

Orava Residential REIT plc

Half year financial report 18 August 2016 at 8:00 a.m.

ORAVA RESIDENTIAL REIT PLC HALF YEAR FINANCIAL REPORT 1 JANUARY–30 JUNE 2016

1 April–30 June 2016

- Revenue: EUR 2.9 million (1 April–30 June 2015: EUR 4.7 million)
- Comprehensive profit: EUR -0.4 million (EUR 1.9 million)
- Earnings per share: EUR -0.04 (EUR 0.19)
- Economic occupancy rate: 90.1% (90.9%)
- Gross rental yield: 6.9% (6.8%)
- Net rental yield: 4.0% (3.7%)
- Profit from assignments and changes in fair value: EUR -0.2 million (EUR 2.2 million)
- Total dividends distributed during the period under review: EUR 0.27 per share (EUR 0.30 per share)

1 January–30 June 2016

- Revenue: EUR 7.7 million (1 January–30 June 2015: EUR 9.3 million)
- Comprehensive profit: EUR 1.4 million (EUR 4.1 million)
- Earnings per share: EUR 0.18 (EUR 0.54)
- Economic occupancy rate: 90.0% (90.4%)
- Gross rental yield: 6.8% (6.8%)
- Net rental yield: 3.8% (3.9%)
- Profit from assignments and changes in fair value: EUR 1.7 million (EUR 4.5 million)
- Total dividends distributed during the period under review: EUR 0.54 per share (EUR 0.60 per share)

Adjusted net assets per share of Orava Residential REIT plc amounted to EUR 10.88 on 30 June 2016, while they were EUR 11.63 at the beginning of 2016. The company has continued growing, and the value of its investment properties rose to EUR 212.2 million at the end of the period under review (31 December 2015: EUR 195.9 million).

CEO's comments:

"The second quarter results of Orava Residential REIT remained unsatisfactory.

Despite the slow recovery of the housing market, the housing price development was, as a whole, weak in the second quarter; the change in value of apartments previously acquired in the housing portfolio was +0.4% in April, -0.3% in May and -0.6% in June, i.e., in the entire quarter -0.5%. This corresponds to a fall of approximately one million euros in the value of the old portfolio.

In an international comparison, the past development in Finnish housing prices has been exceptionally weak. According to the latest statistics from Eurostat, the change in housing prices in the past 12 months has been lower than in Finland in only three of the 30 EU and EEA countries. The recovery of the housing market has progressed faster than Finland in almost all European countries.

The compensation of the weak housing price development with the result impact of the wholesale discount in housing acquisitions has been made more difficult by the uncertainty that prevailed in the

equity market during last winter and spring, which has been seen in the price development of the share of the Residential REIT and weakened the opportunities to acquire equity. The number of housing acquisitions remained lower than in previous quarters; 23 new apartments were acquired at a debt-free purchase price of EUR 6.7 million in the second quarter. After end of the period under review, the price development and the stock market have, however, strengthened in June and August.

Rental income improved slightly from the previous quarter; the economic occupancy rate, gross rental yield and net rental yield increased. The picking up of housing sales continued, and we made a new sales record in the quarter; sales accumulated to EUR 2.9 million. The maintenance and repair costs of investment properties in relation to the value of the portfolio fell from 3.0 per cent to 2.8 per cent expressed as an annual-level figure.

The number of Orava Residential REIT's shareholders has continued growing to over 8,400. Trading in the company's share on the Helsinki Stock Exchange has fallen slightly; the average daily turnover in January-July was EUR 206,000.

The company estimates that it has reasonable prerequisites for getting close to achieving its targeted total return of 10 per cent on shareholders' equity."

Operating environment

Finnish GDP growth is expected to settle between +0.7% and +1.1% this year, and next year slightly higher, between +0.9% and +1.3%. The growth of private consumption that is central for the housing market is expected to settle between +0.7% and +1.2% this year, while it is expected to remain between +0.3% and +0.8% next year. The market interest rates in the euro area have still continued to fall, and short-term rates are expected to remain at less than one per cent for the next seven to eight years. 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 continue to expect the housing market to strengthen during 2016.

Demand in the housing market

During April-June, households drew down EUR 5.2 billion in new mortgages, or 13% more than a year previously according to statistics from the Bank of Finland. The euro-denominated mortgage base totalled EUR 93.1 billion at the end of March, and the annual growth in the mortgage base was 2.7%.

According to the statistics from the Central Federation of Finnish Real Estate Agencies, the change in the number of transactions in old apartments was +5.8% in June and +3.2% in January-June compared to the corresponding period in the previous year. The average marketing period for old apartments in the country overall according to the Finnish Etuovi.com marketing service increased from 106 days in March to 104 days in June, while it had been 111 days in June in the previous year.

The demand for apartments seems to have strengthened slightly during the second quarter.

Supply in the housing market

According to Statistics Finland, building permits for apartment blocks were granted for 2,267 apartments in May, which was 36% more than a year previously. Correspondingly, in January-May, building permits for apartment blocks were granted for a total of 10,662 apartments, or 24% more than a year previously. The annual change in the sliding annual sum of building permits granted for apartment blocks rose to +27%.

The three-month change in the housing construction volume index, which describes the value of on-going new construction, was +8% in May, and the change year-on-year was +28%.

According to the August confidence indicator survey of the Confederation of Finnish Industries, the balance figure for construction production for the past three months was +32 points in the second quarter

of the year, while it was +4 points in the previous quarter and +32 points a year before. The balance figure for the three-month production expectation was +23 points, compared to +41 points in the previous quarter and +27 points a year before. The number of unsold residential apartments compared to normal remained at the level of the first quarter of the year at -5; a year ago, the balance figure was +9 points.

The supply in the housing market has continued growing during the second quarter.

Prices, rents and returns in the housing market

In the second quarter of 2016, the rents of non-subsidised apartments increased by 2.4% year-on-year. The change in housing prices in the second quarter according to the housing price index from Statistics Finland was 1.2% year-on-year. The change in housing prices from the previous quarter calculated by Statistics Finland was +1.4%, 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 fourth 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 housing prices in the country as a whole to start rising slightly during the next 12 months, and the development 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 of rental operations in the second quarter was 90.1%, which is higher than in the previous quarter. The economic occupancy rate, adjusted so that acquisitions in the past six months have been eliminated, was 92.5%. The gross rental yield in the second quarter was 6.9%.

In the six-month period, the economic occupancy rate was 90.0 per cent (2015: 90.4 per cent and gross rental yield was 6.8 per cent (2015: 6.8 per cent).

| | 1 Jan - 30 Jun 2016 | 1 Jan - 30 Jun 2015 |
|-------------------------------|---------------------|---------------------|
| Gross rental yield, % | 6.8 | 6.8 |
| Net rental yield, % | 3.8 | 3.9 |
| Economic occupancy rate, % | 90.0 | 90.4 |
| Operational occupancy rate, % | 91.4 | 88.8 |
| Tenant turnover/month, % | 2.7 | 2.4 |

At the end of the period, there were a total of 1,733 residential apartments and business premises (2015: 1,594), and there were 1,425 leases at the end of the period (2015: 1,320); 105 apartments were for sale (2015: 108). Approximately 98% of the entire lease base for residential apartments is in agreements valid until further notice. A total of 144 agreements were terminated in the second quarter (Q2 2015: 108).

Acquisitions

Acquisitions implemented or agreed during the second quarter

| Time | Property | Debt-free purchase price (EUR million) | Company debt (EUR million) | Directed issues (1,000 shares) | Apartments (qty.) |
|-------------|------------|--|----------------------------|--------------------------------|-------------------|
| 30 Mar 2016 | Apartments | 6.7 | 5.3 | - | 23 |

from 9 properties

| | | | | |
|--------------|------------|------------|----------|-----------|
| TOTAL | 6.7 | 5.3 | - | 23 |
|--------------|------------|------------|----------|-----------|

In the second quarter, the company acquired from Lemminkäinen Talo Oy and Skanska Talonrakennus Oy a total of 23 apartments from seven cities with binding contracts on 30 June 2016. The apartments acquired are located in 9 properties in Espoo, Helsinki, Vantaa (2), Lahti, Turku (2), Raisio and Forssa. The apartments were without tenants at the time of acquisition.

In the six month period, Orava Residential REIT acquired 72 apartments (2015: 304 apartments) at a debt-free purchase price of EUR 16.3 million (2015: EUR 37.8 million).

Apartment sales

Apartment sales grew in the second quarter to a significantly higher level than in the previous quarters. Measured in euros, the quarter was the best in the company's history for the third time in a row. During the second quarter, the company sold a total of 26 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 103,000.

During the first half of the year Orava Residential REIT sold 42 apartments (2015: 16 apartments) at a debt-free selling price of EUR 4.8 million (2015: EUR 1.5 million).

Investment properties 30 June 2016

The fair value of investment properties at the end of the period totalled EUR 212.2 million (31 December 2015: EUR 195.9 million). Orava Residential REIT had a total of 1,733 apartments on 30 June 2016 (31 December 2015: 1,702); the aggregate floor area of the apartments was approximately 111,000 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 Jun 2016 | 30 Jun 2015 |
|----------------------|-------------|-------------|
| Newer (1990 onwards) | 69% | 61% |
| Older (up to 1989) | 31% | 39% |
| Helsinki Region | 38% | 36.5% |
| Major cities | 31% | 30.4% |
| Medium-sized cities | 31% | 33.1% |

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.

Consolidated profit for the period

The Group's revenue for the second quarter totalled EUR 2.9 million (Q2 2015: EUR 4.7 million). The revenue was divided into income from ordinary operations of EUR 3.1 million (Q2 2015: EUR 2.5 million) and capital gains of EUR -0.2 million (Q2 2015: EUR 2.2 million). The returns on rental operations include rental income and compensation for use. Capital gains are made up of the change in the fair value of apartments, as well as profit from sales of investment properties less sales commissions for sold apartments.

Operating expenses totalled EUR 2.3 million (Q2 2015: EUR 2,3 million), of which maintenance costs and annual repairs amounted to EUR 1,5 million (Q2 2015: EUR 1.3 million) and the performance-based management fee totalled 0.0 million (Q2 2015: EUR 0.4 million). The growth in costs is mainly due to the expansion of the operations.

Operating profit amounted to EUR 0.6 million (Q2 2015: EUR 2.4 million).

Financial income and expenses totalled EUR -917,000 (Q2 2015: EUR -990,000), and taxes for the period totalled EUR 18,000 (Q2 2015: EUR 20,000).

Profit for the second quarter was EUR -0.4 million (Q2 2015: EUR 1.4 million). Comprehensive income items amounted to EUR -28,000 (Q2 2015: EUR 503,000), and comprehensive profit totalled EUR -0.4 million (Q2 2015: EUR 1.9 million).

Financing

Financial expenses (net) totalled EUR 1.5 million during the period 1 January–30 June 2016 (2015: EUR 1.3 million).

The interest-bearing loans of Orava Residential REIT and the company loans allocated to the shares in housing companies totalled EUR 116.3 million on 30 June 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 755,000 in rental deposits paid by tenants (31 December 2015: EUR 660 thousand).

Shares and shareholders of Orava Residential REIT

On 20 April 2016, the company directed 200,000 shares to itself in a charge-free share issue and applied for the shares to be admitted to trading on the main list of the Helsinki Stock Exchange (trading code OREIT0116). 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.

The number of the company's shares registered with the Finnish Trade Register at the end of June was 9,406,619, of which outstanding shares were 8,689,250.

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 April–30 June 2016, the company has concluded seven convertible bond agreements worth a total of EUR 2.5 million, of which EUR 2.1 million was exchanged for 580,942 shares in the company and recognised in the company's shareholders' equity. The company's shareholders' equity is EUR 95.8 million (31 December 2015: EUR 94.3 million). At the end of the period, the company had 717,369 shares in its possession that it had allocated to itself, which corresponds to 7.6 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. During the period under review, the average turnover of shares was approximately EUR 206,000.

The company had over 8,400 shareholders at the end of July 2016. Of the total number of shares, 3.2% were nominee registered.

LIST OF OWNERS ON 28 JULY 2016, TEN LARGEST

| Shareholder | Number of shares | % |
|-----------------------|------------------|-----|
| Maakunnan Asunnot Oy* | 435,664 | 4.5 |
| Yli-Torkko Erkki | 199,862 | 2.1 |

| | | |
|------------------------------------|------------------|-------------|
| Rakennusliike Leimarakentajat Oy | 157,681 | 1.6 |
| Sysmäläntien Kiinteistöt Oy*** | 128,212 | 1.3 |
| Ålands Ömsesidiga Försäkringsbolag | 100,000 | 1.0 |
| Vähävara Oy | 92,000 | 1.0 |
| Godoinvest Oy** | 79,360 | 0.8 |
| Niemi, Aaro | 46,946 | 0.5 |
| Ström Leif | 46,661 | 0.5 |
| Orava Funds plc**** | 45,639 | 0.5 |
| Total | 1,332,025 | 13.8 |

* 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 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 June 2016 amounted to EUR 618 thousand (2015: EUR 439 thousand).

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 Jan – 30 Jun 2015: EUR 704,000). 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 10 times during the period under review. The Board members' rate of attendance at Board meetings was 97%.

Orava Residential REIT's auditor is Authorised Public Accountants 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 22.3.2016 resolved to authorise the Board of Directors to decide on share issues and issues of option rights and other special rights entitling to shares so that, on the basis of the authorisation, the Board of Directors may decide to issue no more than 6,000,000 shares held by the company or new shares which do not give entitlement to dividends in 2016. A total of 301,134 shares have been issued under the authorisation by 30 June 2016 and 5,698,866 shares could still be issued under the authorization.

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, 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 in the occupancy rate of apartments, rental income and profitability.

Major events 1 January–30 June 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
- 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 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 held on 22 March 2016 decided to authorise the Board of Directors to decide on the distribution of no more than EUR 1.08 per share in 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.

Additionally, the Annual General Meeting decided 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 decided to make a correction 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 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.

In addition, the Annual General Meeting decided to authorise the Board of Directors to decide on share issues and issues of option rights and other special rights entitling to shares so that, on the basis of the

authorisation, the Board of Directors may decide to issue no more than 6,000,000 shares held by the company or new shares which do not give entitlement to dividends in 2016. The authorisation is valid until the next AGM, and terminates the previous authorisation given on 19 March 2015.

At the meeting held after the ordinary 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 has been drawn down in its entirety.

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 to 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, Orava Residential REIT acquired a total of 23 residential apartments from construction companies through binding agreements at a debt-free purchase price of 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.

Events after the financial period

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 also decided to cancel 679,052 shares held by the company that provide entitlement to dividends in 2016 (ISIN code FI4000068614, trading code OREIT). When the shares subscribed in the share issue and the cancellation of the shares held by the company were registered in the Trade Register, the company's number of shares grew by 250,948 shares from 9,409,619 to 9,657,567 shares.

The shares subscribed in the share issue and cancelled shares were registered in the Trade Register 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 share 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.

The sales of Orava Residential REIT's apartments after the financial period between 1 July and 15 August was EUR 1.9. Thus the total sales of apartments this year was EUR 6.7 million by the middle of August.

Dividend

The Annual General Meeting held on 22 March 2016 decided to distribute dividends of EUR 0.27 per share from the profit for 2015 in each quarter of 2016, i.e. in total a maximum of 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 |
| Total | EUR 0.54 |

Future outlook

Orava Residential REIT estimates that it has reasonable prerequisites for getting 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. The gross and net rental yields are estimated to remain approximately at the level of the first half of the year. During the current year, the euro-denominated result impact of the acquisitions of investment properties is expected to remain lower than last year. 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, 17 August 2016

Orava Residential REIT plc
Board of Directors

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