
YEAR-END REPORT

January - December 2016

OCTOBER - DECEMBER 2016

- Net sales amounted to SEK 22.9 million (18.9), an increase by 21.0 percent
- The operating profit increased by 134,3 percent to SEK 50.0 million (21.3)
- Net interest expense amounted to SEK -13.0 million (-20.1), an improvement by 35,2 percent
- Profit after tax amounted to SEK 27.3 million (-0.6)

JANUARY - DECEMBER 2016

- Net sales amounted to SEK 86.8 million (96.8), a decrease by 10.3 percent
- The operating profit increased by 16.0 percent to SEK 84.4 million (72.8)
- Net interest expense amounted to SEK -33.8 million (-57.6), an improvement by 41.3 percent
- Profit after tax amounted to SEK 38.9 million (8.7)
- SEK 19.4 million (7.5) of the bond loan was amortised

(All amounts are given in SEK thousand if nothing else is mentioned. Amounts in brackets display the same period for the preceding financial year)

Nordlys AB (publ) owns and manages properties in Finland and Sweden through two wholly-owned subsidiaries, Galliaden Holding AB and Ausade Holding Oy. The Nordlys Group owns 12 properties, 11 in Sweden and one in Finland. The property in Finland was acquired in 2006 and the property portfolio in Sweden was acquired in 2007, in Finland the focus is hotels and in Sweden office space. The property portfolio in the Nordlys Group had a market value of SEK 1,094.2 million at December 31 2016.

Nordlys AB (publ)
556712-8938

ABOUT NORDLYS AB (publ)

Nordlys AB (publ) owns and manages properties in Finland and Sweden through wholly-owned subsidiaries.

Investment properties are located in Finland and Sweden with focus against a hotel in Finland and commercial properties in Sweden. The properties are located in attractive areas. In Finland, the property is located in Åbo in the south of Finland and it is mainly being rented out to the hotel group Holiday Club Resorts Oy, while the sports hall is being rented out to SuperPark Oy. The Swedish investment properties are located in Karlskrona in the south east of Sweden with tenants primarily active in the public sector.

As of December 31 2016 the Nordlys Group owned 12 properties (12), valued at SEK 1,094.2 million (1,034.1). Total lettable area amounted as of December 31 2016 to 81,460 square meters (81,460).

When it comes to the Finnish investment property, a 20-year lease was signed with a new tenant in 2015.

There has been some new tenants in the Swedish investment properties during 2016 and some of the existing tenants has increased the space of their premises, and in relation to this there has been structural customisations to the properties. There has also been extraordinary maintenance expenses, i.e. renovation of a large number of windows. In addition to this, there have been new significant lettings of 3,000 square meters, which comes into force in 2017. The new lettings mean an annual net sale of SEK 3.2 million.

OCTOBER - DECEMBER 2016

Rental Income

The rental income of the Group amounted to SEK 22.9 million (18.9) during the interim period, an increase of SEK 4.0 million. Rental income from Swedish investment properties amounted to SEK 17.1 million (18.6) while rental income from Finnish investment properties amounted to SEK 5.8 million (0.3). The decrease in rental income in Sweden is primarily due to the move-out of a large tenant per 31.12.2015 and a large rental discount to Academedia during 2016. The increase in rental income in Finland is explained by the rent free period given to Holiday Club in Q4 2015.

Gross Profit

The gross profit of the Group amounted to SEK 16.5 million (8.2), an increase of SEK 8.3 million.

The increase in gross profit is mainly explained by the increase in rental income in Finland and decreased operating expenses.

Operating Profit

The Group's operating profit amounted to SEK 49.9 million (21.3), an increase of SEK 28.6 million.

The improvement is mainly attributable to the change in fair value of investment properties, which is SEK 31.3 million higher than the same period last year, rental income increased by SEK 4.0 million and operating expenses decreased with SEK 4.3 million as explained above, other operating income decreased by SEK 11.0 million, last year a parcel was sold in Finland, the profit was included in other operating income.

Profit or Loss After Financial Items

The profit after financial items of the Group amounted to SEK 36.9 million (1.2) during the interim period, an increase of SEK 35.7 million. Beyond explanations above, the net interest expense has improved by SEK 7.1 million.

Net interest expense includes foreign exchange losses of SEK -1.8 million (-9.5). Interest expense has decreased from SEK -11.6 million to SEK -11.2 million.

The Parent Company

The business of the parent company consist of the management and financing of subsidiaries. The loss after financial items amounted to SEK -1.4 million (-1.8) during the interim period.

Significant Events During the Interim Period

No significant events occurred during the interim period.

JANUARY - DECEMBER 2016

Rental Income

The rental income of the Group amounted to SEK 86.8 million (96.8) during 2016, a decrease of SEK 10.0 million. Rental income from Swedish investment properties amounted to SEK 68.6 million (71.1) while rental income from Finnish investment properties amounted to SEK 18.2 million (25.7). The decrease in rental income is mainly explained by the fact that Holiday Club, located in Finland, is being charged a lower rent compared to previous tenant.

Gross Profit

The gross profit of the group amounted to SEK 58.7 million (65.8) , a decrease of SEK 7.1 million. The decrease in gross profit is mainly explained by the decrease in rental income, as mentioned above.

Operating Profit

The Group's operating profit amounted to SEK 84.4 million (72.8), an increase of SEK 11.6 million. The improvement is mainly attributable to the change in fair value of investment properties, which is SEK 31.3 million higher than the same period last year, while rental income decreased by SEK 10.0 million as explained above, and other operating income decreased by SEK 11.0 million, last year a ground was sold in Finland, the profit was included in other operating income.

Profit or Loss After Financial Items

The profit after financial items of the Group amounted to SEK 50.6 million (15.2) during 2016, an increase of SEK 35.4 million. Beyond explanations above, the net interest expense has improved by SEK 23.8 million. Net interest expense includes foreign exchange gains of SEK 12.2 million (-11.4). Interest expenses has decreased from SEK -47.2 million to SEK -46.0 million.

Cash Flow

Net cash flow from operating activities during 2016 amounted to SEK 13.1 million (4.9). Cash flow from investing activities amounted to SEK -6.0 million (7.1). Last year a parcel was sold in Finland, which affected the cash flow positively by SEK 12.2 million. Further, this year the company has made investments in properties and constructions in progress by SEK 6.3 million more than last year, which has affected the cash flow negatively. Cash flow from financing activities amounted to SEK -19.4 million (-7.5), which is explained by amortisation of the bond loan.

The Parent Company

The business of the parent company consist of the management and financing of subsidiaries. The loss after financial items amounted to SEK -2.3 million (-8.0) during the interim period.

Significant Events During 2016

SEK 19.4 million of the bond loan was amortised during 2016.

FINANCIAL POSITION 31 TH OF DECEMBER 2016

Investment Properties

Investment properties amounted to SEK 1,094.2 million (1,034.1) as at December 31 2016, where carrying amount is the same as fair value. The investment properties were valued at SEK 1,094.2 million in connection with preparation of the annual financial statements of 2016. The change in carrying amount is SEK 60.1 million compared to last year, SEK 16.7 million is attributable to the change in the EUR/SEK foreign exchange rate, which has affected the value of the investment property in Finland positively, and SEK 37.8 million is attributable to the change in fair value. For further information see Other Disclosures, Items Measured At Fair Value.

Financing

During the summer of 2014, Nordlys AB (publ) signed a financing agreement, a bond loan, with a fixed 4-year term. In the third quarter of 2015, the bond loan in Nordlys AB (publ) was listed on Nasdaq Stockholm.

During 2016, SEK 19.4 (7.5) million was amortised on the bond loan.

The Group has ongoing information commitments toward Intertrust Sweden AB. These information commitments apply to comply with the terms set out in Terms and Conditions. The covenants are ICR (Interest Coverage Ratio) that should at least equal 125% and NIBD (Net Interest Bearing Debt to Property Value) that shouldn't be higher than 80%. 2016 ICR amounted to 136% (178%) and NIBD amounted to 64% (68%).

Ratios

		Oct - Dec <u>2016</u>	Oct - Dec <u>2015</u>	Jan - Dec <u>2016</u>	Jan - Dec <u>2015</u>
Net sales	SEK thousand	22,920	18,941	86,783	96,758
<i>Net sales from rental income:</i>					
Residential properties	SEK thousand	255	234	998	935
Commercial properties	SEK thousand	22,665	18,707	85,785	95,823
Gross profit	SEK thousand	16,509	8,194	58,694	65,756
Lettable area, total	**	81	81	81	81
Lettable area, residential	**	1	1	1	1
Lettable area, commercial	**	80	80	80	80
Yield, investment properties	%	1.5	3.2	5.4	6.4
Book value properties	SEK thousand	1,094,176	1,034,111	1,094,176	1,034,111
Book value per sq m	SEK	13,508	12,767	13,508	12,767
Equity/assets ratio	%	13.7	10.2	13.7	10.2
Return on equity	%	23.6	4.5	129.4	13.5
Interest coverage ratio		4.1	1.1	2.1	1.3
Surplus ratio		0.7	0.4	0.7	0.7

** 1 000 sq m

Definitions

Yield, investment properties

Operating profit or loss in relation to carrying amount of investment properties

Equity/assets ratio

Equity in relation to total capital employed at the end of the period

Return on equity

Profit after financial items in relation to equity

Interest coverage ratio

Income from financial items, adjusted for capital gains or losses with reversal of depreciation and impairment charges, in relation to cost from financial items

Surplus ratio

Gross profit in relation to net sales

**STATEMENT OF COMPREHENSIVE INCOME AND INCOME STATEMENT
INCOME STATEMENT**

SEK thousand	Group			
	2016-10-01 2016-12-31	2015-10-01 2015-12-31	2016-01-01 2016-12-31	2015-01-01 2015-12-31
Net sales	22,920	18,941	86,783	96,758
Operating expenses*	-6,411	-10,747	-28,089	-31,002
Gross profit	16,509	8,194	58,694	65,756
Administrative expenses*	-4,354	-4,326	-12,101	-10,439
Changes in fair value, investment properties	37,807	6,493	37,807	6,493
Other operating income	—	10,965	—	10,965
Operating profit	49,962	21,326	84,400	72,775
<i>Profit/loss from financial items</i>				
Profit/loss from other securities and receivables accounted for as non-current assets	—	1,000	—	1,000
Other interest income and similar profit/loss items	-1,038	7	14,158	24
Interest expense and similar profit/loss items	-11,977	-21,076	-47,959	-58,600
Profit before tax	36,947	1,257	50,599	15,199
Taxes	-9,648	-1,850	-11,682	-6,475
Profit/loss for the period, after tax	27,299	-593	38,917	8,724
Distribution of profit/loss for the period: Profit/loss for the period attributable to parent company shareholders	27,299	-593	38,917	8,724
Earnings per share (SEK/Share) **	2016-10-01 2016-12-31	2015-10-01 2015-12-31	2016-01-01 2016-12-31	2015-01-01 2015-12-31
Profit/loss per share	682.48	-14.83	972.93	218.10
Total	682.48	-14.83	972.93	218.10
Diluted earnings per share	682.48	-14.83	972.93	218.10
Total	682.48	-14.83	972.93	218.10

OTHER COMPREHENSIVE INCOME

SEK thousand	Group			
	2016-10-01 2016-12-31	2015-10-01 2015-12-31	2016-01-01 2016-12-31	2015-01-01 2015-12-31
Net profit/loss for the period	27,299	-593	38,917	8,724
Other comprehensive income that will be reclassified to profit/loss				
Translation differences for the period, foreign operations	-866	-3,238	4,599	-4,562
Other comprehensive income for the period, after tax	-866	-3,238	4,599	-4,562
Comprehensive income for the period	26,433	-3,831	43,516	4,162
Distribution of comprehensive income for the period: Comprehensive income for the period attributable to parent company shareholders	26,433	-3,831	43,516	4,162
	26,433	-3,831	43,516	4,162

*Previous year consultant fee were reported in Operating expenses, amounting to SEK 4 000 thousand 2015-01-01--2015-12-31 and amounting to SEK 1 000 thousand 2015-10-01--2015-12-31. These costs are from 2016 reported in Administrative expenses.

** For calculation of earnings per share see note 12 of the 2015 annual report. Nordlys AB (publ) has not had any dilutive effect during the interim period or the comparative periods.

STATEMENT OF FINANCIAL POSITION

SEK thousand	Group	
	2016-12-31	2015-12-31
ASSETS		
Non-current assets		
Property, plant and equipment		
Investment properties	1,094,176	1,034,111
Equipment, tools, fixtures and fittings	1,456	1,678
Construction in progress and advance payments for property, plant and equipment	5,491	387
Total property, plant and equipment	1,101,123	1,036,176
Financial assets		
Shares in housing cooperative association	6,000	6,000
Other non-current receivables	3,000	11,568
Total financial assets	9,000	17,568
Total non-current assets	1,110,123	1,053,744
Current assets		
Current receivables		
Current receivables	10,840	11,535
Total current receivables	10,840	11,535
Cash and cash equivalents	23,892	36,054
Total current assets	34,732	47,589
TOTAL ASSETS	1,144,855	1,101,333
EQUITY AND LIABILITIES		
Total equity	156,368	112,859
Provisions		
Provisions for deferred tax	48,055	36,639
Total provisions	48,055	36,639
Non-current liabilities		
Bond loan	715,869	735,075
Other non-current liabilities	194,990	192,137
Total non-current liabilities	910,859	927,212
Current liabilities		
Bond loan	7,231	7,425
Other current liabilities	22,342	17,198
Total current liabilities	29,573	24,623
Total liabilities	940,432	951,835
EQUITY AND LIABILITIES	1,144,855	1,101,333

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STATEMENT OF CHANGES IN EQUITY

Group	Share capital	Other capital contributions	Other reserves	Loss brought forward	* Total equity
Opening balance					
2015-01-01	14,556	68,800	40,227	-14,890	108,693
Profit for the period				8,724	8,724
Övrigt totalresultat			-4,558		-4,558
Comprehensive income			-4,558	8,724	4,166
Closing balance					
2015-12-31	14,556	68,800	35,669	-6,166	112,859
Opening balance					
2016-01-01	14,556	68,800	35,669	-6,166	112,859
Profit for the period				38,917	38,917
Övrigt totalresultat			4,592		4,592
Comprehensive income			4,592	38,917	43,509
Closing balance					
2016-12-31	14,556	68,800	40,261	32,751	156,368

* Equity is fully attributable to parent company shareholders.

Other reserves are mainly made up of share premium reserves.

STATEMENT OF CASH FLOWS

	Group	
SEK thousand	2016-01-01 2016-12-31	2015-01-01 2015-12-31
Operating activities		
Operating profit	84,400	72,775
Adjustments for non-cash items, etc.	-26,372	-16,448
Interest received	13	24
Interest paid	-45,985	-47,200
Income tax paid	-4,816	-2,161
Cash flow from operating activities before change in working capital	7,240	6,990
<i>Change in working capital:</i>		
Receivables (increase - / decrease +)	766	-4,878
Payables (increase + / decrease -)	5,134	2,760
Cash flow from operating activities	13,140	4,872
Investing activities		
Purchase of property, plant and equipment	-10,690	-4,381
Sale of property, plant and equipment	–	12,170
Purchase of financial assets	–	-679
Sale of financial assets	4,736	–
Cash flow from investing activities	-5,954	7,110
Financing activities		
Repayment of loans	-19,399	-7,500
Cash flow from financing activities	-19,399	-7,500
Cash flow for the period	-12,213	4,482
Cash and cash equivalents at the beginning of the period	36,054	31,884
Exchange rate differences in cash and cash equivalents	51	-312
Cash and cash equivalents at the end of the period	23,892	36,054

SEGMENT REPORTING

Group management currently identify the two business areas of the group, Sweden and Finland, as the operating segments. These operating segments are being overseen by the group's decision-makers and strategic decisions are being made based on operating profits or losses in the operating segments.

Business activities include managing and letting of the group's properties. Properties are mainly located in Karlskrona (Sweden) and Åbo (Finland). In Sweden, revenue is mainly made up of rental income from commercial properties while in Finland, revenue is mainly made up of rental income from hotel properties.

Segment reporting for the period is presented below:

	January - December 2016			
	Sweden	Finland	Items	Total
Net sales	68,581	18,202	–	86,783
Operating expenses	-22,915	-1,392	-3,782	-28,089
Gross profit	45,666	16,810	-3,782	58,694
Administrative expenses	-8,805	-1,942	-1,354	-12,101
Realized changes in value, investment properties	29,140	8,667	–	37,807
Operating profit	66,001	23,535	-5,136	84,400
<i>Profit/loss from financial items</i>				
Other interest income and similar profit/loss items	–	–	14,158	14,158
items	–	–	-47,959	-47,959
Profit before tax	66,001	23,535	-38,937	50,599
Taxes	–	–	-11,682	-11,682
Profit/loss for the period, after tax	66,001	23,535	-50,619	38,917
Investment properties	711,500	382,676	–	1,094,176
Other assets	37,643	3,846	9,190	50,679
Total assets	749,143	386,522	9,190	1,144,855

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	January - December 2015			
	Sweden	Finland	Items	Total
Net sales	71,075	25,683	–	96,758
Operating expenses	-25,056	-1,889	-4,057	-31,002
Gross profit	46,019	23,794	-4,057	65,756
Administrative expenses	-3,601	-5,877	-961	-10,439
Realized changes in value, investment properties	21,016	-14,523	–	6,493
Other operating income	–	10,965	–	10,965
Operating profit	63,434	14,359	-5,018	72,775
<i>Profit/loss from financial items</i>				
Profit/loss from other securities and receivables accounted for as non-current assets	–	–	1,000	1,000
Other interest income and similar profit/loss items	–	–	24	24
items	–	–	-58,600	-58,600
Profit before tax	63,434	14,359	-62,594	15,199
Taxes	–	–	-6,475	-6,475
Profit/loss for the period, after tax	63,434	14,359	-69,069	8,724
Investment properties	681,500	352,611	–	1,034,111
Other assets	29,784	10,505	26,933	67,222
Total assets	711,284	363,116	26,933	1,101,333

**STATEMENT OF COMPREHENSIVE INCOME AND INCOME STATEMENT
INCOME STATEMENT**

SEK thousand	Parent Company			
	2016-10-01 2016-12-31	2015-10-01 2015-12-31	2016-01-01 2016-12-31	2015-01-01 2015-12-31
Net sales	379	1,329	1,354	1,329
Operating expenses*	–	-1,001	-18	-4,042
Gross loss	379	328	1,336	-2,713
Administrative expenses*	-1,644	-931	-6,472	-2,305
Operating loss	-1,265	-603	-5,136	-5,018
<i>Profit/loss from financial items</i>				
Other interest income and similar profit/loss items	11,271	13,422	50,599	46,925
Interest expense and similar profit/loss items	-11,872	-16,396	-47,772	-49,909
Loss before tax	-1,866	-3,577	-2,309	-8,002
Taxes	508	1,760	508	1,760
Loss for the period, after tax	-1,358	-1,817	-1,801	-6,242
Distribution of loss for the period: Loss for the period attributable to parent company shareholders	-1,358	-1,817	-1,801	-6,242
Earnings per share (SEK/Share) **	2016-10-01 2016-12-31	2015-10-01 2015-12-31	Föregående ÅR	2015-01-01 2015-12-31
Loss per share	-33.95	-45.43	-45.03	-156.05
Total	-33.95	-45.43	-45.03	-156.05
Diluted earnings per share	-33.95	-45.43	-45.03	-156.05
Total	-33.95	-45.43	-45.03	-156.05

OTHER COMPREHENSIVE INCOME

SEK thousand	Parent Company			
	2016-10-01 2016-12-31	2015-10-01 2015-12-31	2016-01-01 2016-12-31	2015-01-01 2015-12-31
Net profit/loss for the period	-1,358	-1,817	-1,801	-6,242
Items that may be reclassified for the income statement				
Differences on translation of foreign operations	–	–	–	–
Other comprehensive income, after tax	-1,358	-1,817	-1,801	-6,242
Comprehensive income	-1,358	-1,817	-1,801	-6,242
Distribution of comprehensive income for the period:				
Comprehensive income for the period attributable to parent company shareholders	-1,358	-1,817	-1,801	-6,242
	-1,358	-1,817	-1,801	-6,242

*Previous year contract cost were reported in Operating expenses, amounting to SEK 4 000 thousands 2015-01-01--2015-12-31 and amounting to SEK 1 000 thousands 2015-10-01--2015-12-31. These costs are from 2016 reported in Administrative expenses.

**For calculation of earnings per share see note 12 of the 2015 annual report. Nordlys AB (publ) has not had any dilutive effect during the interim period or the comparative periods.

STATEMENT OF FINANCIAL POSITION

SEK thousand	Parent Company	
	2016-12-31	2015-12-31
ASSETS		
Non-current assets		
Financial assets		
Participations in group companies	58,442	58,442
Other financial assets	944,325	951,162
Total financial assets	1,002,767	1,009,604
Total non-current assets	1,002,767	1,009,604
Current assets		
Current receivables		
Current receivables	37,159	34,978
Total current receivables	37,159	34,978
Cash and cash equivalents	2,175	15,933
Total current assets	39,334	50,911
TOTAL ASSETS	1,042,101	1,060,515
EQUITY AND LIABILITIES		
Total equity	28,788	30,589
Non-current liabilities		
Bond loan	715,869	735,075
Other non-current liabilities	194,990	192,137
Total non-current liabilities	910,859	927,212
Current liabilities		
Bond loan	7,231	7,425
Other current liabilities	95,223	95,289
Total current liabilities	102,454	102,714
Total liabilities	1,013,313	1,029,926
EQUITY AND LIABILITIES	1,042,101	1,060,515

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STATEMENT OF CHANGES IN EQUITY

Parent company	Share capital	Share premium reserves	Loss brought forward	Profit/loss for the period	Total equity
Opening balance					
2015-01-01	14,556	147,262	-125,978	991	36,831
Profit prior period			991	-991	—
Loss for the period				-6,242	-6,242
Other comprehensive income			—		—
Comprehensive income			—	-6,242	-6,242
Closing balance					
2015-12-31	14,556	147,262	-124,987	-6,242	30,589
Opening balance					
2016-01-01	14,556	147,262	-124,987	-6,242	30,589
Loss prior period			-6,242	6,242	—
Loss for the period				-1,801	-1,801
Other comprehensive income			—		—
Comprehensive income			—	-1,801	-1,801
Closing balance					
2016-12-31	14,556	147,262	-131,229	-1,801	28,788

STATEMENT OF CASH FLOWS

SEK thousand	Parent Company	
	2016-01-01 2016-12-31	2015-01-01 2015-12-31
Operating activities		
Operating profit	-5,136	-5,018
Adjustments for non-cash items, etc.	10,041	942
Interest received	45,622	46,925
Interest paid	-45,985	-46,851
Cash flow from operating activities before change in working capital	4,542	-4,002
<i>Change in working capital:</i>		
Receivables (increase - / decrease +)	1,166	16,323
Payables (increase + / decrease -)	-67	3,643
Cash flow from operating activities	5,641	15,964
Cash flow from investing activities	0	0
Financing activities		
Repayment of loans	-19,399	-7,500
Cash flow from financing activities	-19,399	-7,500
Cash flow for the period	-13,758	8,464
Cash and cash equivalents at the beginning of the period	15,933	7,469
Cash and cash equivalents at the end of the period	2,175	15,933

OTHER DISCLOSURES

Employees

The Group does not have any employees and services regarding corporate control are being purchased externally. Services regarding property management are negotiated and purchased locally depending on the location of the properties.

Ownership Characteristics

Larger shareholders of the parent company are made up of:

Nordlys Herning ApS	41.39%
Kongeegeen A/S	11.08%
AP Pension Livsforsikringsaktieselskab	10.00%

Related Party Transactions

The related parties of the Group include all of the board members and management with their families and the companies they control. The parent company controlling influence of all of the entities in the Group.

Transactions and balances are made up of interest on intercompany balances and onward invoicing of expenses across different entities. Interest on shareholder loans has been capitalised by SEK 2,853 thousand (3 058).

Unless anything else is stated, there are no transactions with special conditions and no guarantees has been committed or accepted. Outstanding amounts are normally settled in cash or cash equivalents.

2017 Annual General Meeting

Nordlys AB is planning to have the Annual General Meeting on March 27 2017.

Dividend

No dividends regarding 2016 is proposed.

Significant Events after Period-End

In January 2017 three new lease agreements were signed regarding rental of an additional 3,000 square meters. The new lease agreements are signed for 6 to 8 years and will give an annual net sale of SEK 3.2 million.

Future Development

It is the perception of Nordlys AB (publ) that the markets will develop positively, especially Sweden.

The reason for this perception is that the Nordic economies are performing well. The owners will continue to work close to the day-to-day operations and the board will continue to work for the development of the investment properties.

Accounting Principles

Nordlys have prepared the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the Swedish Annual Accounts Act and interpretations issued by the IFRS Interpretations Committee, approved by the European Commission for application within the EU. In addition, RFR 1 Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, has been applied. This year-end report has been prepared in accordance with IAS 34 Interim Financial Reporting. As at January 1 2016, Nordlys applies IFRS 11, which has not had any affect on the Group's financial position and results. Accounting principles are unchanged in comparison to the 2015 annual report.

Significant Estimates and Assessments

When financial reports are prepared, group management is making a number of estimates, calculations and assessments regarding accounting and valuation of assets, liabilities, revenues and expenses, see page 18 of the 2015 annual report. In connection with the preparation of the annual accounts regarding 2016, the board had an external valuation of the investment properties, see below, Items Measured At Fair Value. No other significant events has occurred during 2016 which would change made estimates, calculations and assessments regarding other items.

Information on risks and uncertainties

The Group's operations, financial position and results might change, both positively and negatively, because of risks and uncertainties, described in note 37 of the 2015 annual report. No significant events have occurred during the interim period which would change reported financial information.

Items Measured At Fair Value

There has been no changes in classification of financial instruments during the interim period.

Investment properties and shares in housing cooperative associations are measured at fair value. All investment properties and shares in housing cooperative associations are valued annually at a minimum by external valuation agencies. Valuation of investment properties and shares in housing cooperative associations is being done in accordance with IFRS 13 level 3. The carrying amount of financial instruments measured at accrued historical costs is in line with fair value as at year-end.

The board made a valuation of the investment properties in connection to the preparation of the 2016 annual report. To make this assessment, external realtor companies were used. The fair value of the investment properties was estimated at SEK 1,094.2 million (1,034.1), which caused a revaluation of SEK 37,807 thousand (6,493). The valuation has been conducted by the same realtor companies as previous year, Jones Lang LaSalle and Cushman Wakefield (former DTZ) respectively. The valuation reports are based on current circumstances and reflect applicable standards. The method used is "Discounted Cash Flow Analysis". The main differences compared to last year are updates on current lease contracts, new lease contracts and an adjustment of how the market interprets the return on investments. The new valuation has mainly been affected by the three new lease agreements that were signed in January 2017 regarding rental of an additional 3,000 square meters. The new lease agreements are signed for 6 to 8 years and will give annual net sales of SEK 3.2 million. This surface was vacant in the valuation last year and gives a large positive effect in the valuation this year.

See note 38 of the 2015 annual report for a specifications of the inputs and the assumptions that the valuation was based on.

Nordlys is making the assessment that the highest levels of risk in the valuations are connected to vacancy- and rent levels. There has been no change in the property portfolio in the Nordlys Group during 2016. The increase of SEK 60.1 million in investment property value during 2016, an increase from SEK 1,034.1 million as at December 31 2015 to SEK 1,094.2 million as at December 31 2016, is with SEK 16.7 million attributable to the change in the EUR/SEK foreign exchange rate, which has affected the value of the investment property in Finland positively and a change in fair value amounting to SEK 37.8 million mainly attributable to the new lease agreements signed.

Environmental Information

Nordlys AB (publ) and the Swedish group companies do not have any of the environmental obligations described in chapter 9, section 6 of the Swedish Environmental Code.

The group is conducting ongoing work of making the properties more environmental with the aim of increasing energy efficiency and by doing so reducing energy costs.

Environmental risks connected to the group's properties were thoroughly assessed when making acquisitions.

Calendar

2016 Annual Report	February 27, 2017
2017 Annual General Meeting	March 27, 2017
Interim Report January - June 2017	August 30, 2017
Year End Report January - December 2017	February 28, 2018

Financial Information

Financial information can be obtained at the Company's website, www.nordlysab.se.

Review

The interim report has not been reviewed by the Group's auditor.

Report Signatures

The Board and CEO certify that the interim report provides a fair view of the Parent Company's and Group's operations, financial position and results and describes the significant risks and uncertainties to which the Parent Company and Group Companies are exposed.

Stockholm, February 20, 2017
The Board of Nordlys AB (publ)

Jens Heimburger	Michael Eide
Chairman of the Board	Board member

Ib Henrik Rönje	Thue Stagsted
Board member	CEO

This information is such information that Nordlys AB (publ) is required to disclose pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication by the below mentioned contact person on 20 February 2017 at 07:30 a.m. CET.

For further information, please contact:
Thue Stagsted
E-mail: ts@stagstedproperties.com
Phone: +45 3150 7372

Financial Information

Financial information can be obtained at the Company's website, www.nordlysab.se.

Review

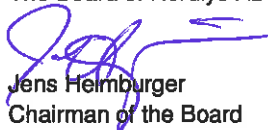
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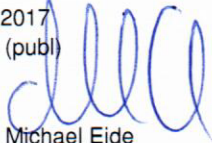
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