

Orava Residential REIT plc

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**Elite Asset Management Plc has complemented the earlier company announcement related to the indicative non-binding offer made to Orava Residential REIT Plc**

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Elite Asset Management Plc has complemented the earlier company announcement related to the indicative non-binding offer made to Orava Residential REIT Plc as follows:

*“As Orava Residential REIT Plc (“Orava”) and Elite Asset Management Plc (“Elite”) announced on 20 September 2017, Elite has made an indicative non-binding offer according to which Orava Residential REIT Plc be transferred to a non-UCITS fund (‘ESR’) managed by Elite’s subsidiary.*

*In addition to the key content of Elite’s indicative offer announced on 20 September 2017, Elite complements the key content of the indicative offer as follows:*

- Later in the announcement, Elite states information concerning the planned ESR, prospectus of which has not yet been approved by the Finnish Financial Supervisory Authority and the prospectus might be changed, if the Finnish Financial Supervisory Authority demands changes or additions to them (the Act on Common Funds 43 a §).*
- Elite would charge a 3% fund subscription fee on the net asset value (NAV) of the assets transferred against a contribution in kind. In the calculation of the NAV, the debts are deducted from the assets. The fund subscription fee could be paid in full or partly in the form of fund units to Elite making Elite a co-investor and one of the major unit holders.*
- The NAV calculation of Orava’s assets differs from Orava’s current NAV calculation as follows: The fair value of the housing portfolio of ESR is been determined by an independent real estate valuer approved by the Finland Chamber of Commerce, and only exceptionally valued lower than either the valuation of the real estate valuer or purchase price, but never above them according to the prospectus of the fund.*
- In the dissolution of Orava, Orava’s shareholders would become unit holders in the ESR. Shareholders would receive a liquid compensation for their investment in the form of the ESR fund unit and could continue as housing investors. Elite would charge an annual ongoing fund management fee of 0.9% of the fund’s GAV (Gross Asset Value). The fund’s GAV consists of the total assets of the fund, before deduction of the fund’s debts. Elite’s indicative offer does not include any performance fees.*
- ESR unit holders might either redeem their unit holdings or remain unit holders in the fund, in which case they would receive an annual return of at least 75% of the fund’s cash-flow based return and as increase in the fund unit’s value. Less than 25% of the cash-flow based return of the fund could be left in the fund to finance for example upcoming renovations.*
- Any redemption would be carried out at net asset value that is the value confirmed by the fund management company in accordance with the Act on Common Funds and the fund’s prospectus. The fund’s net asset value is the net value of the fund’s assets.*

- *The value of ESR is determined quarterly and redemption orders may be issued biannually. If a unit holder wants to redeem holdings in the fund, the redemption order could be issued on a redemption day (earliest redemption day could occur on the second half of 2018 depending on i.e the date of Orava's dissolution), after which the redemption would be payable to the unit holder according to the fund prospectus without delay after the confirmation of the fund's net value or should the redemption require selling the asset of the fund, after the sales are completed as described in the fund prospectus. The fund management company can seize redemptions in order to protect unit holders' interests. Market turbulence could be used as an example of this kind of situation.*
- *The redemption fee payable to the fund is 3%, which is used to protect the fund's remaining investors from the asset transfer taxes resulting from redemption and from costs associated with sales. In other words, redemption fees are not paid to Elite. The redemption fee payable to the fund will decrease by 0.75 percentage points per annum depending on the investment period.*
- *If actualized, the proposed arrangement would result in Orava's shareholders to receive approximately 92% of the net value of Orava's current housing stock. The fair value of Orava's assets would depend on the outcome of the independent real estate assessors as announced earlier and would not necessarily be the same as the net value of the housing assets announced by Orava. Elite has estimated that there would be only a slight difference between the valuations. The estimated figure 92% would base on a preliminary calculation where 4% is deducted as asset transfer tax, 3% as ESR subscription fees and 1% as other costs related to the arrangement from the net value (NAV, 100%). The calculation does not include the possible redemption fee 0-3% depending on the investment period. The calculation is indicative only.*
- *Elite requires that it could make the ordinary legal and financial due diligence investigations in Orava. In addition, Elite could examine in the extent Elite demands the equivalent issues of the housing cooperatives owned by Orava, the content of the rental contracts, and the content of the management costs.*
- *According to Elite's estimates, the arrangement might be implemented in approximately 6 - 7 months from Orava's extraordinary general meeting deciding the dissolution of Orava. In other words, after that period Orava would be dissolved and the ESR shares would be transferred to the shareholders. The implementation of the arrangement requires 2/3 majority of the votes represented and given in the extraordinary general meeting. After the possible approval of Orava's extraordinary general meeting, the ESR could start acting after the Finnish Financial Supervisory Authority has approved the rules of the ESR, which could take place in approximately two months after the extraordinary general meeting.*

*According to the announcement of Orava, the independent members of the Board of Directors of Orava Residential REIT Plc will examine the inexpensiveness and feasibility of the indicative offer together with their financial and legal counsel. At the same time, the independent members of the Board of Directors of Orava continue to search for other potential competitive offers and other possibilities as well as ways to develop Orava's independent activities in the way that would lead to the best possible result for all the shareholders. Elite will announce the possible further negotiations between Elite and Orava and the result of the offer separately."*

The independent members of the Board of Directors of Orava Residential REIT are continuing to investigate the profitability and feasibility of Elite's non-binding indicative offer together with a financial and legal adviser while the independent members of the Board of Directors of Orava Residential REIT are also continuing to survey possible competing offers and other alternatives as well as development of the independent operations of Orava Residential REIT in order to achieve the best possible outcome for all shareholders.

Helsinki, 22 September 2017

Orava Residential REIT plc

Board of Directors

Additional information:

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