

ORAVA RESIDENTIAL REIT PLC
INTERIM REPORT
1 JANUARY – 31 MARCH 2018



ORAVA

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1 Jan – 31 Mar 2018

- Revenue: EUR 3.3 million (1 January – 31 March 2017: EUR 3.3 million)
- Profit: EUR -1.8 million (EUR -978 thousand)*
- Earnings per share: EUR -0.18 (EUR -0.10)
- Comprehensive profit: EUR -1.8 million (EUR -918 thousand)
- Economic occupancy rate: 94.8% (93.8%)
- Gross rental yield: 7.1% (6.8%)
- Net rental yield: 3.8% (3.6%)
- Profit from assignments and changes in fair value: EUR -2.0 million (EUR -0.9 million)
- No dividends were paid during the first quarter (EUR 0.03/share)
- EPRA earnings: EUR 257 thousand (EUR -47 thousand)
- EPRA earnings per share: EUR 0.03 (EUR 0.00)

* Income statement item Profit/loss for the period.

Net assets per share of Orava Residential REIT plc amounted to EUR 9.55 on 31 March 2018, whereas they were EUR 9.72 at the beginning of 2018. The value of the company's investment properties amounted to EUR 196.4 million at the end of the period under review (31 December 2017: EUR 199.6 million).

CEO'S COMMENTS:

The first-quarter brought an improvement to the operational result of Orava Residential REIT and to the operational indicators. The EPRA earnings were 257 thousand euros when year before they were -47 thousand euros. The economic occupancy rate reached 94.8 per cent and the gross rental yield 7.1 per cent. During the period we were able to decrease the financial and operational costs. The decrease is due to the actions taken to improve the efficiency of the operations.

Profit of Orava Residential REIT was still affected by the poor value development of the housing portfolio: the values decreased by 0.86 % from the previous quarter. The decrease in value was strongest in the large cities outside the Helsinki region. Also according to the Statistics Finland the housing prices decreased in the whole country from the previous quarter.

The company estimates that its EPRA earnings for 2018 will be approximately the same as in year 2017, when they were 1.1 million euros.



OPERATING ENVIRONMENT

Finnish GDP growth is expected to settle between +2.3% and +3.1% this year and stay between +1.9% and +2.6% next year. The growth of private consumption, very important for the housing market, is expected to be between +1.7% and +2.4% this year, while it is expected to remain between +1.4% and +2.2% next year. The market interest rates in the euro area are still exceptionally low, and short-term market rates are also expected to remain below one percent for the next three to four years.

The estimate is based on the most recent economic forecasts by 16 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 slow strengthening of the housing market.

Demand in the housing market

According to statistics from the Bank of Finland, households drew down EUR 4.2 billion in new

mortgages during January-March, 1.2 per cent more than the year before. The euro-denominated mortgage base totalled EUR 96.2 billion at the end of December, and the annual growth in the mortgage base was 2.1 per cent.

According to the Finnish marketing service etuovi.com, the average marketing period of old apartments in the country as a whole decreased from 101 days in January to 74 days in April, while it was 66 days in April of the previous year.

The slight increase in the demand for apartments seems to have continued in the first quarter.

Supply in the housing market

According to Statistics Finland, building permits for apartment blocks were granted for 2,809 apartments in February, which was 38% more than a year before. Correspondingly from the beginning of the year 2018 (January–February) building permits for apartment blocks were granted for a total of 4,738 apartments, which was 41% more than a year before. The annual change in the sliding annual sum

of building permits granted for apartment blocks increased to +34%.

The three-month change in the housing construction volume index that describes the value of on-going new construction was -7 per cent in February, and the change year-on-year was +16 per cent.

According to the May confidence indicator survey of the Confederation of Finnish Industries, the balance figure for construction production for the past three months was +2 points in the first quarter of the year, while it was +3 points in the previous quarter and +23 points a year before. The balance figure for the three-month production expectation was +15 points, compared to +5 points in the previous quarter and +34 points a year before. The number of unsold residential apartments compared to normal remained at the level of the fourth quarter of last year at -37; a year ago, the balance figure was -18 points.

The supply in the housing market has continued to increase at roughly the same rate as before during the first quarter.

Rents and prices in the housing market

In the first quarter of 2018, the rents of non-subsidised apartments increased by 2.3 per cent year-on-year. According to the housing price index from Statistics Finland, the housing prices increased during the first quarter by 0.0 per cent year-on-year. The change in housing prices from the previous quarter calculated by Statistics Finland was -0.4 per cent, which we estimate to correspond to a change of approximately -0.7 per cent when seasonally adjusted. The ratio of housing prices to rents is slightly below the long-term average; the ratio calculated from the prices per square metre of apartment block apartments in the first quarter based on the updated weightings of Statistics Finland and the rents of non-subsidised apartments was 12.7. The 44-year average for the ratio of square metre prices to annual rents in Finland is 14.4.

Rental operations

The economic occupancy rate of rental operations in the first quarter was 94.8 per cent, which was higher than in the previous quarter (94.7 per cent). The gross rental yield for the first quarter was 7.1 per cent.

At the end of the period under review, there were a total of 1,610 residential apartments and business premises (31 March 2017: 1,672), 1,409 tenancy agreements (31 March 2017: 1,449) and 92 were for sale (31 March 2017: 101). Approximately 99 per cent of the entire tenancy agreement base for residential apartments is in agreements valid until further notice. A total of 127 agreements were terminated during the period under review (1 January–31 March 2017: 139).

Acquisitions

As in the first quarter of 2017, no new apartments were acquired during the first quarter of 2018.

	1 Jan – 31 Mar 2018	1 Jan – 31 Mar 2017
Gross rental yield, %	7.1	6.9
Net rental yield, %	3.8	3.6
Economic occupancy rate, %	94.8	93.8
Operational occupancy rate, %	94.6	94.7
Tenant turnover/month, %	2.8	3.0



Age and regional distributions of the investment portfolio	31 Mar 2018	31 Dec 2017
Newer (1990 onwards)	70%	70%
Older (up to 1989)	30%	30%
Helsinki Region	39%	39%
Major cities	30%	30%
Medium-sized cities	31%	31%

Apartment sales

There was a decrease in apartment sales in the first quarter, compared with the fourth quarter of 2017. During the first quarter, the company sold a total of 15 residential apartments (1 January – 31 March 2017: 24 apartments) from 13 different housing companies. The debt-free selling prices of the apartments totalled EUR 1.4 million (1 January – 31 March 2017: EUR 3.4 million), and the sales commissions totalled EUR 37 thousand.

Investment properties on 31 March 2018

The fair value of investment properties at the end of the period under review totalled EUR 196.4 million (31 December 2017: EUR 199.6 million). On

31 March 2018, Orava Residential REIT had a total of 1,610 apartments (31 December 2017: 1,626), with a total floor area of about 104 thousand m² (31 December 2017: 105 thousand m²). The apartments were located in 128 different housing companies, of which 11 were fully owned by Orava Residential REIT. More detailed information on the investment properties is presented in the tables section.

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 2017 financial statements.





CONSOLIDATED PROFIT FOR THE PERIOD

Consolidated revenue for the first quarter totalled EUR 3.3 million (1 January–31 March 2017: EUR 3.3 million). Profit from assignments and changes in fair value: EUR -2.0 million (1 January–31 March 2017: EUR -0.9 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 for the first quarter totalled EUR 2.3 million (1 January–31 March 2017: EUR 2.5 million), of which maintenance costs and annual repairs amounted to EUR 1.6 million (1 January–31 March 2017: EUR 1.7 million). No performance-based management

fee was posted. The decrease of costs is due to the actions for improving the efficiency of operations.

Operating profit for the first quarter totalled EUR -1.8 million (1 January–31 March 2017: EUR -978 thousand).

Financial income and expenses for the fourth quarter totalled EUR -0.7 million (1 January–31 March 2017: EUR -0.9 million) and taxes EUR 12 thousand (1 January–31 March 2017: EUR 38 thousand).

Profit for the first quarter totalled EUR -1.8 million (1 January–31 March 2017: EUR -978 thousand). Comprehensive income items amounted to EUR 0 thousand (1 January–31 March 2017: EUR 60 thousand), and comprehensive profit totalled EUR -1.8 million (1 January–31 March 2017: EUR -918 thousand).



FINANCING

Financial expenses (net) totalled EUR 0.7 million during the period 1 January–31 March 2018 (1 January–31 March 2017: EUR 0.9 million).

The interest-bearing loans of Orava Residential REIT and the company loans allocated to the shares in housing companies totalled EUR 106.7 million on 31 March 2018 (31 December 2017: EUR 107.9 million). In addition to the loans, the long-term liabilities on the statement of financial position also include EUR 792 thousand in rental deposits paid by tenants (31 December 2017: EUR 803 thousand). During the period under review, the cash flow from operations totalled EUR 285 thousand (1 January–31 March 2017: EUR 191 thousand).

The company's target is a debt financing rate of approximately 50 per cent and it was 53.3 per cent during the period. The company has not taken out new loans during the period under review.





SHARES AND SHAREHOLDERS OF ORAVA RESIDENTIAL REIT

On 31 March 2018, the shareholders' equity was EUR 91.6 million (31 December 2017: EUR 93.3 million).

More detailed information on shareholders' equity is presented in the tables section, in paragraph 5.6.

The trading code for the company's shares is OREIT. During the period under review, the average daily turnover of shares was about EUR 67 thousand.

On 31 March 2018, the company had about 4,900 shareholders. Of the total number of shares, 2.3 per cent were nominee registered. Each share is entitled to one vote

Distribution of shareholding by owner category on March 31 2018

	Shares	Proportion of all shares
Private companies	3,568,540	37.2%
Financial institutions and insurance companies	659,865	6.9%
Public sector entities	110,236	1.1%
Non-profit organisations	185,414	1.9%
Households	4,846,390	50.5%
Foreign shareholders	11,955	0.1%
Nominee registered	216,510	2.3%
Orava Residential REIT plc	0	0.0%
TOTAL	9,598,910	100.0%

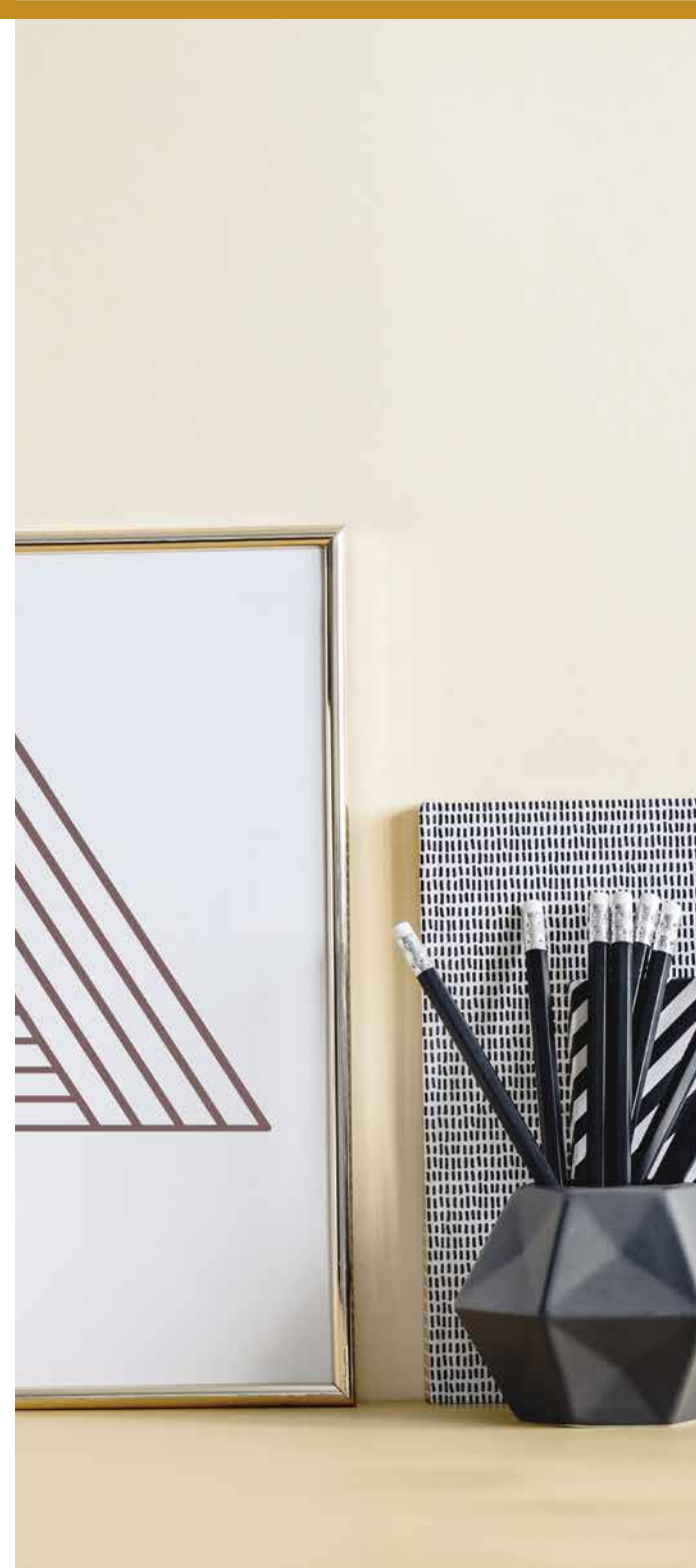
List of owners on March 31 2018, the 10 largest

Shareholder	Number of shares	%
Investors House Oyj*	2,414,582	25.2
Ollikainen Pekka	285,021	3.0
OP-Henkivakuutus Oy	230,400	2.4
Osuusasunnot Oy	166,200	1.7
Orava Rahastot Oyj	154,991	1.6
ESR Danske Invest Suomen parhaat	128,081	1.3
Ålands Ömsesidiga Försäkringsbolag	100,000	1.0
Zeroman Oy	87,000	0.9
Ström Leif	67,588	0.7
Jajopa Oy	65,520	0.7
Yhteensä	3,699,383	38.5

* Company under the control of Board members Tapani Rautiainen and Petri Roininen

Distribution of shareholding by order of magnitude on 31 March 2018

Number of shares	Shares	%	Holdings	%
1 – 100	41,495	0.4%	978	19.8%
101 – 1 000	946,395	9.9%	2,699	54.8%
1 001 – 10 000	2,745,247	28.6%	1,144	23.2%
10 001 – 100 000	2,386,498	24.9%	101	2.0%
100 001 –	3,479,275	36.2%	7	0.1%
Yhteensä	9,598,910	100.0%	4,898	100.0%



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 per cent of the fair value of the assets of the REIT as an annual fixed management fee and 20 per cent of the annual return on the REIT exceeding the hurdle rate of 7 per cent 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 1 January –31 March 2018 amounted to EUR 305 thousand (1 January–31 March 2017: EUR 324 thousand).

On the basis of the company's net assets per share, share price and dividend distribution realised in 2018, no performance-based management fee has been booked (1 January – 31 March 2017: EUR 0 thousand). The Board of Directors of Orava Residential REIT plc gave 18 December 2017 notice to terminate the management agreement between Orava Residential REIT plc and Orava Funds plc. According to the conditions of the agreement the term of notice is 12 months.

During the period under review, Newsec Asset Management Oy, Colliers International Oy and Accountor Oy were paid a total of EUR 136 thousand for financial management and for

apartment rental operations (1 January–31 March 2017: EUR 172 thousand), including value added tax.

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 has five members: Taina Ahvenjärvi, Petri Kovalainen, Tapani Rautiainen, Eljas Repo and Petri Roininen. The Chairman of the Board is Petri Roininen, and the Vice Chairman is Tapani Rautiainen. The Board of Directors met four times during the period under review. The Board members' rate of attendance at Board meetings was 100%.

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 approved by the company.

Authorisations of the Board of Directors

The Board of Directors does not have any authorisations granted by the Annual General Meeting.

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 changes in the value of apartments, sales of investment properties, interest rate levels and repair costs. In the company's opinion, the most significant of these is the changes in the value of apartments. The fluctuations on the value of apartments in the housing market affect the value of the company's apartments and, thereby, its financial result. It may be difficult for the company to meet its apartment sales targets.

Changes in the housing market are beyond the company's control. If the company would choose for the valuation the estimate of the external valuator, it could be possible that the company would book a nonrecurring profit or loss for the 2018.

The company's cash flow based profits are low compared to administrative and finance expenses. Increase in interest rates can affect negatively the company's cash flow based ie. the operational result (EPRA earnings). The increase in interest rate levels can be a substantial risk to the company's

capabilities to make profit. It may be difficult for the company to secure equity and 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 – 31 MARCH 2018

On 18 January 2018, Orava Residential REIT plc announced that the company's Board of Directors will further specify the company's strategy and, as part of that process, assess the company's financial result, expenses and financing structure. Further specification of the strategy is being prepared together with the treasurer company Orava Funds plc. The Board of Directors expects the work for further specifying the strategy to be completed by the Annual General Meeting of 2018.

Orava Residential REIT plc announced on 27 February 2018 that, as part of its strategy and structure analysis, the company's Board of Directors has concluded that the current listed REIT is not an ideal structure for the future development of the company. As a REIT, the company's business model



has lost a significant part of its competitiveness. Changing that trend will be challenging without a structural change. This is for its part indicated by the financial results that in 2016–2017 have weakened and turned negative, as well as the development of the company's share price. In order to find alternatives for the current structure and business model, the Board of Directors has identified and assessed several structural and business models. They have been assessed regarding how the company's operational prerequisites, financial results and thus also its share price could be improved in the coming years. On the basis of its assessment, the Board of Directors has decided to initiate investigations and preparations for the possible conversion of Orava Residential REIT into a real estate investment company whose share would be quoted on the main list of the stock exchange. With the best interest of the shareholders in mind, the Board of Directors will also at the same time initiate negotiations regarding the matter with the stock exchange, Financial Supervisory Authority and financiers. On the basis of the results from the investigations and preparations, the Board of Directors will then decide whether to make a proposal regarding the change to

the shareholders who would decide the matter in a possible extraordinary general meeting of shareholders.

Orava Residential REIT plc announced on 20 March 2018 that its Board of Directors has examined options for the company's structure and strategy. The Board of Directors takes the view that a change of the structure and strategy is necessary for developing the company's business and shareholder value. As part of the preparations, the Board has had discussions with major stakeholders. The change of structure will be decided by an extraordinary general meeting to be convened separately. Orava Residential REIT is primarily seeking to concentrate on improving profitability. For this, more apartments than before may be sold from the housing portfolio, and the capital of loans with a high rate of interest may be repaid. Profitability will also be improved by enhancing the efficiency of administration. Orava's short-term goal is to improve profitability, but in the long run, the intention is to grow the business profitably. Orava can carry out real estate and corporate arrangements, if they support the profitability and growth objectives. The intention is to convert Orava Residential REIT into an investment company that

is freer to also invest in other real estate properties besides apartments. In the future, Orava Residential REIT could also act as a project developer and property developer. Open communications are a strategic focal point for Orava Residential REIT. Orava Residential REIT seeks to communicate its activities and investments as openly as possible. The Board of Directors expects the changes and development actions to be implemented in 2018–2019.

The Annual General Meeting of Orava Residential REIT plc was held on 20 March 2018. The Annual General Meeting decided that no dividends will be distributed in 2018.

At the meeting held after the Annual General Meeting, the Board of Directors of Orava Residential REIT plc elected Petri Roininen as the Chairman from among the members and Tapani Rautiainen as the Vice Chairman.



Events after the period under review

After the period under review, apartments of Orava Residential REIT have been sold between 1 April – 14 May 2018 at debt-free prices totalling EUR 0.7 million.

Orava Residential REIT plc announced on 16 May 2018 that, as part of its efficiency programme, Orava Residential REIT plc has made preparations to streamline the company structure. This would be achieved by converting the company from a real estate investment trust into a listed real property investment company. In that case, the company would be similarly structured as the other real property investment companies on the main list. According to the Board of Directors, the streamlining would bring cost savings, clarify the regulation applying to the company and allow the company to organise its operations more efficiently. To carry out the streamlining, the company has requested the Financial Supervisory Authority to issue a decision on whether applying the Act on Alternative Investment Fund Managers would end after the company has introduced the planned measures. The main

measures planned by Orava Residential REIT are as follows:

- The Articles of Association would be changed so that there would no longer be any references to the real estate investment trust in the company name or in the definition of the line of business
- the existing rules for real estate investment operations would be revoked
- the Board of Directors would approve a new strategy, under which the company would, in addition to investment activities, also focus on industrial activities (including apartment rental operations and project development).

According to the decision issued by the Financial Supervisory Authority on 9 May 2018, the company would no longer be considered an alternative investment fund referred to in the Act on Alternative Investment Fund Managers after it has introduced the planned measures. The decision issued by the Financial Supervisory Authority is public. In the company's view, this is an important decision because it allows Orava Residential REIT to



streamline its structure and improve its operational efficiency.

An extraordinary general meeting will make the final decision on the matter at the proposal of the Board of Directors. After the decision issued by the Financial Supervisory Authority, the Board of Directors will continue the preparation of the matter with the aim of introducing changes that serve the interests of all shareholders and help to make the company structure more efficient. After preparing its proposal, the Board of Directors will convene an extraordinary general meeting.

Dividend

Year 2018

The Annual General Meeting decided on 20 March 2018 that no dividends will be distributed in 2018.

Future outlook

Orava Residential REIT 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 in stead 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.

Helsinki, 16 May 2018

Orava Residential REIT plc

Board of Directors



Consolidated Statement of Comprehensive Income

1000 EUR	Note	1 Jan– 31 March 2018	1 Jan– 31 March 2017
Revenue			
Income from rental operations	2.1	3,294	3,297
Maintenance expenses	3	-1,608	-1,727
Net operating income		1,686	1,570
Gains from disposals and changes in the fair value of apartments	2.2	-1,999	-893
Expenses from rental operations	3	-86	-107
Administrative expenses	3	-645	-646
Other operating income and expenses	3	-10	-4
Operating Profit		-1,053	-78
Finance income		3	2
Finance expenses		-691	-864
Finance income and expenses total		-688	-862
Profit before taxes		-1,741	-940
Direct taxes	3	-12	-38
Profit/loss for the period		-1,754	-978
Profit/loss for the period attributable to			
the owners of the parent company		-1,754	-978
Earnings per share calculated from the profit attributable to the owners of the parent company			
Earnings per share, undiluted, EUR	5.6	-0,18	-0,10
Other comprehensive income items			
Items that may in the future be reclassified to profit or loss			
Derivatives - interest rate swaps		0	60
Items that are not reclassified to profit or loss		0	0
Comprehensive profit/loss for the period		-1,754	-918
Comprehensive profit/loss for the period attributable to			
the owners of the parent company		-1,754	-918
non-controlling interests		0	0



Consolidated statement of financial position

Consolidated statement of financial position	Note	31 March 2018	31 Dec 2017
ASSETS			
	1,000 EUR		
Non-current assets			
Investment properties in rental use	4	185,344	187,969
Investment properties available for sale	4	11,052	11,648
Fair value of investment properties	4	196,396	199,617
Current assets			
Rental and other receivables	2, 5.2	1,622	1,269
Cash and cash equivalents	5.2	2,248	2,677
TOTAL ASSETS		200,266	203,563
EQUITY AND LIABILITIES			
Equity attributable to the owners of the parent company			
Share capital	5.6	72,131	72,131
Reserve for invested unrestricted equity		23,309	23,309
Retained earnings		-2,030	641
Profit for the period		-1,754	-2,761
Total equity		91,656	93,320
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	5.3	100,303	101,123
Other non-current liabilities	5.3	792	804
Total non-current liabilities		101,096	101,927
Current liabilities			
Interest-bearing liabilities, borrowings	5.3	2,039	2,134
Trade payables and other current liabilities	3, 5.3	1,123	1,509
Total current liabilities		3,163	3,643
Liabilities allocated to investment properties available for sale		4,350	4,672
Total liabilities		108,610	110,243
TOTAL EQUITY AND LIABILITIES		200,266	203,563



Consolidated statement of cash flows

Consolidated statement of cash flows	1 Jan– 31 March 2018	1 Jan– 31 March 2017	1 Jan– 31 Dec 2017
	1,000 €		
Cash flows from operational activities			
Payments received from rental operations	3,286	3,313	13,146
Payments for operating expenses	-2,350	-2,433	-9,362
Cash flows from operational activities before financial items	936	880	3,784
Interest paid and other finance expenses, net	-651	-688	-2,993
Taxes paid	0	0	-106
Net cash flows from operational activities	285	191	685
Cash flows from investment activities			
Acquisition of subsidiaries less acquired cash and cash equivalents	-57	-1,374	-2,687
Income from divestures of investment properties	798	1,799	5,147
Net cash flows used in investments	741	425	2,459
Cash flows from financing activities			
Loan repayments	-1,455	-624	-3,229
Dividends paid	0	-751	-1,379
Net cash flows used in financing activities	-1,455	-1,375	-4,608
Net decrease (-) / increase (+) in cash and cash equivalents	-429	-759	-1,463
Cash and cash equivalents at the beginning of the period	2,677	4,141	4,141
Cash and cash equivalents at the end of the period	2,248	3,382	2,677



Statement of changes in equity

1 000€	1	2	3	4	5	6
Equity on 31 Dec 2015	72,131	13,008	-3	9,209	94,346	94,346
Conversion of convertible bond 31 Mar 2016		2,750			2,750	2,750
Distribution of dividends 4 April 2016				-2,248	-2,248	-2,248
Distribution of dividends 30 June 2016				-2,248	-2,248	-2,248
Distribution of dividends 30 September 2016				-2,248	-2,248	-2,248
Distribution of dividends 30 December 2016				-2,248	-2,248	-2,248
Cost to gain equity		-368			-368	-368
Conversion of convertible bond 30 Jun 2016		2,061			2,061	2,061
Conversion of convertible bond 30 Sep 2016		2,189			2,189	2,189
Conversion of convertible bond 30 Dec 2016		2,500			2,500	2,500
Proceeds from shares issued 18 July 2016		1,170			1,170	1,170
Reversals of provisions				-117	-117	-117
Profit from the period				1,527	1,527	1,527
Comprehensive income items			-57		-57	-57
Equity on 31 Dec 2016	72,131	23,309	-60	1,626	97,007	97,007

The company's equity consists of share capital, the reserve for invested unrestricted equity and retained earnings. Fees paid to outsiders related to an increase in the share capital are deducted from equity. The company may only distribute its assets as dividends. In accordance with the Tax Exemption Act, the acquisition of treasury shares is prohibited.

1 Share capital and share issue

2 Reserve for invested unrestricted equity

3 Hedge reserve

4 Retained earnings

5 Total equity attributable to the owners of the parent company

6 Total equity



Statement of changes in equity (continues)

1 000€	1	2	3	4	5	6
Equity on 31 Dec 2016	72,131	23,309	-60	1,626	97,007	97,007
Distribution of dividends 31 March 2017				-288	-288	-288
Distribution of dividends 30 June 2017				-288	-288	-288
Distribution of dividends 29 September 2017				-288	-288	-288
Profit from the period				-2,761	-2,761	-2,761
Reversals of provisions				-121	-121	-121
Comprehensive income items			60		60	60
Equity on 31 Dec 2017	72,131	23,309	0	-2,120	93,320	93,320
Profit from the period				-1,754	-1,754	-1,754
Reversals of provisions				90	90	90
Equity on 31 Mar 2018	72,131	23,309	0	-3,784	91,656	91,656



NOTES

1 CONSOLIDATION

Under the Consolidation heading, we have compiled basic information on Orava Residential REIT plc, the main provisions of the Tax Exemption of Certain Limited Liability Companies Engaging in Apartment Rental Operations (299/2009) ("the Tax Exemption Act"), as well as the principles related to the consolidation of the Group and the related notes.

To increase the understanding of the calculation principles, Orava Residential REIT describes the accounting policies in connection with the note in question as part of the note.

1.1 Basic details of the Group

Orava Residential REIT plc (business ID 2382127-4, address Fabianinkatu 14 B, 00100 HELSINKI, Finland) was established on 30 December 2010 as a real

estate fund as referred to in the Real Estate Funds Act. The up-to-date rules for real estate investment operations are included as an appendix to the financial statements.

According to the definitions in the Real Estate Funds Act and the Act on Alternative Investment Fund Managers (162/2014), Orava Residential REIT is an alternative fund which must have an alternative fund manager. Orava Funds plc is the authorised alternative fund manager of Orava Residential REIT.

The purpose of the company as a real estate fund under the Real Estate Funds Act (1173/1997) is to let apartments and real estate which it owns or possesses due to its shareholding, to engage in ordinary housing management and maintenance focusing on its own property, to exercise construction contracting on the company's own behalf

and to finance all these operations. The operations of the company aim to take advantage of the Act on the Tax Exemption of Certain Limited Liability Companies Engaging in Apartment Rental Operations (299/2009) ("the Tax Exemption Act"). The company has been granted an exemption from the payment of income tax as of 30 December 2010.

Orava Residential REIT was listed to NASDAQ Helsinki ("Helsingin Pörssi") at October 2013.

Orava Residential REIT's Board of Directors approved these financial statements for publication at its meeting on 16 May 2018.



1.2 Act on the Tax Exemption of Certain Limited Liability Companies Engaging in Apartment Rental Operations (288/2009) ("the Tax Exemption Act")

In Finland, a limited company generally liable for tax and engaged in the rental of residential apartments is exempted from paying income tax in the manner prescribed in the Tax Exemption Act.

The main prerequisites for granting exemption from tax are as follows:

- The company may not be engaged in any other business than that of renting residential apartments
- At least 80% of the company's assets shown on the balance sheet is invested in apartments or real estate primarily intended for residential use
- The other assets of the company besides the residential assets are compliant with the Real Estate Funds Act
- The company's liabilities do not exceed 80%
- No individual shareholder holds more than 10 % of the company's share capital

- The Real Estate Funds Act is applicable to the company

In addition to the above, the requirements for maintaining the exemption from tax are broadly as follows:

- At least 90% of the result must be distributed as dividends every year (excluding any non-materialised change in value)
- The company's shares are listed on the stock exchange on the third year at the latest
- The company does not distribute its funds in any other manner than as dividends

The company becomes partially liable for tax

- to the extent that its rental income is less than 80% of its total income (excluding disposal prices)
- for capital gains from apartments it has owned for less than five years
- if a shareholder holds at least 10% of the company's share capital

In the initial stage of company operations, residential apartments owned for less than five years have been disposed of, so a liability to pay tax may arise from such disposals.

It is not possible to set off disposal gains and losses in capital gains taxation. Income tax is only recognised if it is known that the company will become partially liable to pay tax. For taxation purposes, a capital gain is created when the disposal price exceeds the sum total of the original acquisition price, the asset transfer tax paid, the estate agent's fee and the apartment repair expenses and capitalised repairs.

The subsidiaries pay the relevant taxes on their financial result and capital gains

1.3 Accounting principles

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards applying the IAS and IFRS standards and SIC and IFRIC interpretations endorsed for use in the EU and in force on 31 March 2018. The statements have been prepared in compliance with IAS34. The term "International Financial



Reporting Standards” refers to the standards and their interpretations in the Finnish Accounting Act and provisions based on this approved for application in the EU in accordance with the procedure established in EU Regulation No 1606/2002. The notes to the consolidated financial statements also comply with the provisions of Finnish accounting and corporate legislation that supplement the IFRS provisions. In addition, Orava Residential REIT complies with the recommendations of the European Public Real Estate Association (EPRA), as applicable. EPRA Performance Measures are calculated according to the EPRA Best Practices Recommendations of November 2016.

The consolidated financial statements have been prepared in euros. The figures have been rounded to the nearest thousand euros, so the sum total of the individual figures may differ from the total amount presented.

The consolidated financial statements are based on the acquisition cost method apart from investment properties and interest rate swaps used for hedging cash flows, which are recognised at fair value.

The preparation of IFRS-compliant financial statements requires discretion from the management.

Discretion influences the selection and application of accounting principles, the amount of reported assets, liabilities, income and expenses, as well as the notes presented. When exercising discretion, the management uses estimates and assumptions based on previous experience and its best view on the closing date concerning the latest development of the real estate market, in particular. The final outcome may differ from the estimates made. Any changes in estimates and assumptions are recognised in accounting in the financial period during which the estimates or assumptions are adjusted.

The most material estimated items are the measurement at fair value and classification of acquisitions into corporate restructuring or acquisition of real estate properties. The management exercises discretion in every investment property acquisition determining whether it is an acquisition of business operations or is it consolidated using the proportionate method. Only the amount of investment properties corresponding to the holding of the Group has been consolidated.

Orava Asuntorahaston sijoituskiinteistöjen arvo on Rahaston hoitajan kehittämällä arviointimallilla laskettujen yksittäisten huoneistojen markkina-arvojen summa. Tarkempi kuvaus mallista on kohdassa 6. Kuvaus sijoituskiinteistöjen käyvän arvon määrittämisestä.

The information shown in the consolidated financial statements has not been audited.

1.4 Consolidation principles

Orava Residential REIT consolidates the wholly-owned housing companies in compliance with IFRS 10. Partially owned housing companies are consolidated using the proportionate method in compliance with IAS 11, in which case only the amount of each income statement and balance sheet item of the subsidiaries corresponding to the holding of the Group is consolidated. Accordingly, no minority interests are created in the Group consolidation process.



1.5 Asset items available for sale

In accordance with the company's investment strategy, the aim is to annually sell apartments for 5 to 10 per cent of the value of the investment properties on the company's opening statement of financial position. The sales of apartments are implemented by selling apartments released from rental use individually. The sales of apartments may be supplemented by sales of plots. Apartment sales totalled EUR 1,426,000 in the first quarter. Asset items classified as available for sale are measured at fair value.

The book values of assets items available for sale on 31 March 2018 were EUR 11,052,000 (31 December 2017: EUR 12,149,000).

2 SEGMENTS AND INCOME

In the note on operating income we have collected notes on financial result and the statement of financial position related to revenue and other income, so that their impact on the financial result and statement of financial position of Orava Residential REIT would be better perceived.

The Group's chief operational decision-maker is the Board of Directors. Segment information is based on the monthly reports which the Board of Directors uses for allocating resources and for assessing financial performance.

Orava Residential REIT lets apartments and real estate which it owns or possesses due to its shareholding and engages in ordinary housing management and maintenance focusing on its own property.

The form of segment reporting used by the company is in accordance with the intended use

of the investment properties. According to the Tax Exemption Act, at least 80% of the assets shown on the company's balance sheet must be invested in apartments or real estate primarily intended for residential use and rental income from these must account for at least 80% of its income, excluding the disposal prices of investment properties. The assets shown on the balance sheet and the income of Orava Residential REIT have consisted of apartments and real estate primarily intended for residential use, so no segment division has been performed.

2.1 Revenue

The revenue of Orava Residential REIT includes rental income. Income from rental operations includes income from ordinary rental operations of the Group, such as rental of apartments and other facilities, and compensation for use and resident

Revenue	1 Jan – 31 Mar 2018	1 Jan – 31 Mar 2017
Income from rental operations		
Gross rental income	3,183	3,186
Compensarion for use and service income	111	111
Total	3,294	3,297



services. Income from rental operations is recognised in the income statement in equal instalments on a monthly basis over the lease period. Earlier, the gains from divestments and changes in fair value were also included in revenue. Now these gains are shown on a separate line. The change in accounting principles was made for the year 2017 financial statements. The change does not affect the company's operating profit or earnings for the period.

2.2 Capital gains from disposals and changes in fair value

The capital gains and losses from apartments are arrived at by deducting the previous quarter's closing balance value from the debt-free selling price. Capital gains also include transaction fees from sales,

i.e. estate agents' sales commissions, changes in the fair value of apartments in the period under review and the share of the apartments of the asset transfer tax, activated repairs and apartment repair expenses that have not been activated yet.

During the period 1 January - 31 March 2018, a total of 15 apartments were sold (2017: 24 apartments).

Orava Residential REIT measures investment properties at fair value according to section 18 in the Real Estate Funds Act. (Kiinteistörahastolaki) and IFRS 13. Changes in fair values are presented in profit and loss in the reporting period they occur.

Changes in fair values are presented in profit and loss. Investment properties are initially recognized at acquisition cost, later carried at fair value. Fair value is the amount of money for which the assets could

be exchanged between informed parties willing to enter into the transaction and independent of each other.

The geographical distribution of the value of investment properties and their breakdown by age is also regularly reported to the Board of Directors. The Helsinki Region includes Helsinki, Espoo, Kauniainen, Vantaa and the surrounding municipalities, while large urban centres of Tampere, Turku, Oulu, Jyväskylä and Lahti are classified as major cities. Medium-sized towns are cities with more than approximately 20,000 inhabitants.

Rental receivables are recognised on the balance sheet at their initial invoiced value. Rental receivables are regularly reviewed. Reminder and collection letters are sent at two-week intervals. An external collection agency manages the collection of rental

Gains from disposals and changes in the fair value of apartments	1 Jan – 31 Mar 2018	1 Jan – 31 Mar 2017
Disposal prices of apartments less the fair value in the previous quarter's closing balance	-88	-130
Brokerage fees for apartments disposed of	-37	-108
Net gains and losses from changes in the fair value of investment properties	-1,874	-655
Total	-1,999	-893





Distribution of investment property values by their location, %	31 Mar 2018	31 Mar 2017
Helsinki Region	39	38
Major cities	30	31
Medium-size towns	31	31
Total	100	100

Distribution of investment property values by age group, %	31 Mar 2018	31 Mar 2017
Built in 1989 or earlier	30	30
Built in 1990 or later	70	70
Total	100	100

receivables. A summons is sent to a district court approximately two months after the first due date.

At the end of every reported period, it is estimated whether there is proof of impairment of the value of receivables. Impairment of rental receivables is recognised under other operating expenses during the period it is incurred. Credit risk arises from the possibility that the counterparty to an agreement fails to meet its contractual obligations.

On the balance sheet date, the major credit risks faced by the Group were due to rental receivables.

Rental and other receivables	31 Mar 2018	31 Mar 2017
Prepayments	841	736
Rental and trade receivables	285	268
Total	1,126	1,004

The Group does not have any significant concentrations of receivable or credit risks. On 31 March 2018, rental receivables totalled EUR 285,000 (31 December 2017: 268,000).

3 OPERATING EXPENSES

In the note on operating expenses we have collected the notes on financial result and the statement of financial position related to operating expenses, so that their impact on the financial result and statement of financial position of Orava Residential REIT would be better perceived.

The expenses include the management, maintenance and annual repair expenses of investment properties, expenses for rental operations and the administrative expenses of the Residential REIT. Administrative expenses include the remuneration of the Board of Directors, the fixed fee of the management company and other administrative expenses such as administration costs of property managers, Stock Exchange, Central Securities Depository and auditing fees as well as external appraisal costs of investment properties. Other operating expenses include any performance-based fee of the management company and credit losses. Operating expenses are presented on an accrual basis.

Land leases of subsidiaries are treated as other leases, and the rents paid on their basis are recognised in the income statement under maintenance expenses in equal instalments over the lease period.

Expenses by type	1 Jan – 31 Mar 2018	1 Jan – 31 Mar 2017
Property maintenance expenses	-1,608	-1,727
Expenses from rental operations	-86	-107
Board of Directors' fees	-24	-30
Management fee Orava Funds plc	-305	-324
Other administrative expenses	-316	-292
Other operating expenses	-10	-4
Total	-2,349	-2,484

Property maintenance expenses	1 Jan – 31 Mar 2018	1 Jan – 31 Mar 2017
Property maintenance expenses less compensation for use	-1,497	-1,616
Property maintenance expenses less compensation for use as percentage of market value, p.a.	3.0 %	3.1 %
Average market value of investment properties during the period, EUR 1,000	197,992	208,964

Property maintenance expenses also include maintenance expenses for residential apartments in the sales portfolio.

Board of Directors' fees	1 Jan – 31 Mar 2018	1 Jan – 31 Mar 2017
Petri Roininen	-7	0
Tapani Rautiainen	-5	-4
Taina Ahvenjärvi	-5	0
Petri Kovalainen	-5	0
Eljas Repo	-5	0
Patrik Hertsberg	0	-5
Mikko Larvala	0	-4
Petra Thorén	0	-1
Jouni Torasvirta	0	-8
Veli Matti Salmenkylä	0	-5
Timo Valjakka	0	-5
Total	-24	-30

The fees of the Board of Directors consist of monthly and meeting fees. The Board's attendance at meetings during the period was 100%. The Board held 4 meetings (1 Jan–31 Mar 2017: 3 meetings) during the period. Orava Residential REIT is externally managed. It has no personnel.



Auditor's fees	1 Jan – 31 Mar 2018	1 Jan – 31 Mar 2017
Audit, parent company	-23	-64
Audit, subsidiaries	-1	0
Total	-24	-64

The auditor's fees of Parent Company are included in other administrative expenses. The auditor is paid a fee in accordance with the invoice accepted by the company.

Other operating expenses	1 Jan – 31 Mar 2018	1 Jan – 31 Mar 2017
Credit losses	-10	-4
Performance-based fee paid to the management company	0	0
Total	-10	-4

Other operating expenses include credit losses from rental operations and the performance-based fee of the management company

Trade payables related to expenses	31 Mar 2018	31 Dec 2017
Trade payables	258	102

Accounts payable are initially recognised at the fair value and subsequently measured at amortised cost. The majority of the Group's trade payables are related to acquisitions made by the subsidiaries.

As a performance-based management fee, the REIT pays the management company 20% of the company's annual return exceeding 7%. The performance-based management fee is only paid if the closing stock exchange price for the financial period, or the net assets per share if they are lower than the stock exchange price, is higher than the highest closing stock exchange price for the previous financial periods or the net assets per share, adjusted for dividends, issues and splits. No maximum amount has been specified for the fee to be paid to the management company.

Any other operating income and expenses include income and expenses which cannot be considered to be directly related to the real estate investment operations of Orava Residential REIT.





Income Taxes

The Large Taxpayers' Office granted the company an exemption from the payment of income tax on 20 January 2012. According to the decision, the tax exemption started from the beginning of the first tax year on 30 December 2010.

However, pursuant to the Tax Exemption Act, the company has to pay tax for capital gains from apartments it has owned for less than five years. Capital losses from apartments may not be deducted from capital gains.

For taxation purposes, a capital gain is created when the disposal price exceeds the sum total of the original acquisition price, the asset transfer tax paid, the estate agent's fee and the apartment repair expenses and capitalised repairs.

The subsidiaries pay the relevant taxes on their financial result and capital gains.

	1 Jan – 31 Mar 2018	1 Jan – 31 Mar 2017
Taxes of the Group for the period	-12	-38



4 INVESTMENT PROPERTIES

In the investment properties group, we have collected notes particularly related to investment properties and their valuation. More detailed information on the measurement of the fair value of investment properties is available in the Consolidated Financial Statements of Orava Residential REIT plc of 31 December 2017.

In accordance with the Tax Exemption Act, Orava Residential REIT does not engage in any operations other than letting premises which it owns or possesses due to its shareholding, ordinary housing management and maintenance focusing on such premises, construction contracting on the company's own behalf and financing required for these.

Under the Tax Exemption Act, at least 80% of the company's assets shown on the balance sheet at the end of the tax year shall be made up of real properties, housing company shares or shares conferring the right to possess a residential apartment in another mutual real estate company which only engages in the ownership and management of the buildings on its real estate which are primarily intended for permanent residential use. Orava Resi-

dential REIT possesses such assets to obtain rental income or increase in the value of its assets or both.

The management exercises discretion in every investment property acquisition determining whether it is an acquisition of business operations or is it consolidated using the proportionate method. Only the amount of investment properties corresponding to the holding of the Group has been consolidated.

In the valuation of its investment properties, Orava Residential REIT applies section 18 of the Real Estate Funds Act and the fair value model according to IFRS 13, Fair Value Measurement. Any profit or loss from changes in fair value is recognised through profit or loss for the period during which it arises.

Changes in fair value are recognised under revenue. Investment properties are initially valued at acquisition cost. Fair value is used in the measurement and valuation after the original recognition. Fair value is the amount of money for which the assets could be exchanged between informed parties willing to enter into the transaction and independent of each other.

The value of Orava Residential REIT's investment properties is the sum of the market values of indi-

vidual apartments calculated using a measurement model. Investment properties are disclosed on the statement of financial position at their gross value, in which case the share of debt related to ownership allocated to the property is presented in Orava Residential REIT's consolidated statement of financial position as a liability.

Individual apartments are derecognised when they are disposed of. Capital gains and losses from apartments are presented in the income statement under revenue.

An external expert annually audits the fair value measurement process and determination method used by Orava Residential REIT. In addition to the audit, an external expert has issued a calculation of value on the values of all Orava Residential REIT's investment properties.

Jones Lang LaSalle Finland has audited the model used by the Management Company (AIFMR Article 68, Paragraph 3). Jones Lang LaSalle Finland has set accuracy requirements for the model, compliant with the definitions of international experts in the field. The requirements regarding the assessment made by the valuer are as follows:



- mean absolute prediction error less than 13 per cent
- in at least 50 per cent of the investment portfolio properties, the deviation from the valuer's assesment must not exceed 10 per cent
- in at least 80 per cent of the investment portfolio properties, the deviation from the valuer's assesment must not exceed 20 per cent
- the deviation may be positive or negative

All calculations by the auditors concerning accuracy of the model from 2013 onwards show that the model meets the accuracy requirements set for it.

The valuation does not seek to assess the future sales price of apartments, only their fair value at the time of assessment. The differences in sales prices and fair values of apartments (capital gains or losses) affect the future valuations.

Investment properties, fair value	31 Mar 2018	31 Dec 2017
Acquisition cost on 1 Jan	199,617	210,901
Increases	19	800
Decreases	-1,426	-8,945
Change in fair value in the period taking the impact of asset transfer tax into account	-1,814	-3,139
Fair value	196,396	199,617

The decreases are disposals of residential apartments. A total of 15 apartments were sold during the period 1 Jan – 31 Mar 2018.

The change in the value of investment properties that had been in the portfolio during the period 1 January – 31 March 2018 was -0,8% (1 January - 31 March 2017: -0,2%) i.e. EUR -1 579 000 (1 January – 31 March 2017: EUR – 486 000).



Investment properties on 31 March 2018	Area	City	Address	Holding, %	Built in, year	Apartments	Floor area, m2
As Oy Espoon Albert	Helsinki, Region	Espoo	Kilonportti 5	7 %	2014	2	144
As Oy Espoon Revontuli	Helsinki, Region	Espoo	Revontulentie 1	5 %	2015	2	115
As Oy Espoon Suulperi	Helsinki, Region	Espoo	Niittytaival 9	7 %	2014	3	226
As Oy Espoon Tiilentekijä	Helsinki, Region	Espoo	Tegelhagen 2	9 %	2015	2	235
As Oy Espoon Tähystäjä	Helsinki, Region	Espoo	Ulappakatu 1	3 %	2013	1	81
As Oy Sininärhintie 5	Helsinki, Region	Espoo	Sininärhentie 5	2 %	2013	1	84
As Oy Helsingin Apteekkari	Helsinki, Region	Helsinki	Apteekarinkatu 5	21 %	2014	4	344
As Oy Helsingin Hjalmar	Helsinki, Region	Helsinki	Teollisuuskatu 18 C	10 %	2014	2	202
As Oy Helsingin Koirasaarentie 1	Helsinki, Region	Helsinki	Koirasaarentie 1	58 %	2000	14	829
As Oy Helsingin Limnologi	Helsinki, Region	Helsinki	Agronominkatu 18	14 %	2015	5	427
As Oy Helsingin Rafael	Helsinki, Region	Helsinki	Teollisuuskatu 18 B	13 %	2014	2	222
As Oy Helsingin Umbra	Helsinki, Region	Helsinki	Taidemaalrinkatu 3	4 %	2016	2	166
As Oy Hyvinkään Rukki	Helsinki, Region	Hyvinkää	Ranssunkaari 10	3 %	2013	1	92
As Oy Hyvinkään Ryjy	Helsinki, Region	Hyvinkää	Ranssunkaari 8	4 %	2016	1	107
As Oy Hyvinkään Ukko-Pekka	Helsinki, Region	Hyvinkää	Tienhaarankatu 7a	34 %	2014	5	505
As Oy Järvenpään Saundi	Helsinki, Region	Järvenpää	Huvilakatu 7	13 %	2013	6	517
As Oy Järvenpään Terho	Helsinki, Region	Järvenpää	Piennartie 16	5 %	2012	1	95
As Oy Järvenpään Tuohi	Helsinki, Region	Järvenpää	Vakka 5	82 %	2013	14	1 116
As Oy Kauniaisten Kvartetti	Helsinki, Region	Kauniainen	Laaksotie 10	4 %	2014	2	142
As Oy Kauniaisten Venevalkamantie 3	Helsinki, Region	Kauniainen	Venevalkamantie 3	7 %	2012	2	122
As Oy Keravan Nissilänpiha 9-11	Helsinki, Region	Kerava	Nissilänpiha 9-11	85 %	1974	24	2 109
As Oy Keravan Ritariperho	Helsinki, Region	Kerava	Palosenkatu 7	100 %	2011	19	2 071
As Oy Kirkkonummen Kummikallio	Helsinki, Region	Kirkkonummi	Kummikallio	100 %	1973	84	5 241
As Oy Kirkkonummen Pomada	Helsinki, Region	Kirkkonummi	Rajakalliontie 3	33 %	2012	6	650
As Oy Kirkkonummen Pronssi	Helsinki, Region	Kirkkonummi	Vernerinkuja 6	6 %	2014	1	86
As Oy Kirkkonummen Tammi	Helsinki, Region	Kirkkonummi	Ervastintie 1	31 %	2013	13	993



Investment properties on 31 March 2018	Area	City	Address	Holding, %	Built in, year	Apartments	Floor area, m ²
As Oy Nurmijärven Puurata 15-17	Helsinki, Region	Nurmijärvi	Puurata 15-17	38 %	1974-75	18	1 153
As Oy Nurmijärven Soittaja	Helsinki, Region	Nurmijärvi	Pikkutikankuja 4	59 %	2013	15	1 326
As Oy Lindheerst, Sipoo	Helsinki, Region	Sipoo	Kirkkoniityntie 28	56 %	1982	12	984
As Oy Sipoon rannan Saalinki	Helsinki, Region	Sipoo	Sipoonranta 10	6 %	2011	3	253
As Oy Tuusulan Pihta	Helsinki, Region	Tuusula	Pajjalannummentie 16	31 %	2014	7	695
As Oy Vantaan Kaakkoisväylä 4	Helsinki, Region	Vantaa	Kaakkoisväylä 4	67 %	1979	36	2 615
As Oy Vantaan Kruununmasto	Helsinki, Region	Vantaa	Kolmikallionkuja 3	3 %	2016	1	77
As Oy Vantaan Maaunintie 14	Helsinki, Region	Vantaa	Maaunintie 14	97 %	1975	72	4 931
As Oy Vantaan Paddington	Helsinki, Region	Vantaa	Ratakuja 4	6 %	2015	2	180
As Oy Vantaan Piletti	Helsinki, Region	Vantaa	Ratatie 16	2 %	2015	2	173
As Oy Vantaan Popliini	Helsinki, Region	Vantaa	Horsmakuja 6	10 %	2015	5	396
As Oy Vantaan Rasinrinne 13	Helsinki, Region	Vantaa	Rasinrinne 13	46 %	1975	20	1 012
As Oy Vantaan Rusakko	Helsinki, Region	Vantaa	Kylmäojantie 15	55 %	1992	5	282
As Oy Jyväskylän Ahjotar	Major cities	Jyväskylä	Seppäläntie 4A	20 %	2014	6	286
As Oy Jyväskylän Kruunutorni (liiketilat)	Major cities	Jyväskylä	Hoitajantie 4	36 %	2010	5	1 232
As Oy Jyväskylän Kyläseppä	Major cities	Jyväskylä	Seppäläntie 4C	11 %	2014	2	138
As Oy Jyväskylän Maailmanpylväs	Major cities	Jyväskylä	Äijälänrannantie 34	6 %	2014	2	218
As Oy Jyväskylän Runous	Major cities	Jyväskylä	Vapaudenkatu 35a	4 %	2015	1	84
As Oy Jyväskylän Tukkipoika	Major cities	Jyväskylä	Schaumanin puistotie 22	12 %	2013	3	228
As Oy Jyväskylän Valssikuja 6	Major cities	Jyväskylä	Valssikuja 6	60 %	1995	14	1 164
As Oy Kaarinan Lampaankääpä	Major cities	Kaarina	Hoviherrankatu 3	100 %	1974	36	2 254
As Oy Lahden Aleksanteri	Major cities	Lahti	Aleksanterinkatu 11	21 %	2014	9	728
As Oy Lahden Helkalanhovi	Major cities	Lahti	Pihtikatu 5	72 %	1975	30	1 831
As Oy Lahden Jukolan Aapo	Major cities	Lahti	Pollarikatu 5	100 %	2010	22	1 306
As Oy Lahden Jukolan Tuomas	Major cities	Lahti	Pollarikatu 7	100 %	2010	22	1 306
As Oy Lahden Leinikki	Major cities	Lahti	Huvikatu 8	9 %	2013	2	160
As Oy Lahden Poikkikatu 4	Major cities	Lahti	Poikkikatu 4	50 %	1971	20	1 114



Investment properties on 31 March 2018	Area	City	Address	Holding, %	Built in, year	Apartments	Floor area, m ²
As Oy Lahden Pormestari	Major cities	Lahti	Rullakatu 4	8 %	2012	2	121
As Oy Lahden Vuoksenkatu 4	Major cities	Lahti	Vuoksenkatu 4	44 %	1970	10	428
As Oy Malskin Kruunu	Major cities	Lahti	Päijänteenkatu 7	5 %	2015	2	170
As Oy Lempäälän Tikanhovi	Major cities	Lempäälä	Kotipellonkatu 5	42 %	2014	14	842
As Oy Naantalin Vesperi	Major cities	Naantali	Luostarinkatu 20	23 %	2015	10	594
As Oy Alppilan Iiris	Major cities	Oulu	Betonimiehenkatu 9	12 %	2014	5	338
As Oy Merijalinväylä	Major cities	Oulu	Koskitie 14	5 %	2012	2	138
As Oy Oulun Eveliina	Major cities	Oulu	Pesätie 22	14 %	2011	2	161
As Oy Oulun Jatulinmetsä	Major cities	Oulu	Jatulikivenkatu 1	8 %	2013	2	160
As Oy Oulun Resiina	Major cities	Oulu	Rautatienkatu 33	11 %	2015	5	368
As Oy Oulun Seilitie 1	Major cities	Oulu	Seilitie 1	41 %	2009	8	453
As Oy Oulun Viskaali	Major cities	Oulu	Rautatienkatu 31	11 %	2015	5	378
As Oy Oulunsalon Poutapilvi	Major cities	Oulu	Pappilantie 5	4 %	2010	1	93
As Oy Raision Kertunpuisto	Major cities	Raisio	Murroskuja 4	19 %	2014	3	245
As Oy Raision Lumme	Major cities	Raisio	Särkilahdenkatu 2	21 %	2015	7	422
As Oy Raision Vaisaaren Kunnaankatu 7	Major cities	Raisio	Kunnaankatu 7	100 %	1978	51	2 807
As Oy Raision Valonsäde	Major cities	Raisio	Soliniuksenkuja 24	37 %	2014	10	672
As Oy Härmälänrannan Nalle	Major cities	Tampere	Lentovarikonkatu 8 ja 14	2 %	2013	1	83
As Oy Tampereen Professori	Major cities	Tampere	Tutkijankatu 2	8 %	2013	2	171
As Oy Tampereen Ruuti	Major cities	Tampere	Auttilankatu 2	19 %	2014	6	301
As Oy Tampereen Solaris	Major cities	Tampere	Tieteenkatu 6	22 %	2014	11	881
As Oy Tampereen Vuoreksen Emilia	Major cities	Tampere	Pirttisuonkuja 2	13 %	2014	5	404
As Oy Turun Androksenranta	Major cities	Turku	Unioninkatu 20	16 %	2014	5	390
As Oy Turun Aurajoen Helmi	Major cities	Turku	Koulukatu 2	8 %	2014	3	212
As Oy Turun Michailowinlinna	Major cities	Turku	Michailowinkatu 4	10 %	2015	5	285
As Oy Turun Michailowinportti	Major cities	Turku	Michailowinkatu 2 A	9 %	2013	2	154
As Oy Turun Sataman Tähti	Major cities	Turku	Eerik Pommerilaisen Ranta 16	16 %	2015	5	300



Investment properties on 31 March 2018	Area	City	Address	Holding, %	Built in, year	Apartments	Floor area, m ²
As Oy Forssan Hellaanpuisto	Medium-sized towns	Forssa	Rautatiekatu 9	10 %	2014	3	186
As Oy Haminan Kaivopuisto	Medium-sized towns	Hamina	Kaivokatu 8	10 %	2014	4	236
As Oy Haminan Tervaniemi	Medium-sized towns	Hamina	Lavatie 6	92 %	1999	15	994
As Oy Heinolan Tamppilahdenkulma	Medium-sized towns	Heinola	Keskuskatu 30	84 %	1977	16	978
As Oy Heinolan Torihovi	Medium-sized towns	Heinola	Virtakatu 5	12 %	2015	5	224
As Oy Hämeenlinnan Asemapäällikkö	Medium-sized towns	Hämeenlinna	Keinukatu 10	4 %	2014	1	76
As Oy Hämeenlinnan Aulangontie 39	Medium-sized towns	Hämeenlinna	Aulangontie 39	51 %	1974	11	527
As Oy Hämeenlinnan Salmiakki	Medium-sized towns	Hämeenlinna	Tervapadankatu 1	100 %	2016	52	2 557
As Oy Kokkolan Luotsi	Medium-sized towns	Kokkola	Merikotkantie 9-17	21 %	2012	4	321
As Oy Kokkolan Omenapiha	Medium-sized towns	Kokkola	Ouluntie 53	26 %	2012	3	261
As Oy Kotkan Alahovintie 7	Medium-sized towns	Kotka	Alahovintie 7	98 %	1974	35	2 107
As Oy Kotkan Alahovintorni	Medium-sized towns	Kotka	Alahovintie 1	89 %	1973	26	1 449
As Oy Kotkan Matruusi	Medium-sized towns	Kotka	Kirkkokatu 2	13 %	2013	4	265
As Oy Kotkan Vuorenrinne 19	Medium-sized towns	Kotka	Vuorenrinne 19	95 %	1973-75	70	3 824
As Oy Mällinkatu 6	Medium-sized towns	Kotka	Mällinmutka 2	99 %	1958 ja 74	53	2 840
As Oy Kouvolan Kuusama	Medium-sized towns	Kouvola	Kalevankatu 29	2 %	2015	1	40
As Oy Kuopion Rantahelmi	Medium-sized towns	Kuopio	Järvihelmenkatu 9	3 %	2014	1	100
As Oy Lohjan Koulukuja 14	Medium-sized towns	Lohja	Lähdehaankuja 2	72 %	1976	38	2 181
As Oy Lohjan Pinus	Medium-sized towns	Lohja	Metsätähtikuja 8	43 %	2012	8	787
As Oy Mikkelin Neptun	Medium-sized towns	Mikkeli	Mannerheimintie 38	34 %	2013	9	604
As Oy Paimion Jokilaivuri	Medium-sized towns	Paimio	Sahurintie 1	6 %	2013	2	72
As Oy Porin Huvitus	Medium-sized towns	Pori	Teljänkuja 2	30 %	2014	9	673
As Oy Porin Kommodori	Medium-sized towns	Pori	Presidentinpuistokatu 1	9 %	2013	4	372
As Oy Porin Pihlavankangas	Medium-sized towns	Pori	Katkojantie 1-3	85 %	1974 ja 76	45	2 454
As Oy Kaivopolku (sis. Liiketilaja)	Medium-sized towns	Porvoo	Kaivokatu 29	100 %	1993	32	2 055
Koy Liikepuisto (sis. liiketilaja)	Medium-sized towns	Porvoo	Kaivokatu 29	100 %	1960	10	607
As Oy Porvoon Laamanninpiha	Medium-sized towns	Porvoo	Laamanninkatu 1	9 %	2013	2	181



Investment properties on 31 March 2018	Area	City	Address	Holding, %	Built in, year	Apartments	Floor area, m ²
As Oy Riihimäen Laidunaho	Medium-sized towns	Riihimäki	Haratie 1	9 %	2013	2	157
As Oy Riihimäen Lovisa	Medium-sized towns	Riihimäki	Peltokuja 2	12 %	2013	2	177
As Oy Riihimäen Vuorelanmäki I	Medium-sized towns	Riihimäki	Huhtimonkatu 1	100 %	1956	16	773
As Oy Rovaniemen Koivula	Medium-sized towns	Rovaniemi	Maakuntakatu 2	4 %	2014	1	86
As Oy Rovaniemen Laura	Medium-sized towns	Rovaniemi	Kansankatu 13	3 %	2014	2	104
As Oy Rovaniemen Rekimatka 16-18	Medium-sized towns	Rovaniemi	Rekimatka 16-18	83 %	1991	20	1 209
As Oy Rovaniemen Rekimatka 29	Medium-sized towns	Rovaniemi	Rekimatka 29	91 %	1989	50	2 864
As Oy Rovaniemen Suvihenä	Medium-sized towns	Rovaniemi	Heinämiehentie 10	6 %	2014	2	119
As Oy Rovaniemen Uitto	Medium-sized towns	Rovaniemi	Uittomiehentie 6-10	20 %	2015	9	576
As Oy Salon Ristinkedonkatu 33	Medium-sized towns	Salo	Ristinkedonkatu 33	80 %	1975	58	3 635
As Oy Savonlinnan Kotiranta	Medium-sized towns	Savonlinna	Heikinpohjantie 38b	49 %	2014	9	521
As Oy Savonlinnan Postityttö	Medium-sized towns	Savonlinna	Olavinkatu 61	25 %	2015	8	459
As Oy Savonlinnan Välimäentie 5-7	Medium-sized towns	Savonlinna	Välimäentie 5-7	100 %	1977	51	2 723
As Oy Tornion Aarnintie 7	Medium-sized towns	Tornio	Aarnintie 7	37 %	1974	19	1 138
As Oy Tornion Kuparimarkka	Medium-sized towns	Tornio	Aarnintie 13	84 %	1975	42	2 449
As Oy Vaasan Aleksander	Medium-sized towns	Vaasa	Myllykatu 11 B	12 %	2015	3	131
As Oy Vaasan Asemankatu 9	Medium-sized towns	Vaasa	Asemankatu 9	21 %	2014	5	363
As Oy Vaasan Leipurinkulma	Medium-sized towns	Vaasa	Myllykatu 11 A	9 %	2015	4	119
As Oy Varkauden Ahlströminkatu 12	Medium-sized towns	Varkaus	Ahlströminkatu 12	95 %	1954	31	2 029
As Oy Varkauden Onnela	Medium-sized towns	Varkaus	Kosulankatu 6	100 %	1920	9	864
As Oy Varkauden Parsius	Medium-sized towns	Varkaus	Parsiuskatu 6-8	80 %	1973	29	1 591





The investment properties contain 25 business facilities ca. 3720 square meters.

	City	Business facilities	Floor area, m ²
As Oy Vantaan Maaunintie 14	Vantaa	1	292
As Oy Jyväskylän Kruunutori (liiketilat)	Jyväskylä	5	1232
As Oy Kotkan Alahovintie 7	Kotka	1	284
As Oy Kaivopolku (sis. Liiketilaja)	Porvoo	7	494,5
Koy Liikepuisto (sis. liiketilaja)	Porvoo	4	318
As Oy Salon Ristinkedonkatu 33	Salon	2	334,5
As Oy Varkauden Ahlströminkatu 12	Varkaus	5	763



Investment properties on 31 March 2018							
Region	No of properties	Apartments and business facilities	Floor area, m2	Fair value, EUR 1000	% of investment portfolio	EUR / m2	
Vantaa	8	143	9,664	16,883	8.6%	1,747	
Kirkkonummi	4	104	6,970	13,560	6.9%	1,946	
Helsinki	6	29	2,190	10,683	5.4%	4,879	
Kerava	2	43	4,180	10,334	5.3%	2,472	
Järvenpää	3	21	1,728	6,538	3.3%	3,784	
Muut	16	77	6,261	19,489	9.9%	3,113	
Helsinki,Region	39	417	30,992	77,487	39.5%	2,500	
Lahti	9	119	7,163	16,645	8.5%	2,324	
Raisio	4	71	4,145	7,271	3.7%	1,754	
Turku	5	20	1,340	6,883	3.5%	5,139	
Tampere	5	25	1,839	6,850	3.5%	3,726	
Oulu	8	30	2,088	6,462	3.3%	3,096	
Large urban centres, others	10	93	7,038	14,308	7.3%	2,033	
Major cities	41	358	23,611	58,418	29.7%	2,474	
Hämeenlinna	3	64	3,160	7,985	4.1%	2,527	
Kotka	5	188	10,485	7,324	3.7%	698	
Rovaniemi	6	84	4,957	6,424	3.3%	1,296	
Porvoo	3	44	2,843	6,100	3.1%	2,145	
Savonlinna	3	68	3,702	5,140	2.6%	1,388	
Others	28	387	23,903	27,519	14.0%	1,151	
Medium-size towns others	48	835	49,049	60,492	30.8%	1,233	
Medium-size towns	128	1,610	103,652	196,396	100.0%	1,895	

The sales portfolio contained 31 March 2018 92 apartments in 43 properties. The sales portfolio's floor area was in total 6 093 m2 and the fair value was EUR 11,052,000.



Investment properties on 31 Dec 2017							
Region	No of properties	Apartments and business facilities	Floor area, m2	Fair value, EUR 1000	% of investment portfolio	EUR / m2	
Vantaa	8	144	9,739	16,855	8.4%	1,731	
Kirkkonummi	4	104	6,970	13,723	6.9%	1,969	
Helsinki	6	29	2,190	10,677	5.3%	4,877	
Kerava	2	43	4,180	10,544	5.3%	2,523	
Järvenpää	3	21	1,728	6,583	3.3%	3,810	
Muut	16	77	6,261	19,869	10.0%	3,173	
Helsinki Region	39	418	31,067	78,252	39.2%	2,519	
Lahti	9	119	7,163	16,670	8.4%	2,327	
Raisio	4	72	4,210	7,374	3.7%	1,752	
Oulu	8	32	2,256	7,255	3.6%	3,216	
Turku	5	20	1,340	6,952	3.5%	5,190	
Tampere	5	25	1,839	6,818	3.4%	3,708	
Large urban centres, others	10	94	7,103	14,930	7.5%	2,102	
Major cities	41	362	23,909	59,999	30.1%	2,510	
Hämeenlinna	3	64	3,160	8,469	4.2%	2,681	
Kotka	5	189	10,520	7,531	3.8%	716	
Rovaniemi	6	84	4,957	6,015	3.0%	1,214	
Porvoo	3	44	2,843	6,122	3.1%	2,154	
Savonlinna	3	68	3,702	4,928	2.5%	1,331	
Muut	28	397	24,482	28,301	14.2%	1,156	
Medium-size towns	48	846	49,663	61,367	30.7%	1,236	
TOTAL (100%)	128	1 626	104,638	199,617	100.0%	1,908	

The sales portfolio contained 31 December 2017 101 apartments in 42 properties. The sales portfolio's floor area was in total 6,780 m2 and the fair value was EUR 11,648,000.



Hierarchy of fair values

The following table shows assets measured at fair value broken down by the valuation method in thousands of euros. The levels used are defined as follows:

Level 1 Prices of totally identical assets quoted on active markets

Level 2 Input information, other than the quoted prices included in Level 1, that is observable for the asset item concerned

Level 3 Input information regarding the asset item which is not based on any observable market information. Values of business premises and parking spaces measured by an external appraiser.

	Level 1	Level 2	Level 3
Assets			
Investment properties on 31 Mar 2018	-	-	196,396
Investment properties on 31 Dec 2017	-	-	199,617





5 CAPITAL STRUCTURE AND FINANCIAL EXPENSES

In the capital structure and financial expenses group, we have collected notes on financial assets and liabilities and shareholders' equity related to financial result and the statement of financial position, so that the overall picture of the financial position of the Group could be better perceived. The note on earnings per share is part of the information on equity. Interest income and expenses are recognised on a timeproportion basis using the effective interest method.

5.1 Finance income and expenses

Finance income and expenses	1 Jan – 31 Mar 2018	1 Jan – 31 Mar 2017
Interest expenses and fees for loans and interest rate hedges	-638	-749
Other finance expenses	-53	-115
Total finance expenses	-691	-864
Finance income	3	2
Total	-688	-862

5.2 Financial assets

Cash in hand and at banks includes cash, bank accounts and liquid investments whose investment period is no more than three months at the time they are made.

Cash and cash equivalents	31 Mar 2018	31 Dec 2017
Cash and cash equivalents held in accounts	2,248	2,677
Total	2,248	2,677

Purchases and sales of financial assets are initially recognised at fair value on the basis of the transaction date, and the transaction costs are expensed in the income statement. Loans and other receivables are later valued at amortised cost. Rental receivables EUR 285 thousand are presented in section 2, Segments and income.

Current financial assets	31 Mar 2018	31 Dec 2017
Other receivables	20	20
Prepaid expenses and accrued income	476	245
Total	496	265



At the end of each period under review it is estimated whether there are grounds for the impairment of the value of an item included in financial assets. Significant risks are not related to receivables.

5.3 Financial liabilities

Non-current liabilities

Non-current interest-bearing loans are recognised at fair value less transaction costs at the time of acquisition. Loan arrangement fees are expensed in the income statement over the loan period. A loan is classified as a non-current interest-bearing liability insofar as the amortisation of the loan takes place after more than a year from the closing date. The available overdraft facilities of bank accounts are included in non-current interest-bearing liabilities.

Investment properties are recognised on the statement of financial position at fair value as a gross value, in which case the share of company loans allocated to the shares related to the ownership of the shares is presented as a liability on the statement of financial position.

Non-current liabilities	31 Mar 2018	31 Dec 2017
Bond	19,748	19,668
The group's loans from financial institutions	84,905	86,127
Long-term security deposits received	792	804
Total non-current liabilities	105,445	106,599

April 2020, and it has a fixed coupon of 4.25%. The bond was listed on the regulated market of the Helsinki Stock Exchange on 2 April 2015.

The main covenants of the bond and the parent company's financial institution loans are tied to the ratio of debt to the value of the housing company shares, the equity/assets ratio and the loan servicing margin.

Costs of liabilities which arise from the acquisition, construction and manufacture of investment properties the completion of which requires a considerably long period are added to the acquisition cost of the acquisition in question. Capitalisation is continued until the asset items are ready to be rented or sold.

Other costs of liabilities are expensed during the period they are incurred.



Current interest-bearing liabilities

Loans are financial assets not included in derivative assets, the payments related to which are fixed or determinable and which are not quoted on active markets. They are included in current assets, except if they fall due after more than 12 months from the closing date.

Investment properties are recognised on the statement of financial position at fair value as a gross value, in which case the share of company loans allocated to the shares related to the ownership of the shares is presented as a liability on the statement of financial position.

Current liabilities	31 Mar 2018	31 Dec 2017
The Group's loans from financial institutions	2,039	2,134
Total of current liabilities	2,039	2,134
Liabilities allocated to investment properties available for sale	4,350	4,672

Other current liabilities

Other current loans include, among other things, advance payments received and accrued liabilities and deferred income. If trade payables fall due within over a year, they are recognised under noncurrent liabilities.

Other current liabilities	31 Mar 2018	31 Dec 2017
Advance payments received	236	196
Other liabilities	114	81
Accrued expenses and deferred income	515	1,130
Fair value of interest rate hedges	0	0
Total current liabilities	865	1,407



5.4 Contingent liabilities

	31 Mar 2018	31 Dec 2017
General pledge as collateral, real estate mortgages given to custody as collateral for the debt		
Total real estate mortgages	34,523	34,523
Loans for which shares have been pledged		
Loans and a bond	37,748	37,668
Fair value of the pledged shares	92,380	94,717

The future aggregate minimum rentals payable under non-cancellable operating leases (land leases of housing companies) are as follows.

Land leases	31 Mar 2018	31 Dec 2017
No later than 1 year	419	419
Later than 1 year and no later than 5	1,676	1,676
Later than 5 years	27,402	27,821
Total	29,497	29,916

5.5 Management of financing risks

Management of financing risks

The objective of Orava Residential REIT's risk management is to minimise the negative effects of changes in the financial markets on the company's cash flow, financial result and equity. The Board of Directors of Orava Residential REIT decides on the objectives of risk management, determines the risk management policy and is responsible for monitoring risk management activities. The operational policy observed in financial operations is to avoid risks. Debt financing totalling almost EUR 40 million will mature for the company in 2019–2020. There is so far no certainty about how the maturing debts will be paid, or about how and at what terms they could be refinanced.

Interest rate risk

Orava Residential REIT uses variable-rate loans from financial institutions to finance its acquisitions. The loans will be hedged with interest rate swaps. On 31 March 2018, the hedging degree of variable-rate loans was 0% (31 December 2017: 0%).

The company loans allocated to the shares of the housing companies in total EUR 68 908 000 were uncovered. If interest rates increase, the company's financial performance may be at risk. Furthermore, changes in the housing market can result in rapid fluctuations in the financial results, because the operational result is weak and does not include any buffer for changes in market values. If interest rates rise one percentage unit, the companies result will diminish by 900 thousand.

Liquidity risk

The Group seeks to constantly assess and monitor the amount of financing required for business operations in order to ensure that the Group has sufficient liquid funds to finance its operations. The risk regarding the availability of financing has been mitigated through regular negotiations with several providers of financing. The company expects to be able to renew the loans maturing in the coming years. The parent company had drawn down bank loans of about EUR 18 million on 31 December 2017. The loan arrangement will fall due on December 2019 and spring 2021).



Credit risk

Credit risk arises from the possibility that the counterparty to an agreement fails to meet its contractual obligations. On the balance sheet date, the major credit risks faced by the Group were due to rental receivables. The Group does not have any significant concentrations of receivable or credit risks. On 31 March 2018, rental receivables totalled EUR 285 000 (31 December 2017: EUR 268 000).

Capital management

The objective of capital management is to secure the Group's capability for continuous operations so that it can produce income for its owners and benefits for its other stakeholders. Another objective is to maintain an optimal capital structure, for example when interest rates change.

In order to maintain or change its capital structure, the Group may, within the constraints of the Limited Liability Companies Act and the Tax Exemption Act, change the amount of dividends payable to its shareholders, issue new shares or sell apartments it owns in order to reduce its debts. On 31 March 2018, the equity-to-assets ratio was 45,8% (31 December 2017: 45,9%).

The Group's bank loans not included in derivative liabilities and other interest-bearing liabilities were as follows at the end of the period under review, shown by contractual periods of maturity. The amounts disclosed are non-discounted cash flows of loan repayments based on loan agreements.

31 March 2018	less than 1 year	1-5 years	over 5 years
Parent company loans and bond	0	37,748	0
Company loans allocated to the shares in housing companies	2,039	13,381	53,524
Interest bearing loans, EUR 1,000	2,039	51,129	53,524

5.6 Equity

Up to 30 June 2015, EUR 10.00 per share has been recognised in the share capital for directed issues

and the conversions of convertible bond agreements, and the excess has been recognised in the reserve for invested unrestricted equity. Since the summer of 2015, increases in equity have been recognised in the reserve for invested unrestricted equity. The costs of the acquisition of equity and the changes in the fair value of interest rate hedges have been deducted directly from equity.

Share capital and share premium account	31 Mar 2018	31 Dec 2017
Share capital on the beginning of the period	72,131	72,131
Share capital at the end of period	72,131	72,131
Share premium account on the beginning of the period	23,309	13,008
Change in share premium account	0	10,301
Share premium account at the end of period	23,309	23,309
Total share capital and share premium account	95,440	95,440

The number of shares on 31 December 2017 was 9,598,910, of which the company possessed 0 shares.

The number of shares on 31 March 2018 was 9,598,910, of which the company possessed 0 shares.



Earnings per share

Earnings per share are calculated by dividing the result for the period attributable to the owners of the parent company by the weighted average number of shares outstanding..

	1 Jan– 31 Mar 2018	1 Jan– 31 Mar 2017
(a) Undiluted		
Undiluted earnings per share are calculated by dividing earnings before comprehensive income items attributable to the company's shareholders by the weighted average number of shares outstanding during the period.		
Profit attributable to the company's shareholders, EUR 1000	-1,754	-987
Weighted average number of outstanding shares, 1,000 shares	9,599	9,599
Undiluted earnings per share, EUR	-0,18	-0,10
(b) Adjusted for dilution effect		
	-0,18	-0,10
During the period there were an average about 0,000 potentially diluting shares outstanding.		

Dividend distribution obligation

Under the Tax Exemption Act, at least 90% of the profit for the period shall be distributed annually in dividends, excluding any unrealised change in the fair value of investment properties. On the other hand, the Tax Exemption Act restricts the distribution of funds for the distribution of profit only. The dividends that the Board of Directors proposes to be distributed are not recognised before the General Meeting approves them. Dividend distribution is recorded on the consolidated statement of financial position for the period during which the dividend is approved at the General Meeting. If the General Meeting authorises the Board of Directors to decide on the distribution of dividends, the distribution of dividends is recognised on the consolidated statement of financial position for the period during which the dividends are approved at a Board meeting.



6. ADDITIONAL INFORMATION

6.1 Related parties

According to IAS 24, a party is a related party of a corporation when he or she owns a share in the corporation that gives him or her significant influence or he or she is a member of the key management personnel of the corporation or its parent company. Key persons' family members, corporations under the person's control and corporations where the person has significant influence are also included in related parties.

The fixed management fees to management company Orava Funds plc during the period 1 Jan–31 Mar 2018 amounted to EUR 305,000 (1 Jan–31 Mar 2017: EUR 324,000). A performance-based management fee of EUR 0 has been booked during 1 Jan–31 Mar 2018 (2017: EUR 0).

Investors House Oy has been included in the related parties of Orava Residential REIT after it implemented the exchange offer for Orava Residential REIT's shares in September 2017. In the Exchange offer Investors House received 25.2 per cent of the shares and votes of Orava Residential REIT.

6.2 New IFRS standards and interpretations

Orava Residential REIT used the same accounting principles as in the 2017 financial statements, except for the application of new or revised standards and interpretations.

The amendment to IAS 1 influenced the presentation of other comprehensive income items so that items are categorised into those that may be reclassified subsequently to profit or loss and those that are not so reclassified.

The amendment to IAS 12, Income Taxes, is related to the recognition of a deferred tax liability related to an investment property measured at fair value according to IAS 40, Investment Property. The amendment has no material impact on the consolidated financial statements, as the investment properties of Orava Residential REIT can mainly be disposed of in a tax-free manner after the five-year ownership period entitling to tax exemption.

IFRS standards, interpretations and amendments which have been published but which will enter into force later than on 31 Mar 2018 and which may have an impact on the company's interim reports

and consolidated financial statements, include the following:

IFRS 9 Financial instruments. The classification and measurement models in accordance with IAS 39 Financial Instruments: Recognition and Measurement will be replaced in IFRS 9 with a single model. The group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. IFRS 9 will enter into force on 1 January 2018.

IFRS 15 Revenue from contracts with customers standard has no effect to companies revenue recognition, financial position nor to result. IFRS 15 will enter into force 1 January 2018

IFRS 16 Leases -IFRS 16 was issued in January 2016 and it must be applied on the financial period starting on 1 January 2019. As a result, the plot leases of the housing companies owned by Orava Residential REIT will be entered as liability in the consolidated statement of financial position in accordance with the holding. At the end of the financial period, Orava Residential REIT had 419 thousand non-cancellable lease obligations at yearly level, Note 5.4.



As a result of apartment sales and the redemption of plot shares of housing companies, the Group's share of the plot leases decreases each year. Based on the current estimate, the use right asset items and lease liabilities to be recorded at the introduction of the standard will total about five million euros.

At the moment, the Group does not intend to introduce the standard before 1 January 2019. The Group intends to introduce the standard using the simplified method and there are no plans to adjust the benchmarks for the year preceding the introduction.

IAS34 – it will be specified what 'the information presented elsewhere in the interim report' referred to in the standard means.

6.3 Accounting principles requiring management discretion

The management of Orava Residential REIT exercises discretion when it makes decisions on the choice of accounting principles and their application. This concerns cases where the IFRS norms include alternative recognition, valuation

or disclosure methods, in particular. Any estimates and assumptions are based on earlier experience and the best view on the closing date. Estimates are always associated with uncertainty factors, and the final outcome may differ from the estimates made. The discretion and estimates by the management of Orava Residential REIT are mainly related to the measurement of investment properties at fair value.

The fair value of the apartment portfolio of Orava Residential REIT is monthly determined with a comparable sales multi-variable regression method using asking price material obtained from the Oikotie.fi service. The bargaining range – i.e. the difference between asking prices and transaction prices – is estimated using the material of Statistics Finland as a baseline. The measurement model is continuously developed. The uncertainty in the appraisal of the fair value of investment properties has been reduced by obtaining an appraisal by an external valuer every six months and by selling apartments. Due to the selling strategy the selling price of a apartment may have substantial difference in comparison to the

fair value determined using the price measurement model. The price measurement model takes the realized differences into account on the next round.

In the company management's view, every acquisition of an investment property must be processed, and it must be separately assessed whether the terms and conditions for the definition of business operations are met or whether the company only presents the part it manages as an investment property in its consolidated financial statements.

As a rule, Orava Residential REIT consolidates its wholly-owned housing companies in compliance with IFRS 10. Partially owned housing companies are consolidated using the proportionate method in compliance with IAS 11, in which case only the amount of each income statement and balance sheet item of the subsidiaries corresponding to the holding of the Group is consolidated.



FINANCIAL INDICATORS FOR THE GROUP

	1 Jan–31 Mar 2018	1 Jan–31 Mar 2017
Revenue, EUR 1,000	3,294	3,297
Operating profit, EUR 1,000	-1,053	-78
Financial result for the period, EUR 1,000	-1,754	-978
Comprehensive profit for the period, EUR 1,000	-1,754	-918
Earnings per share, EUR	-0.18	-0.10
Maximum dividends per share for the year, EUR	0.00	0.12
Dividends paid during the period under review per share, EUR	0.00	0.03
Return on equity, % p.a. (ROE)	-7.6%	-4.1%
Adjusted total return per share, % p.a.	-7.1%	-4.3%
Weighted average number of shares	9,598,910	9,598,910
Price / earnings (P/E)		
Effective divided yield, %	0.0 %	2.7 %

	31 Mar 2018	31 Dec 2017
Balance sheet total, EUR 1,000	200,266	203,563
Equity/assets ratio, %	45.8%	45.9%
Loan to value ratio, %	53.3%	53.0%
Net asset value per share, EUR	9,55	9,72
Net gearing, %	114.0%	112.8%
Number of shares	9,598,910	9,598,910
Adjusted number of shares	9,598,910	9,598,910
Market capitalisation, EUR 1,000	51,066	47,995

	1 Jan–31 Mar 2018	1 Jan–31 Mar 2017
Economic occupancy rate, %, (EUR)	94.8%	93.8%
Operational occupancy rate, %, (m2)	94.6%	94.7%
Tenant turnover / month	2.8%	3.0%
Gross rental yield, % of fair value	7.1%	6.9%
Net rental yield, % of fair value	3.8%	3.6%

Orava Residential REIT has adopted the ESMA (European Securities and Markets Authority) guidelines on Alternative Performance Measures which were effective from July 3, 2016. Orava uses alternative performance measures because of real estate regulations and recommendations, on the other hand to reflect the underlying business performance and to improve comparability between financial periods.

- Net operating income, which is calculated by extracting maintenance expenses from total revenue
- Operating profit, which is operating profit before taxes, finance expenses and finance income.

The Real Estate Funds Act sets minimum requirements to Real Estate Funds to publish industry specific financial indicators. In addition, Orava Residential REIT complies with the recommendations of the European Public Real Estate Association (EPRA). EPRA Performance Measures are calculated according to EPRA Best Practices Recommendations from November 2016.

These alternative performance measures should, however, not be considered as a substitute for measures of performance in accordance with the IFRS.



FINANCIAL INDICATORS FOR THE GROUP (CONTINUES)

The Company complies with EPRA BPR Core recommendations

4.1 Accounting basis under IAS 40

Note 4

4.2 Valuation Information

Note 4

4.3 Investment Assets

Note 4

4.4 Development assets

Note 4, No development assets

	1 Jan– 31 Mar 2018	1 Jan– 31 Mar 2017	Change
EPRA Earnings, 1000 €			
Earnings per IFRS income statement	-1754	-918	
-/+ Changes in value of investment properties	1874	655	
-/+ Profits or losses on disposal of investment properties incl. brokerage fees	125	238	
+ Tax on profits on disposals	12	38	
-/+ Other adjustments	0	-60	
EPRA Earnings	257	-47	
EPRA Earnings per share, €	0.03	0.00	
EPRA Vacancy Rate	5.7%	6.2%	
EPRA Vacancy rate has improved during 2017. Due to smaller amount of acquisitions the number of vacant apartments has decreased.			
	31 Mar 2018	31 Dec 2017	Change
EPRA NAV, 1000 €			
NAV per the Financial statements	91,656	95,711	
Adjustments	0	0	
Diluted NAV	91,656	95,711	
EPRA NAV	91,656	95,711	-4 %
EPRA NAV per share, €	9.55	9.72	-4 %
EPRA Net Initial Yield (NIY), %			
Investment property, lettable	187,972	194,878	
Annualised cash passing rental income	13,573	13,518	
Property outgoing	-5,290	-5,760	
Annualised net rents	8,283	7,825	
EPRA NIY	4.4%	4.0 %	10 %
EPRA 'topped-up' NIY	4.4%	4.0 %	10 %



FORMULAS FOR FINANCIAL INDICATORS (1/3)

$$\text{Earnings per share, EUR} = \frac{\text{Financial result for the period attributable to the shareholders of the parent company}}{\text{Weighted average number of shares during the reported period}}$$

$$\text{Return on equity, \% (ROE)} = \frac{\text{Profit/loss for the period} \times 100}{\text{Equity (average during the reported period)}}$$

$$\text{Total return per share, \% per year} = \left\{ \frac{\text{Net assets per share at the end of the year} + \text{dividends paid per share}}{\text{Net assets per share at the beginning of the year}} - 1 \right\} \times 100$$

$$\text{Equity/assets ratio, \%} = \frac{\text{Equity} \times 100}{\text{Balance sheet total less advance payments received}}$$

$$\text{Loan to value ratio, \%} = \frac{\text{The Group's share of outstanding capital of interest-bearing loans}}{\text{Debt-free value of housing company shares and other assets}}$$

$$\text{Net asset value per share, EUR (NAV)} = \frac{\text{Equity attributable to the shareholders of the parent company}}{\text{Number of shares at the end of the reported period}}$$

$$\text{Adjusted net asset value per share, EUR (Adjusted NAV)} = \frac{\text{Equity attributable to the shareholders of the parent company including equity in relation to diluting shares}}{\text{Number of shares at the end of the reported period including diluting shares}}$$



FORMULAS FOR FINANCIAL INDICATORS (2/3)

$$\text{Net gearing, \%} = \frac{\text{Interest-bearing liabilities} - \text{liquid assets} \times 100}{\text{Equity}}$$

$$\text{Economic occupancy rate, \% (EUR)} = \frac{\text{Gross rental income for the reported period per the number of months}}{\text{Potential gross rental income of rent portfolio for the reported period per the number of months}}$$

$$\text{Operational occupancy rate, \% (m}^2\text{)} = \frac{\text{Square metres let on the last day of the month during the reported period per the number of months}}{\text{Square metres available for letting on the last day of the month during the reported period per the number of months}}$$

$$\text{Tenant turnover} = \frac{\text{Expired agreements per month}}{\text{Number of apartments available for letting on the last day of the month}}$$

$$\text{Gross rental yield, \%} = \frac{\text{Gross rental income} \times 100}{\text{Market value of the rent portfolio at the end of the previous reported period}}$$

Calculated on a monthly basis; the figure for the reported period is the average of the monthly figures

$$\text{Net rental yield, \%} = \frac{\text{Gross rental income less expenses} = \text{net income} \times 100}{\text{Market value of the rent portfolio at the end of the previous reported period}}$$

Calculated on a monthly basis; the figure for the reported period is the average of the monthly figures

$$\text{Price / earnings (P/E)} = \frac{\text{Price of shares at end of the reported period}}{\text{Earnings per share}}$$

$$\text{Effective dividend yield, \%} = \frac{\text{Annual dividend per share} \times 100}{\text{Price of shares at end of the reported period}}$$

Operating profit before taxes, finance expenses and finance income.

Net operating income, which is calculated by extracting maintenance expenses from total revenue.



FORMULAS FOR FINANCIAL INDICATORS (3/3)

$$\begin{array}{l} \text{EPRA Earnings} \\ \text{(Operational result)} \end{array} = \begin{array}{l} \text{Net rental income} \\ \text{+/- gains from disposals and changes in the fair value of apartments} \\ \text{+ direct taxes} \end{array}$$

$$\begin{array}{l} \text{EPRA Earnings per share} \\ \text{(Operational result per share)} \end{array} = \frac{\text{EPRA Earnings}}{\text{Weighted average number of shares during the reported period}}$$

$$\begin{array}{l} \text{EPRA Net Asset Value} \\ \text{(Net assets)} \end{array} = \begin{array}{l} \text{Equity attributable to the shareholders of the parent company} \\ \text{– any other equity reserve} \end{array}$$

$$\begin{array}{l} \text{EPRA Net Asset Value per share} \\ \text{(Net assets per share)} \end{array} = \frac{\text{EPRA Net Asset Value}}{\text{Undiluted number of shares at the end of the reported period}}$$

$$\begin{array}{l} \text{EPRA Net Initial Yield (NIY), \%} \\ \text{(Initial yield)} \end{array} = \frac{\begin{array}{l} \text{Annualised rental income including indexation adjustments on 1 Jan} \\ \text{year x + 1} \end{array}}{\begin{array}{l} \text{Investment properties less properties under development on 31 Dec} \\ \text{year x} \end{array}}$$

$$\text{EPRA Vacancy Rate} = \frac{\text{Potential rent from vacant apartments}}{\text{Potential rent from apartments available for letting}}$$



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