividend		EUR 0.30
30 Dec 2015, 4th dividend		EUR 0.30
<b>Total</b>		<b>EUR 1.20</b>

### 2016

The Board of Directors proposes to the Annual General Meeting that a total of EUR 1.08 per share be distributed from the result for 2015 in dividends and that the Board of Directors be authorised to decide on the amounts of dividends to be paid in each quarter.

## **Future outlook**

Orava Residential REIT estimates that it has reasonably good prerequisites for maintaining good profitability and achieving the targeted total return of 10% on shareholders' equity in 2016.

The change in the value of current apartments in the investment portfolio is expected to turn slightly positive during this year. The gross and net rental yields are estimated to remain approximately at the level of last year. The euro-denominated result impact of the acquisition of properties is not expected to differ significantly from the same order as 2015. The ratio of maintenance and repair costs to the value of investment properties is also not expected to change materially compared to the previous year.

Helsinki, 18 February 2016

Orava Residential REIT plc  
Board of Directors

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