

Orava Residential REIT plc

Interim report 17 November 2016 at 8:00 a.m.

ORAVA RESIDENTIAL REIT PLC INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2016

1 July – 30 September 2016

- Revenue EUR 3.5 million (1 July – 30 September 2015: EUR 3,7 million)
- Comprehensive profit: EUR 0.5 million (EUR 2.0 million)
- Earnings per share: EUR 0.06 (EUR 0.25)
- Economic occupancy rate: 92.0% (91.1%)
- Gross rental yield: 6.9% (6.7%)
- Net rental yield: 4.2% (4.0%)
- Profit from assignments and changes in fair value: EUR 0.3 million (EUR 1.1 million)
- Total dividends distributed in the third quarter: EUR 0.27 per share (EUR 0.30 per share)

1 January – 30 September 2016

- Revenue EUR 11.3 million (1 January – 30 September 2015: EUR 13.1 million)
- Comprehensive profit: EUR 1.9 million (EUR 6.1 million)
- Earnings per share: EUR 0.23 (EUR 0.81)
- Economic occupancy rate: 90.7% (90.6%)
- Gross rental yield: 6.9% (6.8%)
- Net rental yield: 3.9% (3.9%)
- Profit from assignments and changes in fair value: EUR 2.0 million (EUR 5.8 million)
- Total dividends distributed during the period under review: EUR 0.81 per share (EUR 0.90 per share)

Adjusted net assets per share of Orava Residential REIT plc amounted to EUR 10.49 on 30 September 2016, while they were EUR 11.63 at the beginning of 2016. The value of the company's investment properties rose to EUR 210.7 million at the end of the period under review (31 December 2015: EUR 195.9 million).

CEO's comments:

"The Orava Residential REIT's financial result for the third quarter improved year-on-year but was weaker than expected.

The slow strengthening of the Finnish housing market continued in the third quarter and the value of the housing fund portfolio turned slightly positive; fair values increased by +0.5% year-on-year.

No apartments were acquired during the third quarter as Orava Residential REIT only carried out the acquisitions agreed at the end of June. The new apartment block in Hämeenlinna was also completed during the period. We decided not to make any acquisitions because with current share valuation levels, achievable wholesale discounts and achievable leverage, increasing shareholders' equity and acquiring apartments would not have led to higher net assets per share.

As a result of the slower rate of apartment acquisitions during the second quarter, economic occupancy rate increased from 90.1 to 92.0 per cent in the third quarter, while the economic occupancy rate of apartments owned for more than six months reached 94.9 per cent. The proportion of investment property maintenance and repair costs of the portfolio value decreased to 2.4 per cent and, largely as a result of this development, net rental yield increased from 4.0 per cent in the second quarter to 4.2 per

cent in the third quarter. The relative decrease in maintenance and repair cost is mainly due to seasonal variations.

Apartment sales in the third quarter remained at the record levels that they had reached in the previous quarter (EUR 2.9 million). The debt-free purchase prices of the apartments sold by the middle of November this year totalled EUR 9.6 million.

There has been a slight decrease in the number of Orava Residential REIT's shareholders and it now stands at about 8,100. The shareholders represent 28 different nationalities. Trading in the company's share on the Helsinki Stock Exchange has picked up slightly; the average daily turnover in January-September was EUR 235,000.

Orava Residential REIT estimates that it is reasonably unlikely to come close to its targeted total return of 10 per cent on shareholders' equity this year."

Operating environment

National economy

Finnish GDP growth is expected to settle between +0.9% and +1.2% both this year and in 2017. The growth of private consumption that is central for the housing market is expected to settle between +1.0% and +1.6% this year, while it is expected to remain between +0.5% and +1.1% next year. Short-term market interest rates in the euro area have still continued to fall, and they are expected to remain at less than one per cent for the next seven to eight years. At the same time, long-term market rates have gone up by a few tenths of a per cent in October and November.

The estimate is based on the most recent economic forecasts by 14 parties drawing up forecasts on the Finnish economy, compiled by the Federation of Finnish Financial Services, and the market interest rate expectations calculated on the basis of the euro interest rate curve published by the European Central Bank.

We expect the slow strengthening of the housing market to continue.

Demand in the housing market

During July–September, households drew down EUR 4.4 billion in new mortgages, 10% more than a year before, according to statistics from the Bank of Finland. The euro-denominated mortgage base totalled EUR 93.6 billion at the end of September, and the annual growth in the mortgage base was 2.5%.

According to the statistics from the Central Federation of Finnish Real Estate Agencies, the change in the number of transactions in old apartments in January-September was +2% and in new apartments more than +26%, compared to the corresponding period in the previous year. The average marketing period for old apartments in the country overall according to the new calculation method of the Finnish Etuovi.com marketing service increased from 67 days in June to 83 days in October, while it had been 81 days in October in the previous year.

There seems to have been a slight increase in the demand for apartments in the third quarter.

Supply in the housing market

According to Statistics Finland, building permits for apartment blocks were granted for 3,272 apartments in August, which was 4% less than a year previously. Correspondingly, in January–August, building permits for apartment blocks were granted for a total of 25,662 apartments, or 21% more than a year previously. At the same time, the annual change in the sliding annual sum of building permits granted for apartment blocks was +18%.

The three-month change in the housing construction volume index that describes the value of ongoing new construction was +29% in August, and the change year-on-year was +17%.

According to the November confidence indicator survey of the Confederation of Finnish Industries, the balance figure for construction production for the past three months was +13 points in the third quarter of the year, while it was +32 points in the previous quarter and +17 points a year before. The balance figure for the three-month production expectation was 0 points, compared to +23 points in the previous quarter and +21 points a year before. The number of unsold residential apartments compared to normal fell from -5 in the second quarter of the year to -33 in the third quarter; a year ago, the balance figure was +20 points.

The supply in the housing market has continued to grow during the third quarter; there are, however, some signs of a slowdown.

Prices, rents and returns in the housing market

In the third quarter of 2016, the rents of non-subsidised apartments increased by 2.4 per cent year-on-year. The change in housing prices in the third quarter according to the housing price index from Statistics Finland was +1.4% year-on-year. The change in housing prices from the previous quarter calculated by Statistics Finland was +0.4%, which we estimate to correspond to an increase of approximately 0.6% when converted seasonally. The ratio of housing prices to rents is slightly below the long-term average; the ratio calculated from the square metre prices of apartment block apartments in the third quarter and the rents of non-subsidised apartments was 15.1. The 42-year average for the ratio of square metre prices to annual rents in Finland is 16.9.

We expect that during the next 12 months the growth rate of the housing prices in the whole country will accelerate slightly, and the growth rate in rents for privately financed apartments will 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 of rental operations in the third quarter was 92.0%, which is higher than in the previous quarter (90.1%). The economic occupancy rate, adjusted so that acquisitions in the past six months have been eliminated, was 94.9%. The gross rental yield in the third quarter was 6.9%.

During the period under review, the economic occupancy rate was 90.7 per cent (2015: 90.6 per cent and gross rental yield was 6.9 per cent (2015: 6.8 per cent).

| | 1 Jan - 30 Sep 2016 | 1 Jan - 30 Sep 2015 |
|-------------------------------|---------------------|---------------------|
| Gross rental yield, % | 6.9 | 6.8 |
| Net rental yield, % | 3.9 | 4.0 |
| Economic occupancy rate, % | 90.7 | 90.6 |
| Operational occupancy rate, % | 91.5 | 90.3 |
| Tenant turnover/month, % | 2.9 | 2.8 |

At the end of the period, there were a total of 1,712 residential apartments and business premises (2015: 1,639) and 1,484 leases (2015: 1,294); 129 apartments were on sale. Approximately 98% of the entire lease base for residential apartments is in agreements valid until further notice. A total of 149 agreements were terminated in the second quarter (Q3 2015: 149).

Acquisitions

No agreements on acquisitions of apartments were made during the third quarter. A construction project in Hämeenlinna, which was started in summer 2015, was completed in July. The property has 52 apartments.

In addition, transactions of 23 apartments acquired at the end of June were completed.

During the period under review, Orava Residential REIT acquired 72 apartments (2015: 304 apartments) at a debt-free selling price of EUR 16.3 million (2015: EUR 37.8 million).

Apartment sales

In the third quarter, apartment sales remained at the record level they had reached during the preceding third quarter. During the third quarter, the company sold a total of 21 residential apartments from sixteen different housing companies. The debt-free selling prices of the apartments totalled EUR 2.9 million, and the sales commissions were EUR 90 thousand.

During the period under review, Orava Residential REIT sold 63 apartments (2015: 25 apartments and 5 plots) at a debt-free selling price of EUR 7.7 million (2015: EUR 4.8 million).

Investment properties 30 September 2016

The fair value of investment properties at the end of the period totalled EUR 210.7 million (31 December 2015: EUR 195.9 million). On 30 September 2016, Orava Residential REIT had a total of 1,712 apartments (31 December 2015: 1,702), which had a combined size of about 110,000 m² (31 December 2015: 108,000 m²). The apartments were located at 124 different housing companies, where the company's holding was 100% in 16 of the cases. More detailed information on the investment properties is presented in the tables section.

Age and regional distributions of the investment portfolio

| | 30 Sept 2016 | 30 Sept 2015 |
|----------------------|--------------|--------------|
| Newer (1990 onwards) | 69% | 64% |
| Older (up to 1989) | 31% | 36% |
| Helsinki Region | 38% | 37% |
| Major cities | 31% | 31% |
| Medium-sized cities | 31% | 32% |

The values of the apartments owned by the REIT are measured at fair value at least on a monthly basis and are published at least on a quarterly basis, and always when a change in the REIT's economic situation requires it or when changes in the condition of the real estate have a material impact on the value of the holdings of the REIT. A more detailed account of the apartment price measurement model is presented in the 2015 financial statements.

The Group's financial result for the third quarter

The Group's revenue for the third quarter totalled EUR 3.5 million (Q3 2015: EUR 3.8 million). The revenue was divided into income from rental operations of EUR 3.2 million (Q3 2015: EUR 2.6 million) and capital gains of EUR 0.3 million (Q3 2015: EUR 1.1 million). The returns on rental operations include rental income and compensation for use. Gains consist of the changes in the fair value of the apartments and the profit from sales of apartments less sales commissions for sold apartments.

Operating expenses totalled EUR 2.2 million (Q3 2015: EUR 1,1 million), of which maintenance costs and annual repairs amounted to EUR 1,4 million (Q3 2015: EUR 1.3 million) and the performance-based management fee totalled 0.0 million (Q3 2015: EUR 0.0 million).

Operating profit amounted to EUR 1.3 million (Q3 2015: EUR 2.6 million).

Financial income and expenses totalled EUR 0.8 million (Q3 2015: EUR -0.7 million), and taxes for the period totalled EUR 62,000 (Q3 2015: EUR -24,000).

Profit for the third quarter was EUR 0.5 million (Q3 2015: EUR 2.0 million). Comprehensive income items amounted to EUR 3,000 (Q3 2015: EUR 0 thousand), and comprehensive profit for the period totalled EUR 0.5 million (Q3 2015: EUR 2.0 million).

Financing

Financial expenses (net) totalled EUR 2.3 million during the period 1 January–30 September 2016 (2015: EUR 2.0 million).

The interest-bearing loans of Orava Residential REIT and the company loans allocated to the shares in housing companies totalled EUR 113.6 million on 30 September 2016 (31 December 2015: EUR 95.8 million).

In addition to the loans, the long-term liabilities in the statement of financial position also include EUR 728,000 in rental deposits paid by tenants (31 December 2015: EUR 660,000).

Cash flow from operational activities became positive during the third quarter. Cash flow from operational activities in Q3 2016 was EUR 0.1 million (Q3 2015: EUR 0.2 million). Over the entire period under review cash flow from operational activities was EUR -0.3 million (2015: -1.5 million).

Cash flow from operational activities over the entire period under review from 1 January to 30 September 2016 includes, under the item of interest paid, full-year interest of EUR 0.9 million on a bond paid on 1 April 2016. Costs in cash flow from operational activities over the first half of 2015 are strained by arrangement fees of a bond and credit limit agreement and the discontinuation of derivative hedging, totalling EUR 1.4 million.

The company's management is monitoring the development of debt-free sales of investment properties on a monthly basis as part of cash flow from operational activities. Cash flow from operational activities including debt-free sales of investment properties in Q3 2016 was EUR 2.7 million (Q3 2015: EUR 0.9 million). Over the entire period under review cash flow from operational activities was EUR 6.6 million (2015: EUR 0.7 million). The amounts of Cash and cash equivalents have been adequate.

| | 1.7.-30.9. 2016 | 1.7.-30.9. 2015 | 1.1.-30.9. 2016 | 1.1.-30.9. 2015 |
|--|--------------------|--------------------|--------------------|--------------------|
| Cash flow from operational activities including debt-free sales of investment properties | | | | |
| Cash flow from operational activities before financial items | 1 074 | 745 | 2 355 | 1 227 |
| Debt-free sales of investment properties | 2 577 | 706 | 6 878 | 2 198 |
| Taxes paid, interests paid and other finance expenses net | -962 | -523 | -2 616 | -2 743 |
| Cash flow from operational activities including debt-free sales of investment properties | 2 689 | 928 | 6 617 | 683 |
| Cash and cash equivalents at the beginning of the period | 4 453 | 2 409 | 2 790 | 1 990 |
| Cash and cash equivalents at the end of the period | 2 863 | 3 085 | 2 863 | 3 085 |

One of company's strategic goals is to maintain the loan-to-value rate at approximately 50 per cent. Therefore it is the purpose to replace company loan shares allocated to sold apartments and other loan repayments by withdrawing a new loan.

| | 1.7.-30.9. 2016 | 1.7.-30.9. 2015 | 1.1.-30.9. 2016 | 1.1.-30.9. 2015 |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|
| Cash flow used in investments | | | | |

| | | | | |
|---|--------|--------|---------|---------|
| Acquisition of subsidiaries less acquired cash and cash equivalents | -2 382 | -5 167 | -13 745 | -9 778 |
| Cash flow used in investments | -2 382 | -5 167 | -13 745 | -9 778 |
| Cash flows from financing activities including company loans allocated to sold apartments | | | | |
| Increase in equity subject to payment | 0 | 711 | 0 | 1 192 |
| Drawdowns of and increases of loans | 2 261 | 3 613 | 24 495 | 23 613 |
| Payments received from the issue of a convertible bond | 2 189 | 5 000 | 7 000 | 13 000 |
| Repayments of company loans allocated to sold apartments and other loan repayments | -4 131 | -2 373 | -17 615 | -22 048 |
| Dividends paid | -2 215 | -2 036 | -6 678 | -5 568 |
| Cash flows from financing activities including company loans allocated to sold apartments | -1 896 | 4 915 | 7 202 | 10 190 |

Shares and shareholders of Orava Residential REIT

At the end of September, the number of registered shares of the company totalled 9,657,567 and 9,144,844 of this number were outstanding shares.

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. Between 1 July and 30 September 2016, the company concluded eight convertible bond agreements totalling EUR 2.0 million. Convertible bonds worth EUR 2.2 million were converted into 297,913 company shares and recognised in the company's shareholders' equity. The company's shareholders' equity is EUR 97.2 million (31 December 2015: EUR 94.3 million). At the end of the period under review, the company possessed 512,723 own shares it had directed at itself, which corresponds to 5.3 per cent of the total number of the company's shares and the total number of votes. More detailed information on shareholders' equity and convertible bonds is presented in the tables section, at sections 5.3 and 6.1.

The trading codes of the company's shares during the financial year were OREIT and OREITN0116. Between January and September, the average daily turnover of shares was approximately EUR 235,000.

The company had over 8,100 shareholders at the end of September 2016. Of the total number of shares, 3.3% were nominee registered.

LIST OF OWNERS ON 30 Sept 2016, TEN LARGEST

| Shareholder | Number of shares | % |
|------------------------------------|------------------|-------------|
| Maakunnan Asunnot Oy* | 435,664 | 4.5 |
| Yli-Torkko Erkki | 199,862 | 2.1 |
| Vähävara Oy | 104,000 | 1.1 |
| Rakennusliike Leimarakentajat Oy | 101,271 | 1.0 |
| Ålands Ömsesidiga Försäkringsbolag | 100,000 | 1.0 |
| Rannikko Reino | 99,000 | 1.0 |
| Orava Funds plc**** | 84,991 | 0.9 |
| Godoinvest Oy** | 79,360 | 0.8 |
| OP-Henkivakuutus Oy | 64,743 | 0.7 |
| Niemi Aaro | 50,800 | 0.5 |
| Total | 1,319,691 | 13.7 |

* 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 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 7% as a performance-based management fee. The stock exchange price is used in the calculation of the performance-based management fee, if it is lower than net assets per share. The performance-based management fee is only paid if the closing stock exchange price for the financial period is higher than the highest closing stock exchange price for the previous financial periods, adjusted for dividends, issues and splits.

The fixed management fee is calculated on a quarterly basis, and the value is considered to be the latest fair value of the assets according to IFRS in the previous quarter. The fixed management fees during the period under review 1 January–30 September 2016 amounted to EUR 944,000 (2015: EUR 694,000).

On the basis of the company's net assets per share, share price and dividend distribution realised in 2016, no performance-based management fee has been booked (1 January - 30 September 2015: EUR 0 thousand). The performance-based management fee will be paid after the end of 2016 on the basis of the company's realised net assets per share or the adjusted share price in March 2017.

Personnel

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

Board of Directors and auditors

The Board of Directors of Orava Residential REIT is composed of six members: Patrik Hertsberg, Mikko Larvala, Tapani Rautiainen, Veli-Matti Salmenkylä, Jouni Torasvirta and Timo Valjakka. The Chairman of the Board is Jouni Torasvirta and the Vice Chairman is Patrik Hertsberg. The Board of Directors convened a total of 15 times during the period under review. The Board members' rate of attendance at Board meetings was 98%.

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

Authorisations of the Board of Directors

The Annual General Meeting decided on 22 March 2016 to authorise the Board of Directors to decide on share issues and the issue of option and other special rights giving entitlement to shares so that the Board of Directors may decide to issue no more than 6,000,000 shares in the company's possession or new shares which do not give entitlement to dividends in 2016. Under the authorisation, a total 756,728 shares had been issued by 30 September 2016, which means that an additional 5,243,272 shares could still be issued under the 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 www.oravaasuntorahasto.fi and they are included as an appendix.

Near-term risks and uncertainties

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

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

Major unexpected repairs and repair costs would have a negative impact on occupancy rate, rental income and profitability.

Major events 1 January–30 September 2016

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

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

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

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

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

The 200,000 shares that Orava Residential REIT allocated to itself in a charge-free share issue on 17 February 2016 were recorded in the Trade Register on 22 February 2016. The company may use the shares allocated to itself to strengthen its capital structure, develop its business and widen its ownership base through both acquisition of investment properties and the issue of convertible bonds. The ISIN code of the shares directed by the company at itself is FI4000197942 (trading code OREITN0116). The shares do not provide entitlement to dividends paid from the profit for 2015 during 2016, but they will provide entitlement to dividends in 2017 and subsequent years. After the issue, the number of the company's

shares totalled 9,206,619. The aforementioned 200,000 shares were listed on the stock exchange list of the Helsinki Stock Exchange, and they were subject to trading as of 23 February 2016.

The company concluded a market guarantee agreement with Nordea Finland Plc on 9 March 2016 for Orava Residential REIT's new shares (trading code OREIT0116). Under the agreement, Nordea Bank Finland Plc will provide a purchase and sale offer for a share in Orava Residential REIT so that the largest allowed difference between the purchase and sale offer is 4% of the purchase offer. The offers shall include at least a number of shares the value of which corresponds to EUR 4,000. The transaction according to the agreement was implemented on 10 March 2016.

The Annual General Meeting decided to authorise the Board of Directors to decide on the distribution of no more than EUR 1.08 share-specific dividends. It is possible to pay a total of no more than EUR 8,993,772.36 in dividends. The dividend that is payable by quarter is in each instalment no more than EUR 0.27 per share. The dividend payment dates are 4 April 2016, 30 June 2016, 30 September 2016 and 30 December 2016. The Board of Directors was authorised to decide on the amount of dividends and their payment by quarter within the aforementioned restrictions, provided that the company's solvency is not jeopardised as a result of the dividend payments. The Board of Directors was authorised to decide on the record dates of dividend payments.

The Annual General Meeting decided on 22 March 2016 that a specification is made in the rules for real estate investment operations concerning the payment of the performance-based management fee so that the hurdle rate is increased from 6 per cent to 7 per cent. The hurdle rate is the return for the return exceeding which a performance-based fee is paid to the management company. According to the decision of the AGM, the rules for real estate investment operations (section 11, third paragraph) were specified with regard to the determination of the performance-based management fee. The amended first sentence of Section 11, third paragraph, reads as follows (amendment in bold): As a performance-related management fee, the REIT pays Orava Funds plc twenty per cent (20%) of the REIT's annual return exceeding the hurdle rate of seven per cent (7%). The performance-based management fee is calculated on the basis of earnings per share for the financial period and the number of shares at the end of the financial period.

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

The Annual General Meeting also decided to authorise the Board of Directors to decide on share issues and the issue of option and special rights giving entitlement to shares so that the Board of Directors may decide to issue no more than 6,000,000 shares in the company's possession or new shares which do not give entitlement to dividends in 2016. The authorisation is valid until the next AGM, and it revokes the previous authorisation given on 19 March 2015.

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

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

On 18 April 2016, the company concluded a loan agreement of EUR 10 million with Collector Bank AB to refinance both acquisitions and old loans. The loan is for five years and has been drawn down in its entirety. Collector Bank AB is a Swedish credit institution specialising, for example, in real estate financing.

The 200,000 shares that Orava Residential REIT allocated to itself in a charge-free share issue on 20 April 2016 were recorded in the Trade Register on 22 April 2016. The company may use the shares allocated to itself to strengthen its capital structure, develop its business and widen its ownership base through both acquisition of investment properties and the issue of convertible bonds. The ISIN code of the shares directed by the company at itself is FI4000197942 (trading code OREITN0116). The shares do not provide entitlement to dividends paid from the profit for 2015 during 2016, but they will provide entitlement to dividends in 2017 and subsequent years. After the issue, the number of the company's shares totalled 9,406,619. The aforementioned 200,000 shares were listed on the stock exchange list of the Helsinki Stock Exchange, and they were subject to trading as of 26 April 2016.

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

On 30 June 2016, Orava Residential REIT acquired a total of 23 residential apartments from construction companies through binding agreements at a debt-free purchase price of EUR 6.7 million. Of the value of the apartments acquired, 36% is located in the Helsinki Region, 55% in major cities and the remaining 9% in medium-sized cities. The apartments acquired were new and without tenants.

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

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

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

Events after the financial period

Debt-free selling prices of sales of Orava Residential REIT's apartments after the period under review (between 1 October and 15 November 2016) totalled EUR 2.0 million. Sales of apartments this year have totalled EUR 9.6 million by the middle of November.

Dividend

The Annual General Meeting of 22 March 2016 decided to distribute dividends of no more than EUR 0.27 per share from the profit for 2015 in each quarter of 2016, i.e. in total at most EUR 1.08 per share in 2016.

Dividends per share paid during the period under review:

| | |
|----------------------------|-----------------|
| | FI4000068614 |
| 1 April 2016, 1st dividend | EUR 0.27 |
| 30 June 2016, 2nd dividend | EUR 0.27 |
| 30 Sep 2016, 3rd dividend | EUR 0.27 |
| Total | EUR 0.81 |

Future outlook

Orava Residential REIT estimates that it is reasonable unlikely to come close to its targeted total return of 10 per cent on shareholders' equity.

The change in the value of current apartments in the investment portfolio is expected to turn slightly positive during this year. Gross and net rental yields are expected to increase slightly from the early year's levels. No significant property acquisitions are expected during the fourth quarter and the proportion of the maintenance and repair costs of the investment asset value is expected to increase slightly towards the end of the year.

Helsinki, 16 November 2016

Orava Residential REIT plc
Board of Directors

Additional information:

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Appendix:

Interim report 1 January – 30 September 2016
Rules for real estate investment operations