

Orava Residential REIT plc

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Board of Directors of Orava Residential REIT plc supports continuation of independent operations and further investigation of Orava Funds plc's indicative offer

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The Board of Directors of Orava Residential REIT plc ("Orava Residential REIT" or the "Company") announced on 4 October 2017 that it does not recommend the acceptance of Investors House Oyj's exchange offer because, among other reasons, the consideration offered by Investors House Oyj is low in relation to the net asset value of Orava Residential REIT's share. As previously announced, the independent members of Orava Residential REIT have surveyed possible alternatives and the development of Orava Residential REIT's independent operations in order to achieve the best possible outcome for all shareholders.

Based on the information currently at its disposal, the Board of Directors of Orava Residential REIT deems as the best alternative that Orava Residential REIT continues as an independent tax exempt REIT or AIF fund and that its operations are developed further. The Company's Board of Directors deems that the indicative offer by Orava Funds plc ("Orava Funds") announced yesterday is interesting and will investigate its feasibility.

Continuing as a tax exempt, liquid residential REIT or AIF fund and development of independent operations

1. The listed REIT or AIF form allows for tax benefit and liquidity

Orava Residential REIT is, in accordance with the Act on the Tax Exemption of Certain Limited Liability Companies Engaging in Apartment Rental Operations (299/2009) (the "Tax Exemption Act") and with exceptions mentioned therein, exempt from income tax for its operations, since it is a so-called REIT. As a residential REIT operating under the Tax Exemption Act, it is possible for Orava Residential REIT to achieve higher profit than as a housing investment company subject to tax, which pays a corporate tax of 20 per cent for its result. According to the Board of Director's understanding, a voluntary shift from single taxation (taxation of dividends) to double taxation (taxation of dividends and of the Company profit) is not in the interest of Orava Residential REIT's shareholders.

Operating as a residential REIT and benefitting from the Tax Exemption Act will require, also in the future, that the REIT is managed by an entity that holds an authorisation in accordance with the Act on Alternative Investment Fund Managers (7.3.2014/162, the "AIFM Act") or that the Company itself applies for a corresponding authorisation. Currently, Orava Residential REIT's manager with the AIFM authorisation is Orava Funds.

According to the Board of Director's understanding, the share of Orava Residential REIT has been liquid, since taking into account its size, Orava Residential REIT is one of the most traded companies in the Helsinki Stock Exchange. Liquidity is generally measured by turnover velocity, which is the ratio of the stock exchange turnover of a share in a listed company to its market value. Based on its turnover velocity, the share of Orava Residential REIT has been the 16th most traded share in the Helsinki Stock Exchange during the last twelve months.

According to the Board of Director's understanding, the above-mentioned benefits of a REIT would be lost in a situation in which Orava Residential REIT would be combined with Investors House Oyj or the Company's housing assets would be transferred into a fund referred to in Elite Varainhoito Oyj's ("Elite") offer. Due to this, after having considered the alternatives at hand, the Board of Directors deems it most appropriate that the operations of Orava Residential REIT be developed as an independent company, either under the current REIT provisions or by converting Orava Residential REIT into a publicly listed, tax-exempt AIF fund.

2. The Board of Directors has decided on following development measures

Purchase of the Company's own shares – Divestment of apartments at balance sheet values and purchase of the Company's own shares at the prevailing price level, which is significantly below the balance sheet value, would give a possibility to benefit from the current undervaluation of the share of Orava Residential REIT. In the Board of Director's understanding, purchase of the Company's own shares would be appropriate as long as the valuation of the share in the Company would be approximately 90 per cent of the net asset value per share. The Company's reserve for invested unrestricted equity currently amounts to approximately EUR 24 million, and if necessary, could be used in its entirety for the purchase of the Company's own shares, while taking liquidity and capital adequacy requirements of the Company into account.

The Tax Exemption Act that Orava Residential REIT complies with does not currently allow for the purchase of the Company's own shares without putting the Company's income tax exemption at risk. The Company has already for a long time actively promoted a legislative change allowing for the purchase of the Company's own shares. The Board of Directors intends to propose to the Company's General Meeting that it authorise the Board of Directors to decide on the purchase of the Company's own shares immediately after it has been confirmed that the Company will not, as a consequence of the purchase of its own shares, permanently lose the tax exemption referred to in the Tax Exemption Act.

Estimated cost savings of EUR 0.5 million in 2018 – The cost savings programme that has already begun will continue. As regards maintenance and repair costs and costs for rental operations, competitive tendering of housing managers is underway. As to financial expenses, competitive tendering of housing loans is nearly finished, and cost savings achieved through the tendering will become fully visible during 2018. As to administrative expenses, savings will be achieved, among others, through the rearrangement of financial administration and value calculation. In sum, the impact of the cost savings in 2018 is estimated at approximately EUR 0.5 million when compared to 2017.

In accordance with the study commissioned by the Company's Board of Directors, the management fees paid by Orava Residential REIT are competitive when compared with fees of other companies managing residential funds, varying between 0.89 and 1.5 per cent (when calculated based on GAV). The fee charged by Orava Funds is 0.6 per cent of GAV.

Based on information currently at its disposal, the Board of Directors deems that the continuation of the Company's independent operations will be the best alternative among those now at hand. The Company's Board of Directors continues measures that aim at making the Company's operations more efficient and achieving cost savings.

Indicative offer made by Elite and indicative offer made by Orava Funds

The Company's Board of Directors has decided not to continue preparing the indicative offer made by Elite. Even though the consideration for the net asset value of the housing portfolio received by shareholders of Orava Residential REIT as a result of the arrangement would be higher than the consideration offered by Investors House Oyj, this would mean from the perspective of the shareholders a change in the Company's legal structure that would result in a loss of an estimated 8–11 per cent of the net asset value of the Company's housing portfolio in transaction fees and in the Company's listed, liquid share being converted into a less liquid fund unit.

Due to time restraints, the Company's Board of Directors has only had the opportunity to preliminarily assess the indicative offer made by Orava Funds and its feasibility. However, in accordance with the preliminary assessment of the Company's Board of Directors and its financial advisor HLP Corporate Finance Ltd, the indicative offer made by Orava Funds is as to its financial terms more favourable than that made by Elite. The Company's Board of Directors deems the offer interesting and continues the preparations of the offer. In the understanding of the Board of Directors of Orava Residential REIT, the realisation of the offer is still subject to significant uncertainties that are described in more detail in the indicative offer of Orava Funds announced yesterday.

Helsinki, 12 October 2017

Orava Residential REIT plc

Board of Directors

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