

ORAVA RESIDENTIAL REIT PLC FINANCIAL STATEMENTS RELEASE 1 JANUARY – 31 DECEMBER 2017

1 Oct – 31 Dec 2017

- Revenue: EUR 3.3 million (1 October – 31 December 2016: EUR 3.3 million)
- Profit: EUR -1.9 million (EUR -0.5 million)*
- Earnings per share: EUR -0.20 (EUR -0.06)
- Comprehensive profit: EUR -1.9 million (EUR -0.5 million)
- Economic occupancy rate: 94.7% (93.2%)
- Gross rental yield: 7.0% (6.8%)
- Net rental yield: 3.9% (3.7%)
- Profit from assignments and changes in fair value: EUR -2.0 million (EUR -0.7 million)
- No dividends were paid during the fourth quarter (EUR 0.27/share)
- EPRA earnings EUR 46 thousand (EUR 198 thousand)

1 Jan – 31 Dec 2017

- Revenue: EUR 13.3 million (1 January – 31 December 2016: EUR 12.5 million)
- Profit: EUR -2.8 million (EUR 1.5 million)*
- Earnings per share: EUR -0.29 (EUR 0.17)
- Comprehensive profit: EUR -2.7 million (EUR 1.5 million)
- Economic occupancy rate: 94.3% (91.3%)
- Gross rental yield: 7.0% (6.8%)
- Net rental yield: 4.0% (3.8%)
- Profit from assignments and changes in fair value: EUR -3.8 million (EUR 1.4 million)
- Total dividends distributed during the period under review: EUR 0.09 per share (EUR 1.08 per share)
- EPRA earnings EUR 1.1 million (EUR 0.3 million)

* Income statement item Profit/loss for the period.

Net assets per share of Orava Residential REIT plc amounted to EUR 9.72 on 31 December 2017, while they were EUR 10.11 at the beginning of 2017. The value of the company's investment properties amounted to EUR 199.6 million at the end of the financial period (31 December 2016: EUR 210.9 million).

The debt-free prices of apartments sold by Orava Residential REIT's after the period under review (between 1 January and 22 February 2018) total EUR 0.9 million.

The company received an external estimate (Jones Lang LaSalle Finland Plc) of the investment portfolio. It was 5.7 million euros (2.9 per cent) lower than the value calculated by the company. The difference is within the evaluation accuracy.

The board of directors proposes, that no dividend would be paid in 2018.

CEO's comments:

"The fourth-quarter operational result (EPRA) was poor due to nonrecurring expenses of 328 thousand euros, which were related to the exchange offer made in the autumn. The capital losses from apartments sold during 2017 were 361 thousand euros. Additionally during the last quarter the change in the value of the housing portfolio was weak since the values decreased 0.85 per cent, which was -1.7 million euros. The negative change of the value of the portfolio was almost solely due to the decrease of the value of the apartments outside Helsinki region. In combined the last quarter's profit was -1.9 million euros and the profit for whole year -2.8 million euros. The operational result (EPRA) improved and was 1.1 million euros.

The company estimates that its EPRA earnings for 2018 will be approximately the same as in year 2017."

Operating environment

Finnish GDP growth in 2017 is estimated to have been between +2.8% and +3.3% and is expected to stay between +2.0% and +2.9% this year. The growth of private consumption, essentially important for the housing market, is estimated to have been between +1.8% and +2.2% last year, while it is expected to be between +1.4% and +2.3% this year. The interest rates remained exceptionally low. The market interest rates in the euro area are still low, and short-term market rates are still expected to remain below one per cent for the next two to three 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.

Overall the operating environment of residential investing was beneficial.

Demand in the housing market

According to statistics from the Bank of Finland, during October–December, households drew down EUR 4.5 billion in new mortgages, or 1 per cent more than the year before. At the end of September, the euro-denominated mortgage base totalled EUR 96.1 billion, and the annual growth in the mortgage base was 2.2%.

According to the January-June statistics of the Central Federation of Finnish Real Estate Agencies, total value of transactions regarding old apartments was over EUR 9 billion, an increase of 4% from the previous year.

The average marketing period for old apartments in the country overall according to the Finnish marketing service Etuovi.com increased from 93 days in October to 101 days in January, while it had been 104 days in January in the previous year.

The demand for old apartments in the whole country remained almost unchanged during the fourth quarter.

Supply in the housing market

According to Statistics Finland, building permits for apartment blocks were granted for 2,540 apartments in November, 9% more than a year before. Correspondingly, in January–November, building permits for apartment blocks were granted for a total of 33,121 apartments, 22% more than a year before. The annual change in the sliding annual sum of building permits granted for apartment blocks increased to +22%.

The three-month change in the housing construction volume index that describes the value of on-going new construction was +1 per cent in November, and the change year-on-year was +8 per cent.

According to the January confidence indicator of the Confederation of Finnish Industries, the balance figure for construction production for the past three months was +3 points in the fourth quarter of the year, while it was +8 points in the previous quarter and +8 points a year before. The balance figure for the three-month production expectation was +5 points, compared to +6 points in the previous quarter and +9 points a year before. The number of unsold residential apartments compared to normal fell from -32 in the third quarter of the year to -37 in the fourth quarter; a year ago, the balance figure was -22 points.

The increase of supply in the housing market has continued to be slightly subdued during the fourth quarter.

Rents and prices in the housing market

According to Statistics Finland, during the fourth quarter of 2017 the rents of non-subsidised apartments increased by 2.5% year-on-year and by 0.5% from the third quarter.

According to the housing price index from Statistics Finland, the housing prices increased during the fourth quarter by +1.5 per cent year-on-year. The change in the housing price index from the previous quarter calculated by Statistics Finland was 0.0%, which we estimate to correspond to a change of approximately +0.9% when seasonally adjusted.

The Orava 20 index, which describes the price trend for apartment block apartments in 20 major towns in Finland based on the average prices per square metre in advertisements on Oikotie.fi, increased between 31 December 2016 and 31 December 2017 by 2.8% and was at the end of December 1.6% higher than at the end of September. The twelve-month change in square metre prices, based on the average asking prices for all types housing in the country overall calculated by Etuovi.com, was +2.7% in January and +6.7% from October to January. According to Statistics Finland the housing prices increased +1.5% in whole country in 2017. The increase was exceptionally rapid in capital region being +2.8%. In other parts of Finland the increase were +0.4%.

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 of non-subsidised apartments was 15.0. The 44-year average for the ratio of square metre prices to annual rents in Finland is 16.8.

Future outlook

The company estimates that its EPRA earnings for 2018 will be approximately the same as in year 2017.

The company sees possible to start use the estimates of external valuers for the value of the investment portfolio instead of the management company's valuation. This possible change would mean that the company might book a nonrecurring profit or loss for the 2018.

The board of directors of the company are searching alternative strategies and structures for the company. These might affect the company's mid term outlook.

The whole Financial Statements Release 2017 and the current rules for real estate investment operations are available on the company's website at www.oravaasuntorahasto.fi, and they are included as an appendix. The audited Financial Statements and Board of Directors' Report will be published on the company's website on 27 February 2018.

Helsinki, 26 February 2018

Orava Residential REIT plc

Board of Directors

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Appendix:

[Financial Statements Release 2017](#)
[Rules for real estate investment operations](#)