



Annual Report 2012



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FINANCIAL CALENDAR

ARISE WINDPOWER'S ANNUAL GENERAL MEETING 2013

Annual General Meeting is held on 2 May 2013 in Halmstad.

FINANCIAL INFORMATION 2013

2 May	Annual General Meeting
2 May	Interim Report First Quarter
19 July	Interim Report Second Quarter
13 November	Interim Report Third Quarter
14 February 2014	Year-End Report

DISTRIBUTION OF ANNUAL REPORT 2012

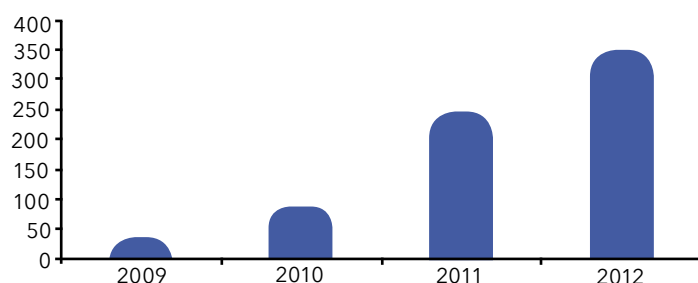
The Annual Report will be sent by mail to shareholders who have expressed an interest in receiving a copy. The report is also available on our website, www.arisewindpower.se

Sources of texts: GWEC, "Energi - möjligheter och dilemman" (Translation: "Energy - possibilities and the dilemma") (published by the Royal Swedish Academy of Engineering Sciences, third edition, 2012), SKM, Nordpool Spot, Swedish Energy Agency, www.energimyndigheten.se Swedish Wind Energy, www.vindkraftsbranschen.se

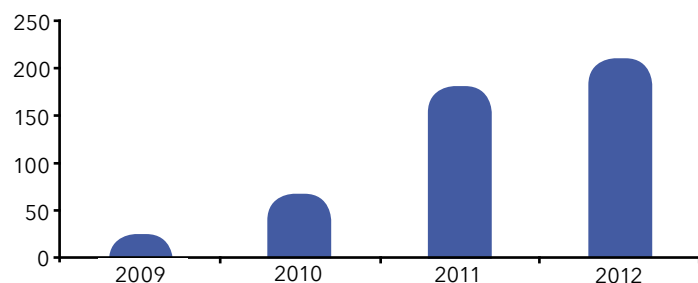
2012 in brief

- Net sales amounted to MSEK 210, an increase of approximately 17 per cent compared with 2011.
- Operating profit before depreciation (EBITDA) was unchanged compared with the previous year and amounted to MSEK 177.
- Due to weak electricity and certificate prices and a provision for the development portfolio, profit/loss before tax decreased to MSEK -22 compared with MSEK 65 in 2011.
- Total power production was 351 GWh, an increase of approximately 42 per cent compared with 2011, of which production from Own wind power operations amounted to 326 GWh and from Co-owned wind power operations to 25 GWh.
- Average income from Own wind power operations amounted to SEK 645 (732) per MWh, with SEK 390 (432) per MWh referring to electricity and SEK 255 (300) per MWh referring to electricity certificates.
- In spring 2012, a three year unsecured bond totalling MSEK 350 was issued in order to finance further expansion.
- Including the Jädraås project, we have since our start in 2007 constructed approximately 342 MW of onshore windpower, of which Arise owns, 241 MW.
- The Project Jädraås is running according to plan and just under budget, and is expected to be in full operation in the first quarter of 2013.
- The project company Solberg Vindkraft AB has been acquired, with a permit to construct up to approximately 40 turbines, and agreements have been reached giving Arise the right to acquire four wind power projects in Sweden with a planned maximum combined output of approximately 700 MW.
- Continued optimisation of production in existing wind farms. This has been made possible through excellent systems support and our integrated business model, in which Arise's wind power engineers work closely with the production team.
- At the end of 2012, a broadened business model was adopted that includes new, ambitious operational goals. By 2017, Arise's goal is to have constructed and manage onshore wind power with a total capacity of 1,000 MW. The Company aims to own half of this installed capacity, in other words, 500 MW.

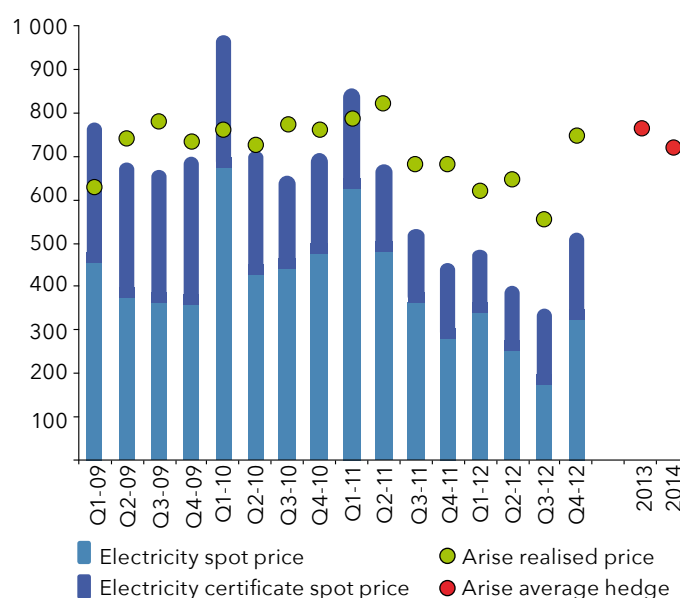
Production, GWh



Net sales, MSEK



Realised prices and hedges, SEK per MWh¹



1) Refers to segment, Own wind power operations.

Broadened business model and new goals

2012 was an important year. We broadened our business model, increased the production of electricity and electricity certificates by 42 per cent compared with 2011 and we were able to press the start button on our biggest project to date, the Jädraås project, located near Gävle.

SOCIETY IS IN the midst of a paradigm shift towards a long-term, sustainable energy system in which the development of wind power has a major role. We are contributing to this process with our industrial, process-oriented approach, creating opportunities for rapid, profitable wind power development in Sweden. Locally, we offer employment opportunities, increased tax income and increased income for local landowners. All these benefits help to preserve the community in entire regions.

AS AN INTEGRATED wind power company, we have control over all aspects of the value chain; from prospecting and permit management to the financing, construction and operation of the turbines, as well as the sale of renewable energy.

VISION

Arise Windpower (Arise) is to be one of Sweden's leading companies in onshore wind power in terms of both size and competence, thereby contributing to the global shift to a sustainable society. The Company will actively contribute to the development and consolidation of the emerging wind power market in Sweden, Norway and other selected markets.

GOAL

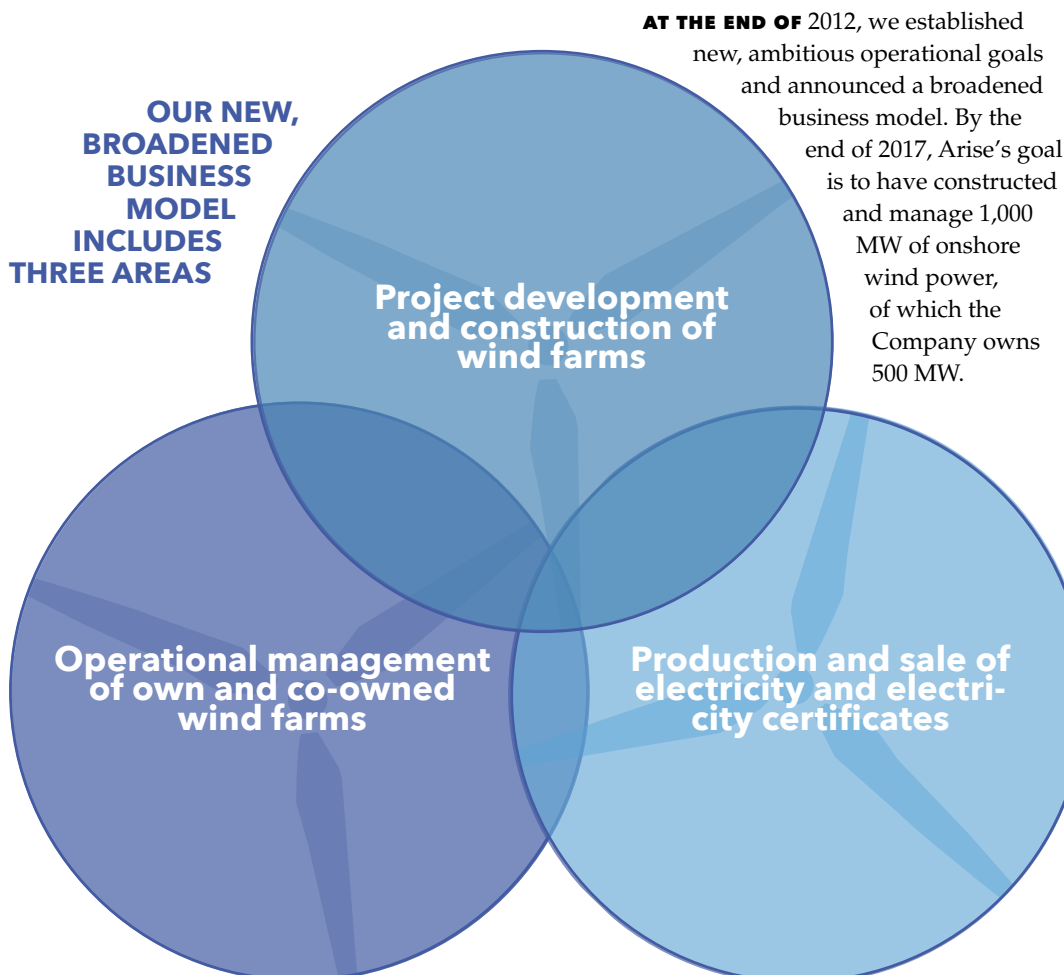
Arise is to have 1,000 MW of onshore wind power constructed and under management by 2017, of which 500 MW will remain in the ownership of the Company. Return on capital employed > 10 % forms the framework for investment decisions on new projects.

BUSINESS CONCEPT

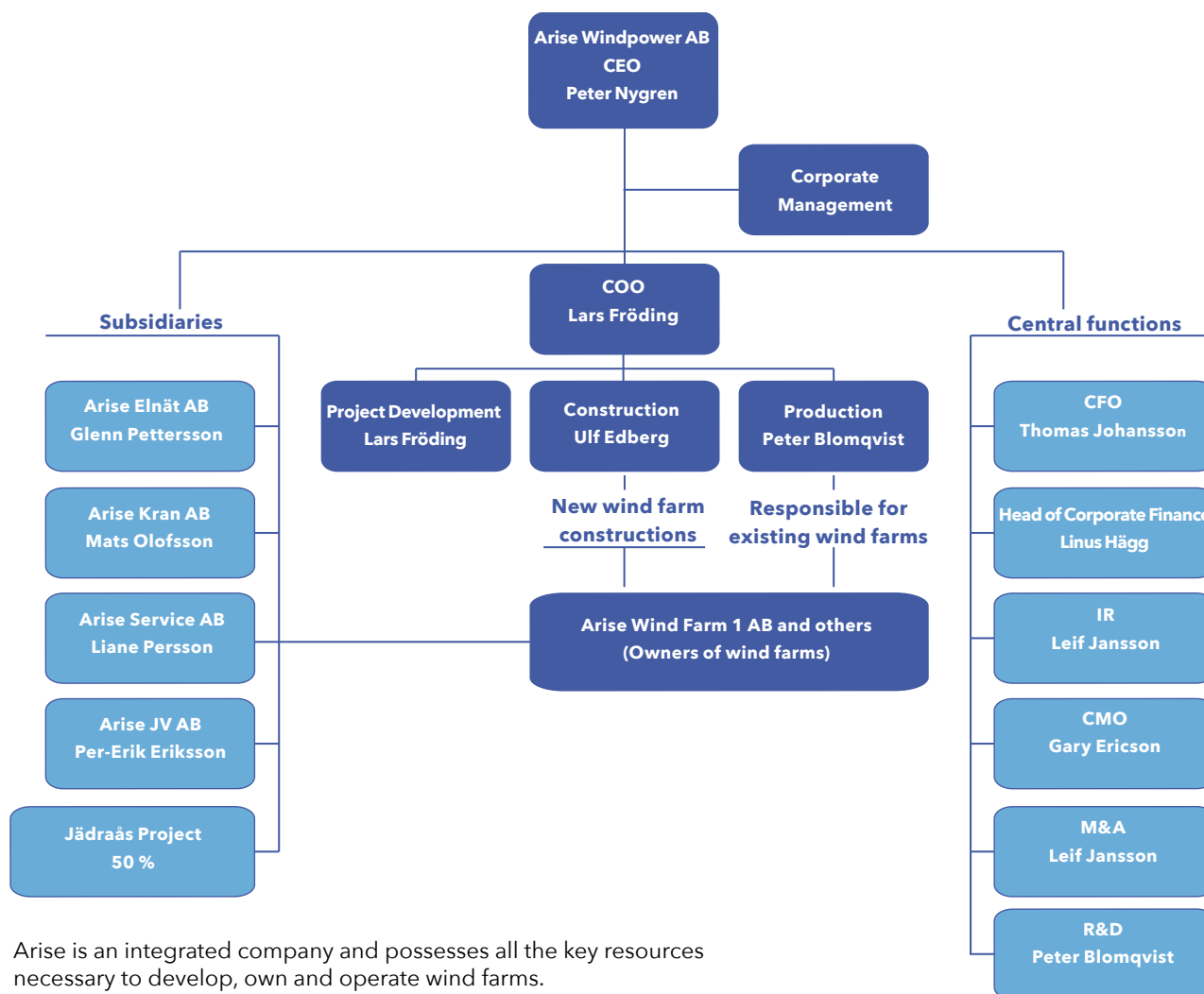
Arise's business concept is to manage its own and co-owned onshore wind turbines, to sell electricity generated from these turbines as well as the sale in part or in full of fully owned wind power projects, both operational and ready for construction. The Company will have control over the entire value chain, from prospecting and permit management to financing, construction and operation of the turbines, as well as the sale of renewable energy and long-term ownership.

CORE VALUES

- We are reliable
- We deliver
- We stay a step ahead



This expanded business model implies more sources of income and a stronger cash flow, which can be used to finance further expansion.



This implies that we – just as in one of our largest projects, the Jädraås wind farm close to Gävle – have the intention of divesting parts of wind farms in operation or parts of projects which are ready to be constructed.

WE WORK INDUSTRIALLY, on a large-scale and with a result-orientated approach. Consequently, expansion is methodical, efficient and takes place in many parallel projects. The organisation possesses all the key resources necessary for quick and efficient project development. As the largest independent wind power company in Sweden, we are involved in the entire value chain from start to finish. We have our own electricity grid company, own crane, own wind measuring equipment and our own resources for project management and setting up wind farms, as well as operation and management of these. This allows us to reduce costs and lead times, resulting in increased profitability and improved cash flow.

DURING OUR FIRST five financial years we have, with partners, invested approximately SEK 5 billion in wind farms, with a total output of 342 MW. Of this amount we currently own, directly or indirectly, 241 MW.

We have a portfolio of in-house developed wind farms in southern Sweden, where consumption of electricity exceeds production. This leads to higher electricity prices compared to the northern parts of the country. At the end of 2012, Arise was the sole owner of 65 fully operational wind turbines spread over

10 wind farms with a total output of 139 megawatts (MW). The Jädraås wind farm, one of Northern Europe's largest onshore wind farms, contributes an additional 203 MW, of which our share is equivalent to 101.5 MW. During the spring of 2013, projects totalling another 25 MW will be started in southern Sweden, with operation starting in summer/autumn. Our total production capacity will then be 266 MW. We also have approximately 1,200 MW in projects at various preliminary stages and have also entered into conditional agreements to acquire an additional 700 MW in Sweden and 130 MW in Norway, as well as starting our first project in Scotland.

THE FACT THAT we manage all aspects of the value chain – from construction to commissioning, operation and maintenance, as well as the sale of electricity and electricity certificates – means that we are a strong player in the market. The wind power industry in Sweden began to be consolidated in 2012 and this is a trend we believe will continue in 2013.

IN 2012 WE at arise secured and acquired many new projects, which supports our goal of having 1,000 MW constructed and under management by 2017. We have also continued to optimise production in our existing wind farms. The optimisation of production is made possible by excellent systems support and close cooperation between our production team and wind power engineers.

Message from the CEO

WIND POWER DEVELOPMENT slowed in 2012 compared with previous years. The reasons for this include the low price levels of electricity and electricity certificates, resulting in weak profitability in new investment projects. Certificate prices were pressured by a substantial surplus due to the rapid expansion seen in previous years. A good supply of hydro-electric power, combined with high availability levels from nuclear power plants and low electricity consumption, depressed electricity prices. German electricity prices, which affect the Nordic countries, were also at record lows. Since the end of 2012, both electricity and certificate prices have turned upward and are now at levels where it is once again profitable to invest in new onshore wind projects, especially in southern Sweden where electricity prices are a little higher than the country average, while operating costs are lower. Consequently, Arise has taken a decision to begin construction of three smaller projects in southern Sweden (total 25 MW) and plans to start on some additional projects further north in the country. The latter, however, require that income increases slightly (about five öre per KWh) from current levels before any investment decisions can be made.

AN IMPROVED ECONOMIC situation in Europe with rising electricity consumption, a deficit in hydro-electric reservoirs of about 15 TWh, and a reduced surplus of certificates as a result of phasing out of eligible production from the certificate system, are all indicators of rising electricity and certificate prices. Further positive factors include the fact that the Swedish krona is strong, which reduces investment costs as turbines are purchased in EUR. Interest expenses are still low, which means that funding costs also remain reasonable. The prospects for further expansion of wind power are, thus, good while the profitability in already constructed wind farms should increase.

THE COMPANY HAS partially adapted its business model and strategy after last year's strained investment climate. Instead of full ownership of wind farms, we now intend to invite partners to invest in our projects. Our former business model implied that profits were generated only from the sale of electricity and

electricity certificates. We will still have this opportunity to generate profits with our co-owned and wholly-owned wind farms. However, the new business model adds two additional income streams, in the form of the profits arising when part of wind farms are sold and the income and profits arising from the management of these. Profits arising from the management of the farms are robust and are not affected by fluctuations in wind or electricity and certificate prices. The fact that we continually manage to reduce investment cost per kilowatt hour, and that freed up capital and profits from the sale of wind farms can be reinvested in new projects, creates opportunities to increase our production capacity. At the same time, fixed costs can simultaneously be distributed over more kilowatt hours. The Company, then, becomes more efficient, which we expect to be reflected in the income statement.

THE COMPANY ESTIMATES that the new business model will enable us to construct 1,000 MW of new onshore wind power by the end of 2017, of which 500 MW will be resold and 500 MW remain under the ownership of Arise. This is without the raising of additional equity through new share issues.

THE FIRST TRANSACTION applying the new business model was undertaken in the Jädraås project, whereby 50 per cent of the project was sold to an English investor (Platina Partners), an investment of over SEK 3 billion. One of Northern Europe's largest onshore wind farms, located just west of Gävle, is now completed. The project has been successfully completed, on schedule and slightly under budget.

WHAT DOES THE future hold for the wind power industry in general, and for Arise in particular? As mentioned earlier, we maintain a positive outlook on the investment climate for onshore wind power generation. Expansion in 2013 to 2015 will preferably take place in Sweden and in the form of a few major projects. Currently, three projects totalling approximately 200 MW are ready to start construction and permit applications are at an advanced stage for two additional projects totalling approximately

500 MW. Arise is also active in Norway and Scotland, and it is hoped that it will be possible to undertake at least one project in Norway within the next three years. In Scotland, we are working with greenfield projects, in which we are currently developing permits for new projects. Construction can begin no earlier than 2016. From a wind and risk perspective, it is already an advantage in Sweden to spread wind farms geographically. Although an even greater geographical diversification may be advantageous it must be weighed against the risk that service and management costs increase.

WIND TURBINES CONTINUE to increase in efficiency and, consequently, the investment cost per kWh decreases. Our service organisation has been strengthened and we now have good control and availability at our wind farms. Arise has executed improvement measures in four of its own farms, resulting in a production increase of four to eight per cent. This is about calibrating the turbines to fit the specific wind conditions in the area in question. These are relatively simple but time-consuming measures, requiring patience, technical expertise and good analytical tools. This is accomplished on the basis of the competence and knowledge the Company has built up, and from which it is now benefitting. With the continued strong expansion of wind power in the Nordic countries, there is basis for a growing service sector within the wind power segment. The Company's ambition is to continue to further develop its expertise and eventually also offer these services to the external market.

THE COMPANY'S FOCUS in 2013 is to further increase production capacity, partly through the construction of new wind farms and partly by calibrating existing farms. Our ambition is also to expand the range of services on offer to partners and to participate in the consolidation of the wind power market.

Halmstad, March

Peter Nygren
CEO Arise Windpower AB



Wind power is gaining ground


The expansion of wind power is increasing and production of wind electricity becomes ever more cost-effective.

ONCE A WIND turbine is erected the variable production cost to produce electricity is very low – the fuel i.e. wind – is free. The electricity production from wind power is environmentally friendly without any emissions to air or water. As the winter represents the windiest period of the year, wind power delivers when we need the electricity the most.

After approximately 25 years the life span of the turbine ends and it is decommissioned. The metal is recycled as well as rotors and cables. The foundation is covered and all that remains is a small hill as a reminder that there once was a wind power installation on the site. The process is quick. In only a few days, the installation is disassembled and after a few months the material has been recycled. This can be compared to, for example, decommissioning a nuclear power plant. It takes a hundred years before the process can even start, and another 100,000 years before the nuclear waste is no longer hazardous.

Sweden generally has good conditions for wind power. The latest trend for quick, large-scale expansion will, by all accounts,

The demand for renewable energy is strong. In addition, the efficiency of wind power turbines is increasing while the cost to develop and construct wind farms are decreasing.



continue. This is partly due to wind power being an important part of the solution in the reduction of carbon dioxide emissions, and partly due to wind power becoming more competitive compared to other types of energy.

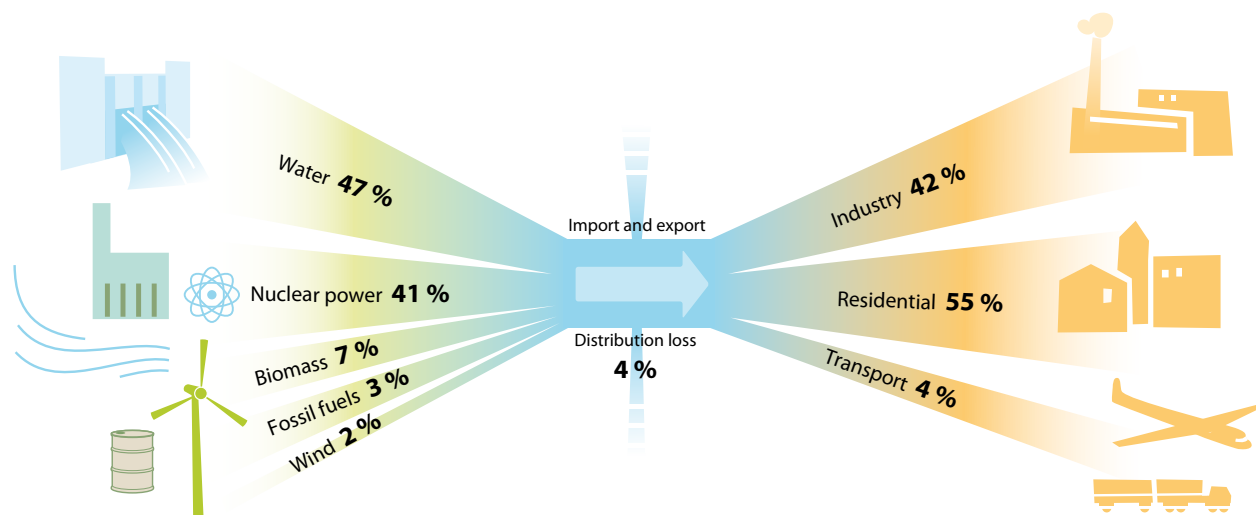
AROUND THE WORLD, renewable energy is growing at a fantastic rate. Globally, wind power grew by 19 per cent in 2012, despite the financial crisis and weak economic climate.

IN SWEDEN, THE potential to build wind turbines is considerable, thanks to the availability of large areas of land with good wind conditions. From a European perspective, Sweden is sparsely populated, which makes it relatively easy to find locations where only a handful of people might be disturbed by the turbines. This also means that large-scale projects can be built onshore. In many other countries, large-scale projects can only be built offshore, incurring a higher level of costs than onshore wind power.

SIMILAR TO OTHER renewable sources of energy, wind power has many advantages. This means that within Sweden's borders, we can make use of the wind at any time, wherever it blows. Wind power will play an important role in the transition of the energy system. It produces clean energy without emitting greenhouse gases, heavy metal or ash.

ANOTHER ADVANTAGE IS that the availability of electricity is secured, no matter what happens in the surrounding environment, unlike fossil fuels, which can vary substantially in price. The supply of fossil fuels is limited and such energy sources are likely to become more and more expensive in the future. Wind power production is, however, dependent on weather conditions, meaning that it is necessary to complement this kind of production with other kinds of power, such as hydro-electric power.

ELECTRICITY SUPPLY AND ELECTRICITY CONSUMPTION IN SWEDEN, 2010



From an international perspective, Sweden has a high level of energy consumption, partly due to the fact that we have a relatively large electricity-intensive manufacturing industry. Sweden is fourth on the OECD's list of countries with the highest electricity production per person (only Iceland, Norway and Canada produce more electricity per person).

Sweden is also notably different from other OECD countries, as 90 per cent of our electricity is produced by means of hydro-electric power or nuclear power. The level to which Sweden makes use of renewable energy is high when compared with other countries within the EU.

WIND POWER GENERATED approximately 7 TWh of electricity in 2012 corresponding to around five per cent of electricity usage in Sweden. The installed output was nearly 4,000 MW. Certain observers say that wind power can eventually reach 30 TWh, which equals approximately 20 per cent of the total electricity production in Sweden. The expansion of wind power has also led to wind turbines becoming cheaper.

THE EXTENSIVE EXPANSION of wind power is a boost to a rapidly growing industry. The conditions for an expansion both in Sweden and in Europe are very good. As of today, almost 200,000 people across Europe work in the wind power industry. The corresponding number for Sweden is 4,000. These numbers do not include people that indirectly make a living from the wind power industry. On the back of the substantial expansion that awaits Swedish wind power, we can expect a large number of job opportunities in the industry. This expansion will mostly benefit rural areas, where new jobs are much needed.

Based on an expansion level of 25 TWh of wind power in Sweden, a report from Swedish Wind Energy shows that it will be possible to create 12,000 FTEs in Sweden by 2020 within the wind power industry. During the period 2009 to 2020, the planned expansion of wind power would generate a total of more than 110,000 FTEs.

Wind power owners also pay rent to the local land owners for their installations. This means that landowners that rent their land to a wind turbine owner can count on substantial income for a long period of time. In addition, once the wind turbine is in place, almost all of the rented land can be used exactly as it was prior to the construction of the turbine.

ACCORDING TO THE EU Commission's Eurobarometer from November 2012, 84 per cent of EU citizens and 86 per cent of Swedes are positive toward wind power. The EU countries that have come the furthest in establishing wind power – Denmark, Germany, and Spain – all exhibit a proportion of citizens well above the EU average that have a positive view towards wind power. In Denmark, the country with the highest proportion of wind power in the world, 96 per cent are positive toward wind power, while only one per cent is negative. Only four per cent of all EU citizens are of the opinion that wind power has a negative effect.

Record low electricity prices but certificate prices on the rise

Electricity is a commodity sold in a competitive market. Competition in the trade in, and production of, electricity was introduced in Sweden in 1996, although the electricity distribution network is still a regulated monopoly. Consequently, a distinction is made between electricity suppliers and network operators.

ALL ELECTRICITY SUPPLIERS, whether they are producers with their own power plants or traders who only buy and sell electricity, have the right to transport their electricity on any network and to sell the electricity to any customer. Consequently, customers are able to choose between all available electricity suppliers.

THE OTHER NORDIC countries have introduced a similar, deregulated system which has created a Nordic electricity market – Nord Pool. Today, this co-operation also includes Estonia. This represents a market for trading electricity on a daily basis, known as the spot market. On the spot market, the price of electricity is determined hour by hour for the following day by different actors bidding for the purchase and sale of electricity. Supply and demand is affected by factors such as economic conditions, availability, weather (as the Nordic countries make use of plenty of hydro-electric power) and the price of coal and CO₂ emission rights.

IN ADDITION TO supply and demand, there is another factor impacting availability and price: politics. In order to increase the proportion of electricity from renewable energy sources, many European countries have introduced financial incentives to promote electricity production from, for instance, biomass and wind power. Examples of such incentives include tax credits, carbon tax, electricity certificates, investment grants and feed-in-tariffs.

IN 2003, a system of electricity certificates was introduced in Sweden. The goal was that this would entail an increase in electricity production from renewable energy sources. Electricity producers receive compensation (an electricity certificate) for each MWh of electricity produced from renewable sources. All consumers, except for power-intensive industries, are required to buy these certificates under a quota system. The targets were tightened in 2009 and were adapted to the EU Renewables Directive, with a new goal of 25 TWh of new renewable energy by 2020 in Sweden compared to the level in 2002.



As of 1 January 2012, Norway has joined the electricity certificate market. Electricity certificates produced in Sweden can thereby be sold in Norway and vice versa. As a result, Norway and Sweden have a joint goal of developing 26.4 TWh of new renewable energy by the end of 2020, compared with 2011 levels.

THE 20-20-20 TARGETS

The international community has negotiated an agreement on global targets for reduced carbon dioxide emissions. Parallel with this, the EU has established climate goals intended to address the threat of global warming. These goals are described in a plan entitled the 20-20-20 Targets, the aim of which is to reduce the emission of greenhouse gases within the EU by at least 20 % by 2020. By that time, at least 20 % of all energy should come from renewable energy sources and energy efficiency should also have increased by 20 % by the same year. A fourth goal is that the proportion of biomass consumed within the transportation industry should increase by 10 %.

Part of the work with the EU targets for reducing emissions of greenhouse gases is the system of emission rights trading introduced in 2005. This implies that European countries can trade with their emission rights on the basis of a common emission ceiling. Targets for reducing emissions have also been agreed upon within the agriculture, construction, waste disposal and transport industries. From 2012, the aviation industry is also included in the emissions trading scheme.

INVESTMENT CLIMATE FOR WIND POWER

ESTABLISHING A SUCCESSFUL wind farm requires a good wind location, access to a strong electricity network, good infrastructure and low transport costs. In addition, considerable demands are imposed on the project organisation to deliver quickly, with high quality and cost effectiveness.

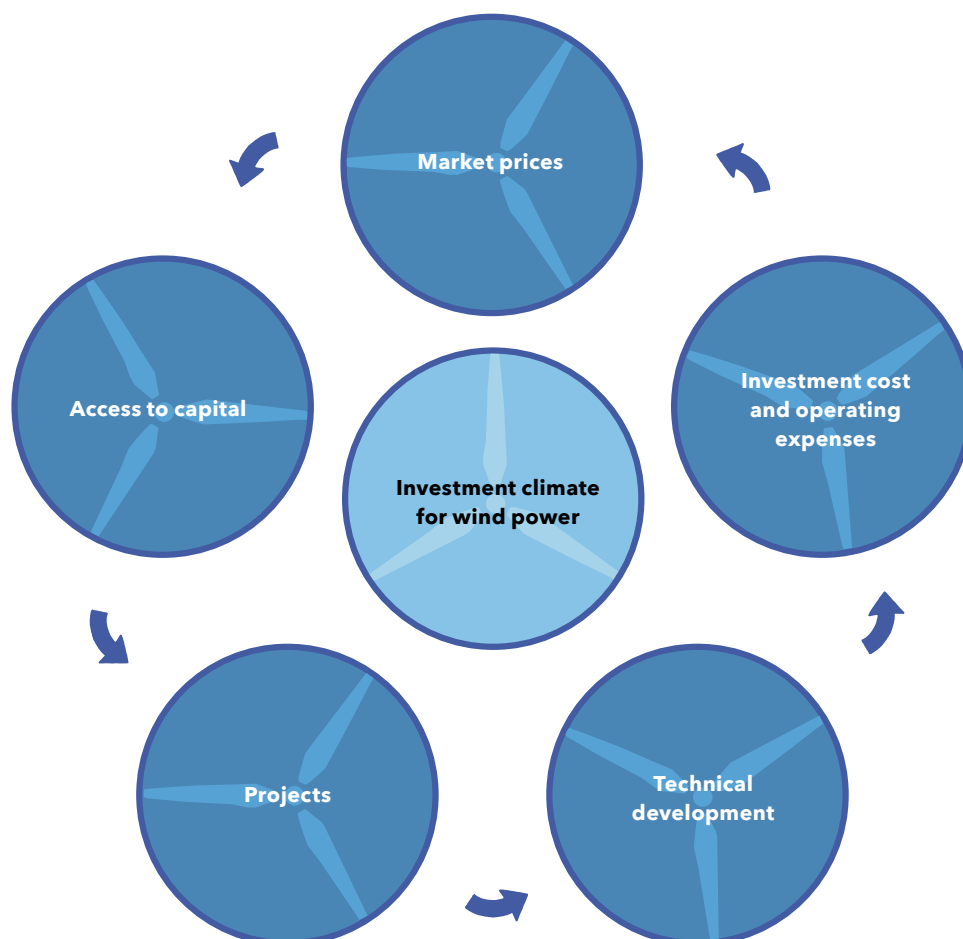
THE BUILDING OF new facilities for power generation is capital-intensive, and this includes wind power. Despite the economic crisis in many European countries, it is possible to finance good projects with a satisfactory proportion of borrowed capital. In recent years, the bond market in Sweden has experienced rapid growth and is an interesting option in terms of financing. In March 2012, Arise issued an unsecured bond of MSEK 350 for the first time, and these funds are used as equity for new projects.

IN 2012, THE investment cost per KWh per annum produced continued to fall, as turbines became more efficient (higher towers and larger blades) and the possibility of customising a turbine to its specific site has improved, with higher efficiency levels as a result. Furthermore, experience and technological developments have enabled more efficient wind farm design.

OUR INDUSTRIAL APPROACH contributes to increasing the return on new and old investments. This is not the least due to our focus on efficient operations with our own service and production optimization. Arise's profitability requirements dictate that wind farms can be constructed only if the investment in question is expected to yield a return of at least 10 per cent on total invested capital before tax.



INVESTMENT CLIMATE FOR WIND POWER



THE PRICE OF ELECTRICITY AND ELECTRICITY CERTIFICATES AT HISTORICALLY LOW LEVELS

In 2012, electricity and electricity certificate prices were low. The electricity spot price was, on average, EUR 31 per megawatt hour in 2012, which is significantly below the average prices for 2011 and 2010, which were EUR 47 and 53 per megawatt hour, respectively. Forward contracts also fell sharply during 2012 as compared with previous years.

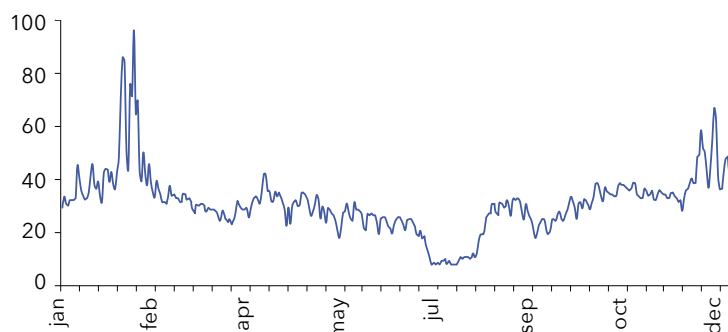
Electricity prices in 2012 were affected by, among other factors, a large hydrological surplus due to a mild winter. Furthermore, the weak economy in Europe caused a sharp fall in coal prices and the price of CO2 emission rights decreased. The general economic situation has also caused a decrease in the consumption of electricity. These factors, together with the fact that transmission capacity to the Continent is limited and that nuclear power in Sweden showed a relatively high level of availability, contributed to a sharp decline in the price of electricity. The hydrological situation has now changed, but prices continue to be dependent on the economy, especially in the forward market.

Since 2009, the average price of electricity certificates has almost halved to SEK 147 per MWh in 2012. This is due to the fact that renewable energy has expanded at a rate much faster than the electricity certificate system is designed to cope with resulting in a growing surplus of electricity certificates. Since the summer, prices have begun to recover and were at SEK 210 per MWh by the end of 2012. Prices have continued to increase in 2013 and the current spot price is approximately SEK 225 per MWh. The increase has been caused by the fact that a significant amount of production entitled to electricity certificates, about 11 TWh, was phased out of the system at the end of 2012. Furthermore, the quota obligation increased from 2013 and Norway joined the system at the beginning of 2012. Finally, the rate of expansion of renewable energy in 2013 is expected to decrease slightly, due to the low electricity and electricity certificate prices experienced in 2012. All else being equal, this will lead to a decrease in the surplus of certificates and a corresponding increase in prices.

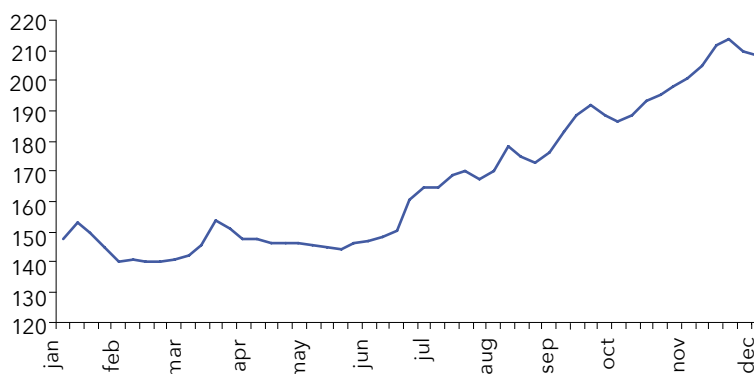
ARISE PRICE HEDGING

Arise assesses that electricity prices will continue to be volatile and that the total market price of electricity and electricity certificates will enable the profitable expansion of good wind power projects. Since the price cycles of electricity and electricity certificates do not, for various reasons, correlate, a good hedging policy is crucial in order to ensure profitability. Since 2009, Arise has achieved average prices which have been above prevailing market prices. In 2012, Arise's actual prices for electricity and electricity certificates, together, amounted to 645 SEK per MWh, which is significantly above the prevailing market

Electricity prices, EUR/MWh 2012



Electricity certificate prices, SEK/MWh 2012



price for 2012, which was around 450 SEK per MWh. For the segment Own wind power operations, Arise has hedged a significant portion of the production in coming years at a total income level significantly above prevailing market prices, see the table below. Production from the Jädraås Project, within the segment Co-owned wind power operations, will be sold at a spot price until September 2013. Thereafter hedges have been arranged on a rolling five-year basis according to loan terms.

Price hedging Own wind power operations	2013	2014	2015
Hedged electricity production, GWh	185	106	36
Hedged electricity certificate production, GWh	177	174	26
Weighted average price incl. CFD for hedged electricity production, SEK/MWh	425	433	528
Weighted average price for hedged electricity certificate production, SEK/MWh	331	294	211



The investment cost per produced KWh is decreasing and the efficiency in new wind farms is increasing.

Improved output in the newest wind turbines

The investment costs for projects currently under construction amount to between SEK 4.6 - 4.8 per KWh. This leads to more cost-effective production and better profitability in the wind power operations.

"The Company works to optimise production in existing wind farms."

IN 2012, ARISE produced 326 GWh in the segment Own wind power operations, as compared with 247 GWh in 2011, an increase of 32 per cent (for production from jointly owned wind farms, refer to Co-owned wind power operations). At the beginning of the year there was approximately 139 MW in operation of which around 24 MW still was undergoing test runs. Full operation of all 139 MW was achieved as of April 2012. The wind year, in terms of wind energy, was slightly lower than normal, equivalent to approximately 95 per cent of a normal year's resources, according to the 30-year Danish index.

IN 2013, WE expect to commission a further 25 MW, which is currently under construction. In total, we will, then, have 165 MW in operation in this segment.

IT IS GRATIFYING that the Company's industrial approach has contributed to a continuous reduction in investment costs, measured in terms of investment cost divided by estimated KWh per annum (SEK/KWh). For the projects currently under construction, investment costs total between SEK 4.6 to 4.8 per KWh. This will lead to more cost-effective production and higher profitability in the wind power operations.

There are several reasons for the reduction in costs: a falling EUR exchange rate, economies of scale – which have led to generally lower input prices and contracts – increased technical efficiency and, in particular, the fact that we have developed methods in-house and are, thus, able to construct more efficient.

The first wind farms using 1.8 MW turbines and larger blades were built in 2011, and in 2013 more such turbines will be built, as well as the first farm of 1.6 MW wind turbines with a 100-metre rotor diameter. These turbines are slightly more expensive in terms of MSEK per MW but the capacity factor, due to a larger swept area and smaller turbine, is also better than previous models.

The new wind turbines utilise the energy content of the wind more efficiently, and the estimated number of full load hours in those now under construction is, on average, more than 3,200 MWh per MW.

DURING THE YEAR, several projects have been initiated to increase and optimise the production of existing wind farms. These projects are conducted in close cooperation between our production team and wind power engineers, supported by several systems including production monitoring in real time. Examples of measures implemented include improved control and output increases. A strong skills base and systems support are key parameters in the detection of anomalies, the implementation of improvements and the development of measures to increase production.

FURTHERMORE, OUR OWN service company has taken over service from the previous supplier for the wind farms in Oxhult, Brunsmo and Råbelöv. This enables cost advantages and a more efficient service.

Note: Table showing key ratios of Own wind power and Co-owned wind power is available on the last pages.



"The Company works proactively to reduce operating costs through more efficient operations and in-house service supply."

OWN WIND POWER OPERATIONS IN FIGURES

MSEK	2012	2011
INCOME	210	188
Operating expenses	-46	32
Operating profit before depreciation (EBITDA)	164	156
Depreciation, amortisation and impairment	-85	63
Operating profit (EBIT)	80	93
Net financial items	-64	-41
Profit before tax	16	53
Income sek per MWh¹	645	732
Cost sek per MWh	-141	-130

1) Excluding other income of MSEK 8 in 2011.

In total, Own wind power operations generated income of MSEK 210 (188) and an EBITDA of MSEK 164 (156), an increase of 12 % and 6 %, respectively, compared with 2011. Operating expenses amounted to SEK 141 (130) per MWh, which is an increase of 8 %, largely explained by increased costs in relation to in-house programmes for enhancing the performance of turbines. Depreciation/amortisation and net financial items totalled MSEK -85 (-63) and MSEK -64 (-41), respectively. The increase in these costs is attributable to the fact that additional wind farms have been taken over.

In spite of a strong increase in production, profit before tax decreased from MSEK 53 to MSEK 15, due to negative price trends for electricity and electricity certificates. The deviation in income, explained by the difference in average price, resulted in an impact of MSEK -28. Also, non-recurrent income of MSEK 8 from the sale of certificates was reported in 2011. Moreover, income from commissioned wind farms which the Company has not yet taken over was higher during the previous year. This has affected income and, in particular profit and margins.

Jädraås – a successful project from start to finish

Construction work on Jädraås – one of Europe's largest onshore wind farms – was initiated in the autumn of 2011. One year later, more than 50 wind turbines had been erected. This project has proceeded according to schedule and on budget, and has already begun to deliver electricity to the grid.

JÄDRAÅS, SITUATED IN Ockelbo, a municipality about 30 kilometres west of Gävle, is in many ways an optimal location for the production of wind power. The wind farm is built on a large site situated at a high altitude and with good wind conditions. The location also has several advantages as a quarry, gravel pits and other elements facilitating the implementation of the project are close by.

The project has a permit to build a total of 116 wind turbines. The first investment phase comprises 66 wind turbines with a total installed capacity of 203 MW.

“When we at Arise acquired the Jädraås Project the permit was granted. Financing, detailed planning, grid connection and procurement of suppliers had not been made. Taking the project from permit to start of construction has been a considerable task largely undertaken with our own staff. This is one reason why we have been able to work so efficiently,” states Per-Erik Eriksson, CEO of Arise JV AB.

Skilled employees responsible from start to finish

Construction included the creation of a road network, the casting of foundations, transport of materials, establishment of electricity grids, as well as the construction and installation of the 119-metre high turbines.

There are several challenges along the route to a wind farm of this size. The weather is just one of these.

“Building a wind farm of this scale is a challenge for everyone. Snow and cold does not make a project easier. It requires skilled project management to ensure that we do the right things in the right order. Our staff provides support for suppliers who are not used to working this far north,” states Jan-Ola Allbäck, Project Manager at Arise Service AB.

Many parties are involved in a project such as Jädraås. For certain periods, there were between 50 and 80 people working on the site. NCC assisted in the construction of the infrastructure, Vestas was the primary supplier wind turbines including components and technology, ABB delivered transformers and Siemens the switchgear. Arise managed the overall project management of the entire project.

“Experienced and competent management kept the schedule and even managed to come in slightly under budget. Our staff is knowledgeable and committed, which produces results,” notes Per-Erik Eriksson, CEO of Arise JV AB.

In line with Arise's business model

The Jädraås Project is well aligned to all parts of the Arise business model whose stated aims are to build, own and operate wind power and to sell electricity from these.

GENERAL INFORMATION

Project start:

16 November 2011

Total number of turbines: 66

Final installed output: 203 MW

Estimated production:

570 GWh

Owner: Arise 50 %, Platina Partners LLP 50 %

Project management:

Installation of wind turbines, construction, electricity and data connections

Suppliers involved: NCC, Vestas, Siemens, ABB

TECHNICAL DATA

Tower height: 119 m

Rotor diameter: 112 m

Swept area: 9,852 m²

Rotor speed: 6.2-17.7 rpm

Life expectancy:

25 years (wind turbines)

THE PROJECT HAS RESULTED IN

- 80 km of road network
- 100,000 tonnes of concrete (produced on site)
- 4,000 tonnes of reinforcement bars
- 200 jobs 100 beds in surrounding hotels and guest houses



CO-OWNED WIND POWER OPERATIONS

Acquiring and taking over a site which has already been granted the necessary permits and has good conditions for production, together with a partner, corresponds well to how Arise wishes to run its business.

“This gives us the opportunity to be involved in all phases, from construction to commissioning. We get to know our wind farm and its conditions, which is a good basis on which to continue to operate and optimise the operations,” states Per-Erik Eriksson.

Being operationally involved in all phases of the project means that Arise is well equipped for the tasks inherent to the on-going management of the wind farm.

The wind farm creates opportunities for the district

The Jädraås Project has been well accepted since its initial phase and the commitment and interest from the local village community has been considerable. The project has brought jobs to the area, but also other positive effects. Among other things, the sports facility in Jädraås received a substantial facelift through one of the parties involved in the project. For Ockelbo Municipality, it has been important to capitalise on the positive development the wind farm can bring to the Municipality.

CO-OWNED WIND POWER OPERATIONS IN FIGURES

Jädraås began to produce its first megawatt hours in the fourth quarter of 2012. By the end of 2012, a total of 36 turbines had been commissioned. Electricity production totalled 50.6 GWh, of which Arise's share was 25.3 GWh. All electricity and electricity certificate production was delivered at spot price, with an average income of SEK 530 per MWh of which SEK 332 per MWh for electricity and SEK 198 per MWh for electricity certificates.

The wind farm, with its total of 66 turbines and 203 MW, is expected to be fully operational by the end of the first quarter 2013 and will, then, produce 570 GWh in a normal year. Arise's share will be 285 GWh. Arise will be responsible for operational management of the entire wind farm as from the takeover date.

MSEK	2012	2011
Income	13	-
Operating expenses	-2	-
Operating profit before depreciation (EBITDA)	11	-
Depreciation, amortisation and impairment	0	-
Operating profit (EBIT)	11	-
Net financial items	0	-
Profit before tax	11	-
Income sek per MWh	530	-

All figures reported in the segment Co-owned wind power refer to 50 per cent of the Jädraås Project, in order to reflect Arise's participating interest. Co-owned wind power generated income of MSEK 13 (-) and an EBITDA of MSEK 11 (-). Operating expenses amounted to SEK 2 (-) per MWh. Depreciation/amortisation and net financial items amounted to MSEK 0 and MSEK 0, respectively. Profit before tax amounted to MSEK 11 (-).



"When a small town gets the opportunity to take part in a project worth billions, then there are two choices: sit back and watch, or participate. The choice was simple. Wind power can help develop the economy of our own and neighbouring municipalities."

Rolf Landström, Wind Power Coordinator for Ockelbo Municipality

Larger projects in focus

Strong winds and low investment costs are critical for the achievement of good levels of profitability in a wind power project. Wind power development covers everything from applying for permits, measuring wind and designing and building wind farms to procuring the contractors, components and financing necessary to execute a successful project.

OUR ORGANISATION POSSESSES all the key resources necessary to develop and implement onshore wind power projects. The fact that project development is undertaken simultaneously in a number of parallel projects also results in advantages as the cost to produce permits and the prospecting of new farms can be reduced. Large procurement volumes mean that the price for wind turbines and input materials can be lowered.

AFTER SUCCESSFULLY COMPLETING 11 projects, including Jädraås, the organisation has built up a strong knowledge base. Lessons learned from previous projects are converted to planning even more efficient wind farms. As our strategy has been extended to include the partial divestment of projects ready for construction or projects in operation, wind power development is now not only an indirect value driver, but can also directly contribute to the Company's profitability. This was the case in the Jädraås project.

WIND POWER DEVELOPMENT IN FIGURES

Wind power development		
MSEK	2012	2011
Income	50	73
Operating expenses and current construction work	-47	-55
Operating profit before depreciation (EBITDA)	3	18
Depreciation, amortisation and impairment	-37	-4
Operating profit (EBIT)	-34	14
Net financial items	-13	2
Profit/Loss before tax (EBT)	-46	16

In total, income and EBITDA in the segment Wind power development amounted to MSEK 50 (73) and MSEK 3 (18), respectively. This decrease is primarily attributable to the fact that MSEK 7 in development grants was obtained as compared with MSEK 37 in the previous year. Operating expenses decreased to MSEK -65 (-86). Profit before tax decreased to MSEK -46 (16) which also includes a provision of MSEK -24 for portions of the development portfolio. Net financial items decreased to MSEK -13 (2), mainly due to interest on the bond loan.

OUR OWN PROJECT portfolio of over 1,000 MW is concentrated in southern Sweden, which provides a number of advantages: strong wind conditions, access to a strong electricity grid, lower transmission costs, lower transport costs, the ability to build year round, as well as fewer problems with snow and ice. This year, work has continued with the development of our own project portfolio and five new permits have been obtained including those for Bohult, Skogaby and Stjärnarp, which are now under construction.

HOWEVER, AS A result of our strategy of focusing on larger wind power projects, the portfolio of development projects with smaller wind farms, has been reviewed and, as a precaution, a decision has been taken to report a provision of MSEK 24 for certain projects. This has affected income for 2012 negatively. However, this provision will ensure that any future financial burden will be avoided in the event that any of the smaller projects do not materialise.

THE STRATEGY OF increasing focus on large projects has characterised the year. Construction of the 203 MW Jädraås project continued throughout the year. Furthermore, we entered into agreements to acquire, or to have the option to acquire, a number of major projects in Sweden. Among others the Solberg Project was acquired, which we are now preparing for the start of construction by procuring contractors, turbines, financing and electricity connections, etc. In other projects, detailed planning and further wind measurements are underway.

PROJECT PORTFOLIO STATUS AS PER 31 DECEMBER 2012

	Number of projects	Number of wind turbines	Total output (MW)	Average output per turbine (MW)
Wind farms in operation and under construction				
In operation	10	65	139	2.1
Under construction	1	33	101	3.1
Project portfolio				
Permits granted/acquired	9	61	164	2.7
Permit applications	30	182	503	2.8
Project planning completed	9	45	133	3.0
Leases signed	9	45	135	3.0
Total portfolio	68	431	1,175	2.7

The project portfolio includes projects that have been acquired but does not include projects where agreements have been made as regards an option to acquire the projects. Projects are categorised according to the following criteria.

IN OPERATION

Wind power projects in which the wind farm has been handed over after testing and which are now producing electricity. The calibration of wind turbines, as well as an extensive first service, are carried out during the first three months. During this period, turbine production is not optimal. Full, normal production can, therefore, only be expected three months after approved testing and takeover.

UNDER CONSTRUCTION

Refers to projects in which the necessary permits have been obtained, the investment decisions have been made by the Board, financing in the form of borrowed capital and equity is available, and in which the majority of total project investment costs have been procured.

GRANTED/ACQUIRED PERMITS

Projects that have been granted the necessary permits to begin construction, but where construction has not yet started. In some cases, Arise waits until sufficient wind data is available.

PERMIT APPLICATION

A permit application is initiated by consulting the relevant authorities, when the Company applies to the County Administrative

Boards and municipalities in question for permission for the construction of the wind farm. If Arise Elnät is involved, the Company also applies for a network concession from the Energy Markets Inspectorate. This stage is completed when all of the permits have been obtained or if a permit is refused.

PROJECT PLANNING COMPLETED

When Arise Windpower has signed lease agreements, the mapping of the site's detailed preconditions for wind power generation is initiated. The area is thoroughly analysed and the exact coordinates for the proposed wind turbines are determined. Wind studies are initially based on theoretical maps. Wind measurements are, subsequently, undertaken using the Company's wind measuring equipment.

LEASES SIGNED

Leases have been signed after negotiations between the landowner and the Company. Long-term leases have been signed for the entire project portfolio, providing the Company with the right, but not the obligation, to construct wind turbines on each property. For the majority of projects, planning has been initiated but is not yet complete. The feasibility study the Company carried out before the lease agreement was signed will lead to the establishment of preliminary sites for the new wind turbines.

AFTER THE END of 2012, we also entered into the first agreement concerning an option to acquire a project in Norway, totalling approximately 130 MW, as well as signing our first lease in Scotland.

IN 2013, THE focus will be on the construction of Bohult, Skogaby and Stjärnarp and on finalising the planning of the Solberg Project, with the aim of initiating construction during the year. Good business opportunities, in terms of acquiring additional, larger projects in Sweden and Norway, will be considered, as will entering into additional lease agreements in Scotland.

Our operations are sustainable - environmentally, socially and economically

Arise's vision is to be one of Sweden's leading companies in onshore wind power and, in this manner, contribute to the global shift to a sustainable society.

WIND POWER WAS introduced to Sweden in the 1980s, but it is only in recent years that it has become a source of energy to be reckoned with. Public opinion has turned and more people regard the expansion of wind power in a positive light. One important reason for this is a deeper understanding of the negative consequences of non-renewable energy sources. Global developments, such as the Fukushima disaster in Japan and Germany's decision to phase out nuclear power by 2022, have also impacted public opinion.

Wind power's environmental impact

Many of our most common energy sources create extensive pollution through their extraction (coal mining and oil spills), utilisation (greenhouse gases and heavy metals) and disposal (nuclear waste and slag heaps). Wind power does not cause these problems. The energy and material impact a wind turbine causes is offset after only about six months of operation, and emissions during operation are completely neutral for the environment, except for a limited local impact affecting five main areas:

Noise: The noise of the wind turbine's blades and generator can be disturbing for residents within a radius of one kilometre.

Shadows: The shade extended by the blades can also be disturbing. If wind turbines shade less than eight hours per year at the nearest residence, this risk is considered acceptable.

The landscape: Wind turbines can be seen from a very long way away in open countryside. In sensitive areas, such as archipelagos and areas with many valuable landscape components, there are clear guidelines governing where the turbines may be located.

Animals and plants: The plant species local to a site must be identified and taken into account in detailed plans. Water flow in the ground may also be affected, so specific geological surveys may be necessary.

Cultural heritage and archaeology: Remains from ancient settlements may be uncovered. If this happens, the turbine must be located elsewhere or, if in the pre-installation phase, the findings must be excavated.

ECONOMIC SUSTAINABILITY

ARISE'S SHAREHOLDERS MAKE an active choice to finance a business supporting the development of a sustainable society. This development can, with the conditions provided by the Arise business model, be combined with creating value and returns for our shareholders.

Wind power involves no harmful emissions to the environment in terms of greenhouse gases, toxins or other pollution, whether during extraction, use or disposal. The risk of costly decommissioning is limited in comparison with many other energy sources. It can easily be calculated and reservations for the decommissioning work are often made with authorities. For many other energy sources this is not the case. For example for nuclear power the decommissioning cost is unknown but significant.

Financial incentives for renewable electricity production

The certificate system provides extra income in addition to electricity production. Our view is that this income, over time, with income from electricity, creates good profitability and returns for shareholders, provided that the prospecting and operations are undertaken efficiently, which is assured by the Arise business model.

Risk diversification through separate business units

A wind farm may contain anything from three to one hundred wind turbines. Financing consists, on average, of 30 per cent equity and 70 per cent bank financing. In order to spread risk, operations are divided into separate business units. Such companies can serve as collateral for a bank loan. As the wind farm companies are located in different parts of the country, this provides a geographical risk spread.





SOCIAL SUSTAINABILITY

Arise in society

Sensitivity to society's demands and desires is one of Arise's core values. Extensive, continuous discussions are undertaken with both municipalities and citizens. These dialogues are not broken off as soon as the permits are issued, but continue throughout that the Company is on site.

An employer at the forefront

A good, safe working environment is a strategic issue, as clearly stated in our Health and Safety Policy. The goal is to create a physically, mentally and socially healthy and stimulating workplace. Feeling motivated at work is essential for good health, and Arise's goal is to be an employer and workplace in the forefront as regards the care of employees. Ethics and morals are another extremely important issue, and Arise must always behave and act in a credible, decent and beneficial manner.

Equality: Arise recruits and promotes based exclusively on competence, consequently gender, age, ethnicity, religion, disability, sexual orientation and other factors are not taken into consideration in these matters. This is highlighted in both the Arise Gender Policy and in the Code of Conduct. There is, currently, an imbalance in terms of gender, age and ethnicity, which is being actively addressed.

Other important guidelines include equal opportunities to develop skills, the ability to combine work and family, and that sexual harassment, or any other type of harassment, is unacceptable.

Human rights: Arise's land and construction contractors are mainly located in Sweden, but these companies sometimes utilise sub-contractors from other countries. Wind turbines are manufactured on a global market, which implies that parts may come from Asia, the USA or Europe. As Arise is a small company, resources are not sufficient to carry out inspections of working conditions other than on Arise's site. Consequently, Arise has chosen to work exclusively with large, well known and established brands and companies that have been active for a long time in the Swedish and international markets. The Arise Code of Conduct clearly states that child labour or work under duress or threat of violence is unacceptable, and freedom of association and the right to collective bargaining and agreements must be respected.

Job satisfaction and work environment: Regular employee surveys have been undertaken with the help of an external consultant, which also provides a comparison with other companies. Arise has achieved a high ranking in both absolute and relative terms. Employees are happy, feel needed and are thriving. Employee development interviews are conducted at least once annually according to established templates, plus a follow-up dialogue. The manager and employee both review the template before meeting and must prepare for their discussion. Employee benefits include a wellness program in the form of contributions from the employer towards the purchase of health benefits such as gym membership or participation in other physical activities.

Health and Safety: Contractors may not commence any work without a Work Environment Officer on site. They must also have established a Safety Plan and a Quality Plan. There are a certain number of Arise construction, project managers and service technicians on site during operations, and the same strict rules apply to these individuals. Special rules apply to physical work on a wind turbine.

Ethics and morals: Operations undertaken in municipalities are based on the accumulated confidence that Arise has built up. Maintaining a high standard of business ethics is as important as conducting business in compliance with legislation and regulations, as highlighted in the Arise Code of Conduct. A trustworthy and correct manner will be maintained at all times, both technically and as regards to general behaviour.

We require honesty and integrity in all Group operations and expect the same from our customers, suppliers and partners. Impartiality must characterise all business relationships, and conflicts of interest are to be avoided. Strict restrictions are enforced regarding gifts and rewards, bribery may not occur. Other areas highlighted in the Code of Conduct include political neutrality and the reporting of financial transactions in accordance with generally accepted accounting principles.

ENVIRONMENTAL SUSTAINABILITY

THE GROUP'S CODE of conduct emphasises that products and processes must be designed to utilise energy and raw materials efficiently and to minimise waste and residue material over the lifetime of the product. Wind power operations must apply and report according to the regulations of the Environmental Code. Legislation in this field and the supervisory agencies with which we work govern the operations, and we apply a valuation framework which is stricter than the general norm.

Environmental impact can be divided into the following areas: exploration and construction of new wind farms, continuous environmental impact during operation and maintenance, decommissioning, and a limited impact as a result of administrative activities.

Prospecting phase

A wind farm is a large-scale project requiring extensive preparation, discussions, meetings and analyses. Even before the actual permit process is started, an impression of the area through contacts with municipalities and landowners is gained and, also, contact is often made with the public through consultations. Then a referral is circulated to approximately 30 different government agencies to ask for their feedback.

In order to ensure minimal environmental impact, a thorough inventory is conducted of birds, bats, cultural heritage and archaeology, as well as of habitats, plants and places of natural value. Information and an invitation to a briefing are sent out to local residents, and then an overall environmental impact assessment is made based on the comments received. Maps of the planned turbine locations, noise and shadow interference calculations and illustrations of how the turbines will be experienced in the future are also produced.

An alternative report is always produced in which the advisability of building on the current site is evaluated. If the environmental impact assessment shows any species that are crucial to biodiversity, that there are specially protected bird species such as eagles or owls or sensitive habitats such as swamp forests and oak forests, the wind farm is moved. Sufficient distance from residences is also maintained.

The decision from the Municipality or the County Administrative Board stipulates how the wind farm is to be designed so that any disturbance to the environment does not breach legislation, and any interference must be reported annually in an environmental report.

Construction phase

It takes energy to build a wind turbine. The roads and turbine foundations have to be constructed.

A general rule is that it takes around six months to produce the amount of energy required for a wind turbine's life cycle i.e. constructing the wind turbine and, ultimately, dismantling and removing it. A turbine's lifespan is about 25 years on average, resulting in many years of energy production during which it can generate a surplus.

Other environmental factors include potential emissions and transportation. These include oil for lubrication of the turbine's moving parts, the use of chemicals in conjunction with preparing the land and construction work carried out by external contractors, as well as fuel for vehicles. All oil is stored in collision-protected sealed containers where any leaked oil remains in the container.

The precautionary principle is applied, which implies that materials and methods that may cause environmental or health risks are not used when suitable alternatives are available. Certification of suppliers is not required, however they must provide detailed reports on how they intend to ensure that they do not cause any harm to the environment. The supplier complies in the form of a Control Plan specifying the products used, how they should be used and stored, and that there are procedures in place to alert emergency services and inform the municipality if any hazardous materials were spilled.

Operational phase

Renewable electricity is produced without the production of dust, carbon dioxide or other emissions to the air, water or soil. Hydraulic oils and transmission fluids are used in the generator and gearbox in a closed system, and no oils are stored at the wind farm during the operational phase. Oil is changed on average every three years and is then disposed of as hazardous waste. Transformers also use transformer oil and a coolant that is protected according to the same principles as in the wind turbines.

Dismantling phase

When the turbine is decommissioned after about 25 years, all of the components are recycled and only non-hazardous concrete foundations are left on the site. Arise has committed itself to restore the land to its original condition at the end of the turbine's useful life at all wind farm sites.



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Director's report

The Board of Directors and the CEO of Arise Windpower AB (publ), Corporate Identity Number 556274-6726, hereby present the annual report and consolidated financial statements for the financial year 1 January 2012 – 31 December 2012.

THE GROUP

Operations

Arise Windpower AB is the Parent Company of the Arise Windpower Group, which includes a number of wholly-owned subsidiaries usually referred to as Arise Wind Farm followed by a number. These companies own and manage the farms where the wind turbines are located. Arise Elnät AB, Arise Service AB and Arise Kran AB have been previously established. Since last year, an associated company, Sirocco Wind Holding AB, is also included, which the Company co-owns with Sydvästanvind AB, which is owned by the English firm Platina Partners LLP. Sirocco Wind Holding AB owns the Jädraås project, which is formally managed by both Jädraås Vindkraft AB and Hälleås Kraft AB.

The Jädraås project, with 66.3 MW turbines, was started during the year, with construction work taking place in spring and summer and the commissioning of the first turbines taking place in October. The project has largely been completed during the first quarter of 2013 and the takeover is scheduled for April.

The subsidiary Arise JV AB has started its operations during the year. The company's operations consist of developing the concept of offering investors a share of the larger wind projects for which Arise is undertaking prospecting work. The concept enables profits and cash flows to be obtained earlier in wind power projects and complements the original business model that focused on a pure ownership of wind farms and, thereby, income over a longer term.

The Parent Company performs project planning for suitable wind locations, applies for permission to build turbines, assists in the procurement of financing, key components and contracts, plans suitable acquisitions of projects or companies and administers and manages the sale of electricity and electricity certificates on behalf of the Group companies.

The subsidiary Arise Wind Farm 1 AB manages the electricity producing wind farms with 12 turbines in Oxhult outside Laholm, 5 turbines in Råbelöv outside Kristianstad, 5 turbines in Brunsmo outside Karlskrona and 7 turbines in the farm Kåphult located in the close vicinity of Oxhult farm. The Kåphult farm was commissioned in February and the takeover took place at the end of May 2011.

The subsidiary Arise Wind Farm 3 AB manages the wind farm Fröslida, near Hylte, which includes 9 turbines. The farm was commissioned at the end of 2010/beginning of 2011 and the takeover took place at the end of March 2011.

The subsidiary Arise Wind Farm 4 AB manages the wind farm, Idhult, outside Mönsterås, which includes 8 turbines. The farm was commissioned in the beginning of the year and the takeover took place at the end of March 2011.

The subsidiary Arise Wind Farm 5 AB manages the wind farm, Gettnabo, outside Torsås, which includes 6 wind turbines. The farm was commissioned in September and the takeover took place at the end of November 2011.

The subsidiary Arise Wind Farm 6 AB manages the wind farms, Blekhem, outside Västervik and Södra Kärra, outside Askersund. Both farms include 6 turbines. The farms were commissioned in November and the takeovers took place at the end of December 2011.

The subsidiary Arise Wind Farm 16 AB manages the wind farm, Skäppentorp, outside Mönsterås. The farm consists of one turbine identical to the turbines being erected in Jädraås. The farm was commissioned during spring and the takeover took place in October 2012.

The subsidiary Arise Elnät AB focuses on consulting on electricity with responsibility for electrical contracts relating to the Group's wind power construction work. This responsibility includes, for example, the management of applications for concessions to build transmission networks used to transmit electricity produced in the wind farms to the overlying electricity networks.

Arise Service AB has built up and developed its service operations with the aim of being responsible for and providing maintenance for the Group's own and co-owned wind turbines. The subsidiary has service and maintenance contracts for the farms Oxhult, Råbelöv and Brunsmo.

The subsidiary Arise Kran AB has been responsible for lifting the turbines in Jädraås. The crane has also been leased to other external customers.

All Group operations are conducted in Sweden.

Summary of events

In the middle of March 2012, the Company issued a senior and non-secured bond loan in the Swedish market. The volume of the loan was SEK 350 million and has a final maturity in 2015. The loan incurs a variable interest rate of STIBOR (3 months) + 5.00 percentage points. The loan is listed on NASDAQ OMX Stockholm.

The project company, Solberg, was acquired with a permit to construct approximately 40 wind turbines. Arise intends to initially construct 26 turbines, with a combined output of 78 MW. This first investment is estimated to amount to approximately SEK 1.2 billion. The detailed planning of the proposed wind power farm has been initiated, and the investment decision will

DIRECTOR'S REPORT

be taken when electricity and certificate prices have recovered from today's levels.

Furthermore, an agreement has been signed with Bergvik Skog entitling Arise with the right to acquire the project, Skaftåsen, with a maximum output of 400 MW. This project is currently in the permit process. An agreement has also been signed with Ownpower Projects AB regarding the right to acquire three projects of approximately 300 MW, of which one (60 MW) has been granted all necessary permits.

Net sales and income

Net sales are attributable to the production of electricity in Own wind power and consist of income for sold electricity and sold and earned electricity certificates for actual electricity produced. The wind energy content during the year was about 5 % lower than the average of the past 30 years according to Danish wind power statistics. Production from Own and Co-owned wind power operations during the year amounted to 351 (247) GWh, an increase of 42 %, of which production from Own wind power operations amounted to 326 (247) GWh.

Net sales during the year amounted to MSEK 210 (180), an increase of 17 %, and other operating income amounted to MSEK 38 (74), of which the development fee for Jädraås contributed to MSEK 7 (37). This implies that total income amounted to MSEK 248 (255), a decrease of 3 %.

Operating profit before depreciation (EBITDA) amounted to MSEK 177 (177). The item "Capitalised work on own account" has previously been reported under income, but will be reported as a positive item under costs in the future, and during the year, work on own account amounting to MSEK 19 (31) has been capitalised. Personnel costs amounted to MSEK -46 (-45) and other external expenses totalled MSEK -53 (-64). The Company's share in associated companies' income amounted to MSEK 9 (-) and refers, in its entirety, to the 50 % ownership of the Jädraås project. Net profit/loss for the period refers to operating profit after tax.

Operating income (EBIT) was MSEK 54 (104), including planned depreciation of MSEK -98 (-73) and a provision for portions of the development portfolio of MSEK -24 (-). Net financial expenses were MSEK -76 (-38) and profit before tax, MSEK -22 (65). Net profit was MSEK -16 (47), which corresponds to earnings of SEK -0.47 (1.46) per share, both before and after dilution.

Comprehensive income amounted to MSEK -90 (-37) after cash flow hedges against electricity, interests and currencies decreased earnings by MSEK -74 (-84).

Investments and depreciation/amortisation

Net investments in property, plants and equipment during the year amounted to MSEK 77 (522), and the entire amount of the investment refers to the planned wind farm expansion. Investments in financial fixed assets regarding the Jädraås project amounted to MSEK 99 (376).

Cash flow

Arise Windpower's cash flow from operating activities before changes in operating capital amounted to MSEK 116 (177) and cash flow after investments amounted to MSEK 5 (-622). Current and non-current interest bearing liabilities increased by MSEK 304 (595). Interest payments decreased cash flow by MSEK -81 (-56) and payments to blocked accounts totalled MSEK -12 (-52). New share issues contributed a net total of MSEK 0 (11) to the Group, after which cash flow for the year amounted to MSEK 204 (-113).

Financing and liquidity

Interest-bearing net liabilities amounted to MSEK 1,265 (1,203). At the end of the period, the equity/assets ratio was 35.9 (43.3) %.

Research and development

Cash and cash equivalents amounted to MSEK 341 (137). In addition, non-utilised credits and grants amounted to MSEK 0 (38) at the end of the period.

Taxes

Due to the fact that Arise Windpower only has Swedish subsidiaries, tax has been calculated according to the Swedish tax rate, corresponding to 26.3 per cent. As no taxable profits are reported for 2012, deferred tax has been calculated on the basis of the new tax rate, 22 per cent. The year's tax expenses include a negative impact on income of MSEK 7 due to the changed tax rate.

In addition, the Group conducts development work together with Vestas and GE Energy in order to gain more knowledge about wind behaviour in different environments. Furthermore, internal work on how to improve measurements and the analysis of individual farms and turbines is conducted.

Employees

During the year, the average number of employees in the Group amounted to 39 (32). The total number of employees at year-end was 44 (35). Additional information on the number of employees and salaries, remuneration and terms of employment is provided in Note 4 of the Group's financial statements.

PARENT COMPANY

During the year, the Parent Company continued to develop its operations and contributed to the core activities by making plans for suitable wind locations, signing leases, producing effect analyses, local plans and building permits, undertaking purchases and managing the Group's trading activities with regards to electricity and certificates and performing administrative services.

The Parent Company manages the Group's production plans and electricity hedges in accordance with the established financial policy. Some, but not all, of the subsidiary electricity producers sell their production stock to the Parent Company at agreed

prices. A similar arrangement was initiated at the beginning of the year in the sub-group, Arise Wind Farm 2, in which this company's subsidiaries, Arise Wind Farm 3, Arise Wind Farm 5 and Arise Wind Farm 6 primarily sell their production to their parent company. The Parent Company, Arise Windpower (as well as Arise Wind Farm 2) in turn, sells the electricity to clients based on bilateral agreements or on the spot market. From 2012, these intra-Group trading activities are reported gross in the income statement.

The Parent Company's total income during the year amounted to MSEK 236 (242) and purchasing costs, personnel, other external costs and capitalised work on own account totalled MSEK 263 (-203), whereby operating profit before depreciation (EBITDA) amounted to MSEK -27 (39). Depreciation of property, plant and equipment, including a provision for parts of development projects amounted to MSEK -28 (-3) whereby operating income (EBIT) amounted to MSEK -55 (36). Net financial items was MSEK -14 (0), a Group contribution of MSEK -1 (-18) has been provided and net profit/loss after tax amounted to MSEK -62 (13). The Parent Company's net investments, including shareholder loans to subsidiaries and associates, amounted to MSEK -128 (-359).

During the year, the average number of employees was 24 (18) and by the end of the year the Parent company had 26 (23) employees. Additional information on the number of employees, salaries, remuneration and terms of employment is provided in Note 4 of the Group's financial statements, pages 47-49

ENVIRONMENTAL IMPACT

Legal requirements

In owning and operating wind farms and electrical plants, the Group is required to hold all the necessary permits and also make certain registrations, according to the Swedish Environmental Code. The Group has all of the permits required to conduct the current operations.

Other information regarding environmental impact and sustainability can be found on pages 24-29.

RISKS AND UNCERTAINTIES

Arise Windpower divides risks into external risks (political, cyclical, environmental and competition risks), financial risks (energy price, certificate price, currency, interest rate, financing, capital, liquidity and credit risks) and operational risks (operations, operating expenses, contracts, disputes, insurances and other risk management).

External risks

According to Arise Windpower's assessment, the demand for wind produced electricity will remain high for the foreseeable future. The political objective initiated by the Swedish Energy

Agency means that, by 2020, a total of 30 TWh of electricity consumption in Sweden will originate from renewable energy, which implies a significant need for the construction of wind farms, which produced approximately 7 TWh in 2012.

Sensitivity to market fluctuations is mainly associated with possibilities of finding access to equity and debt financing, where a weaker financial market may complicate the raising of capital.

Arise Windpower's income depends on the amount of electricity generated by the installed wind turbines which, in turn, is dependent on the wind speed during the actual period in question at the locations concerned, and the accessibility of the wind farms. Wind speed varies between seasons and also between individual years. By establishing a portfolio of the projects in various geographical locations and by performing extensive wind measurements prior to making decisions regarding investments, the risk of production volumes variation is reduced. Unfavourable weather conditions and changes in climates may, however, have a negative impact on electricity production which, in turn, would affect the Company's income.

In terms of competition, Arise Windpower is one of few players in the market able to provide landowners with an overall concept of wind farm construction including network connections, large-scale procurement of turbines and access to a wheeled crane with the capacity to lift all turbines on the market up to the size bracket 3 MW. An industrial perspective and control over the expansion are some of the most important prerequisites for the Group's future competitiveness.

Financial risks

Energy price risk is caused by fluctuations in the price of electricity quoted on the market place, Nord Pool. The Group manages this risk by hedging a certain portion of planned production. Risks associated with the price of electricity certificates are managed in a similar manner.

Currency risk in the Group primarily arises due to purchases and sales of turbines on the Nord Pool, both usually priced in EUR. In terms of cash flows, this risk will to a certain extent settle itself but, until then, the Group seeks to lower its risk by hedging transactions in foreign currencies. The interest risk has been managed by binding the interest rates of raised loans, to a large extent, to fixed interests through swap or cap interest rate agreements.

Liquidity risk refers to the risk that Arise Windpower is unable to meet its financial commitments as a result of insufficient liquidity and/or difficulties in raising new loans. Arise Windpower is to maintain financial preparedness by holding a liquidity reserve, comprising cash and cash equivalents and non-utilised granted credit, corresponding to a minimum of MSEK 100 (previously MSEK 50).

For more information, please refer to Note 11 in the consolidated financial statements, on pages 52-57.

DIRECTOR'S REPORT

Operational risks

The risk assessment of significant consequences from a complete shutdown of all of the Company's wind turbines, as a result of simultaneous technical failures, is low. This is partly due to the farms' geographical spread and also due to the fact that various manufacturers have been used, currently Vestas and GE. The risk is reduced as the Company continues to expand its production capacity in additional locations. Work is in progress to build up a complete maintenance system for all wind turbines including, for example, qualified vibration measurement in all key components of each turbine, complete component registration and systems for logging errors and corrective measures in the turbines. This reduces the dependency on the wind turbine suppliers and will, in the long-term, lead to an increase in availability. According to Arise Windpower's assessment, there are no disputes with potentially significant impacts on the Group's financial position. The Group's insurance program includes business interruption insurance, liability insurance, product insurance, wealth insurance and limited coverage for environmental damage.

According to Arise Windpower's assessment, operational risks are reduced by the size of the operations and the Group management's composition of employees with deep insight into, as well as continuous and close contact with, the operations.

THE WORK OF THE BOARD

Information regarding corporate governance and the work conducted by the Board during the year is provided in the Corporate Governance Report on pages 72-75.

DISCLOSURE REGARDING THE COMPANY'S SHARES

Total number of shares, votes, dividends and new shares
On 31 December 2012, there were a total of 33,428,070 shares outstanding. Shareholders have the right to vote for all the shares they own or represent. All shares are entitled to equal dividends.

As of 31 December 2012, the existing warrant programs entitled the right to subscribe to an equivalent of 1,262,500 shares which, when fully exercised, will result in a dilution of 3.6 %. However, one of the warrant agreements contains conditions that, according to management's assessment, imply a maximum of 830,000 shares could be subscribed (Note 17), implying a dilution effect of 2.4 %.

Transferability

There are no restrictions regarding the transferability of shares in accordance with the Articles of Association or applicable legislation. Furthermore, the Company is not aware of any agreements between shareholders that would restrict the transferability of shares.

Shareholders

Information on the Company's shareholders is provided on page 76.

AGREEMENTS CONTAINING CLAUSES CONCERNING CHANGES IN OWNERSHIP

The Group has no substantial agreements, which could be terminated on the basis of changes in ownership. There are no agreements between the Company and members of the Board or employees stipulating remuneration if such individuals give notice of termination, are dismissed without a valid reason or if their employment or contract ceases as a result of a public takeover bid.

CODE OF CONDUCT

Arise Windpower puts major efforts into conducting operations in agreement with legal requirements and business ethics. The Company's Code of Conduct emphasises the principles governing the Group's relationship with employees, business partners and other stakeholders. The code is to be followed by both employees and the Board of Directors. Suppliers, resellers, consultants and other business partners are also expected to follow the Code of Conduct.

The Code of Conduct stipulates that bribes are not allowed, that the Company is to be restrictive in terms of giving/receiving gifts and that all business transactions are to be clearly stated in the Company's financial statements, which are to be prepared in accordance with generally accepted accounting principles in an honest, relevant and comprehensible manner.

Arise Windpower takes a neutral position regarding political issues. Neither the Group's name, nor its assets, may be used for the promotion of political parties or the interests of political candidates.

The Code of Conduct also includes the Company's work towards a sustainable society, stipulating that the Group's products and processes are to be designed in a manner effectively utilising energy and resources and minimising waste and residual products beyond the product's useful lifecycle.

Arise Windpower recruits and treats its employees in a manner ensuring that there is no discrimination on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political belief, origin, etc. The Group encourages diversity on all levels. Neither child labour, nor work under threat, is tolerated. Freedom of association and the right to collective bargaining and agreements is respected.

Guidelines regarding remuneration to senior executives

Senior executives shall be offered a fixed, market-based salary, which is to respect the individual's responsibilities and performance. Bonuses shall be based on objectives attributable and relevant to the operations. During 2012, senior executives can receive a bonus up to a maximum amount of 4 months' salary. For 2013, similar guidelines have been proposed regarding bonuses and the introduction of an additional warrant program is also encouraged. A more detailed description of the guidelines can be found on the Company's website under "Corporate Governance".

EVENTS AFTER THE BALANCE SHEET DATE

Investment decisions have been taken concerning three smaller projects in southern Sweden with a total of 15 wind turbines. Construction will start in the period April-May 2013 with commissioning approximately 6 months later. The turbines have a combined installed capacity of 25.4 MW and are expected to produce approximately 87 GWh annually. The total investment is about MSEK 400. The farms are fully funded.

Option agreements have been signed regarding the acquisition of a project in Norway (130 MW) currently in the process of applying for permits. Agreements have also been signed concerning the right to lease land along the Scottish west coast and to apply for permission to erect a larger wind farm there (approximately 150 MW).

APPROPRIATION OF PROFIT

The Annual General Meeting is asked to decide on the appropriation of:

Parent Company	kkkr
Accumulated deficit from previous years	-45,595
Share premium reserve, non-restricted equity	1,367,002
Net loss for the year	-62,000
Total unappropriated earnings	1,259,407

The Board of Directors and the Chief Executive Officer propose to the Annual General Meeting that the earnings be distributed as follows:

To be carried forward	1,259,407
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For further information on the result and financial positions of the Group and Parent Company, see the income statements, balance sheets, cash flow statements and Notes to the accounts.

OUTLOOK FOR 2013

The Company currently has 139 MW of own capacity in full operation, which is expected to generate approximately 350 GWh on an annual basis. The production is price hedged at 50 % during 2013, at a price of approximately SEK 820 per MWh. In addition, the Company owns fifty per cent of the Jädraås farm which is planned to be fully operational during the first quarter of 2013. The farm is expected to generate 570 GWh on an annual basis, of which the Company's portion is equivalent to 285 GWh. Starting September 2013, 69 per cent of the electricity revenue will be hedged at a price of EUR 96/MWh for a five-year period. The certificate revenue is hedged for three years at a price of SEK 169/MWh.

In addition to the three smaller projects for which construction will start in the spring (25.4 MW), a further approximately 50 MW can be built with currently available capital. The Company is seeking a co-owner for the Solberg project (78 MW).

During 2012, the Company expanded its offering of services, consolidated the operations and secured the possibility of a significant expansion via agreements making possible the acquisition of a number of wind power projects. The Company is cautiously optimistic regarding the next few years and considers the possibility to further strengthen its position on the Nordic market to be very good.

The Company's long-term goal is to have constructed and manage 1,000 MW by 2017, of which it will own 500 MW.

Consolidated income statement

Amounts in MSEK	Note	2012	2011
Net sales		210	180
Other operating income		38	74
Total income	2	248	255
Capitalised work on own account	2	19	31
Personnel costs	4	-46	-45
Other external expenses	5	-53	-64
Share in income of associated companies	10	9	-
Operating profit before depreciation (EBITDA)		177	177
Depreciation of property, plant and equipment	9	-122	-73
Operating profit (EBIT)		54	104
Financial income	6	16	8
Financial expenses	6	-93	-46
Profit/loss before tax		-22	65
Income tax	7	6	-18
Net profit/loss for the year		-16	47
Earnings per share (SEK)			
Before dilution		-0.47	1.46
After dilution		-0.47	1.46
Number of shares at the beginning of the year		33,428,070	30,635,570
Number of shares at the end of the year		33,428,070	33,428,070

Earnings per share before dilution are calculated by dividing net profit for the year by the number of shares. The average number of outstanding shares applied in calculating earnings per share before dilution amounted to 33,400,973 shares (2011: 32,031,820 shares). The Company has issued warrants that could result in dilution, but no dilution is reported when the average price for the year as regards the listed equity value is below the average of the subscription price of the warrants.

Treasury shares that the Company held in 2012 have not been included in the calculation of Earnings per share. The Company holds a total of 54,194 such shares.

Consolidated statement of comprehensive income

Amounts in MSEK	2012	2011
Net profit/loss for the year	-16	47
Other comprehensive income		
Cash flow hedges	-70	-108
Translation differences	-17	-6
Income tax attributable to components of other comprehensive income	12	30
Other comprehensive income for the year, net after tax	-74	-84
Total comprehensive income for the year	-90	-37

Comprehensive income is 100 % attributable to the shareholders of the Parent Company.

Consolidated balance sheet

Amounts in MSEK	Note	2012	2011
ASSETS			
Fixed assets			
Property, plant and equipment	9	2,162	2,127
Investments in associated companies	10	69	84
Receivables with associated companies	22	373	285
Deferred tax assets	7	63	45
Other financial fixed assets	12	86	75
Total fixed assets		2,753	2,615
Current assets			
Inventories	13	23	24
Accounts receivable	15	6	29
Other current receivables	11, 14	22	12
Prepaid expenses and accrued income	16	62	52
Cash and cash equivalents		341	137
Total current assets		454	254
TOTAL ASSETS		3,207	2,869
EQUITY			
Share capital	17	3	3
Other contributed capital		1,322	1,324
Hedging reserve		-169	-95
Retained earnings/Accumulated deficit		-4	12
Total equity		1,152	1,243
LIABILITIES			
Non-current liabilities			
Non-current interest-bearing liabilities	18	1,583	1,319
Provisions	19	20	20
Total non-current liabilities		1,603	1,339
Current liabilities			
Current interest-bearing liabilities	18	107	82
Accounts payable		26	22
Other liabilities	11	291	139
Accrued expenses and deferred income	20	28	44
Total current liabilities		452	287
TOTAL EQUITY AND LIABILITIES		3,207	2,869
Pledged assets	21	2,663	2,674
Contingent liabilities	21	None	None

Consolidated cash flow statement

Amounts in MSEK	Note	2012	2011
Operating activities			
Operating profit (EBIT)		54	104
Adjustment for non-cash items	8	62	75
Tax paid		-1	-1
Cash flow from operating activities before changes in working capital		116	177
Cash flow from changes in working capital			
Decrease in inventories		1	-7
Increase in operating assets		-17	-3
Increase in operating liabilities		69	44
Cash flow from operating activities		170	211
Investing activities			
Investments in property, plant and equipment		-84	-549
Government grants		7	27
Investments in associated companies		0	-8
Investments in other financial fixed assets		-99	-291
Cash flow from investing activities		-176	-822
Financing activities			
Increase in interest-bearing liabilities		304	595
Deposits, blocked accounts		-12	-52
Interest paid		-87	-66
Interest received		6	10
Issue of new shares		-	11
Cash flow from financing activities		210	498
Cash flow for the year		204	-113
Cash and cash equivalents at beginning of year		137	250
Cash and cash equivalents at end of year		341	137
Interest-bearing liabilities at end of year		1,690	1,401
Blocked cash at end of year		-85	-73
Interest-bearing net liabilities		1,265	1,192

Consolidated statement of equity

Amounts in MSEK	Share capital	Other contributed capital	Hedging reserve	Retained earnings/ accumulated deficit	Total equity
Opening balance as of 1 Jan 2011	3	1,238	-11	-35	1,195
Profit/loss for the year				47	47
Other comprehensive income for the year			-84		-84
Total comprehensive income			-84	47	-38
Issue of new shares	0	11			11
Issue of new shares upon acquisition of ass. companies		47			47
Adjustment in value of issued warrants		0			0
Utilisation of treasury shares for the acquisition of assets		28			28
Total transactions with shareholders, recognised directly in equity	0	86			86
Closing balance as of 31 Dec 2011	3	1,324	-95	12	1,243
Opening balance as of 1 Jan 2012	3	1,324	-95	12	1,243
Profit/loss for the year				-16	-16
Other comprehensive income for the year			-74		-74
Total comprehensive income			-74	-16	-90
Acquisition of own shares		-2			-2
Total transactions with shareholders, recognised directly in equity		-2			-2
Closing balance as of 31 Dec 2012	3	1,322	-169	-4	1,152

Definitions of key ratios

EBITDA margin

Operating profit before depreciation (EBITDA) as a percentage of net sales.

Operating margin

Operating profit (EBIT) as a percentage of net sales.

Return on capital employed

Rolling 12 months operating profit before depreciation (EBITDA) related to quarterly average capital employed for the period.

Return on equity

Rolling 12 months net profit related to quarterly average equity for the period.

Equity per share

Equity divided by the average number of shares.

Interest-bearing net liabilities

Interest-bearing liabilities less cash and blocked accounts.

Interest coverage ratio

Profit before tax plus financial expenses as a percentage of financial expenses.

Debt/equity ratio

Interest-bearing net liabilities as a percentage of equity.

Equity/assets ratio

Equity as a percentage of total assets.

Capital employed

Equity plus interest-bearing net liabilities.

Notes to the consolidated financial statements

NOTE 1 ACCOUNTING PRINCIPLES

ACCOUNTING PRINCIPLES FOR THE GROUP

1. GENERAL INFORMATION

Arise Windpower AB (publ), Corporate Identity Number 556274-6726, is a limited liability company registered in Sweden. The Company's registered office is located in Halmstad. The Company's and its subsidiaries' primary operations are described in the Director's report in this annual report. The consolidated financial statements for the financial year ending on 31 December 2012 were approved by the Board of Directors on 27 March 2013, and will be presented to the Annual General Meeting for ad on 2 May 2013.

2. SUMMARY OF IMPORTANT ACCOUNTING PRINCIPLES

Arise Windpower complies with and has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as approved by the EU Commission for application in the EU. The Group also applies recommendation RFR 1 Supplementary Accounting Rules for Groups issued by the Swedish Financial Reporting Board, which specifies the additional disclosures to IFRS as required according to the regulations of the Swedish Annual Accounts Act.

The Group's reporting currency and the Parent Company's functional currency is the Swedish krona (SEK). Unless otherwise stated, all amounts are stated in millions of Swedish kronor. In the consolidated financial statements, items have been measured at acquisition cost, with the exception of financial instruments, which have been measured at fair value. The applied accounting principles which have been deemed significant to the Group are described below.

New and amended standards applied by the Group

None of the IFRS or IFRIC interpretations which, for the first time, were obligatory for the financial year commencing on 1 January 2012, have had a significant impact on the Group.

A number of new standards and amendments to existing standards enter into force for financial years beginning after 1 January 2012 and have not been applied in the preparation of the consolidated financial statements. None of these are expected to have a significant impact on the consolidated financial statements, with the following exceptions:

Amendments have been introduced to IAS 1 "Presentation of Financial Statements" regarding the reporting of Other comprehensive income. The most significant change to the amended IAS 1 is the requirement that the items reported under "Other comprehensive income" are to be classified according to two categories.

This classification is based on whether or not the items can be reclassified to an item in the income statement (reclassification adjustments). The change does not address the matter of which items are to be included in "Other comprehensive income".

IFRS 13 "Fair Value Measurement" aims at more consequent and less complex valuations at fair value by providing an exact definition and a common source in IFRS for valuations at fair value and associated disclosures. The standard provides guidance regarding valuations at fair value for all types of assets and liabilities, both financial and non-financial. The requirements do not extend the area of application as to when fair value should be applied but provide guidance regarding the manner in which fair value should be applied in areas where other IFRS already require, or allow, valuation at fair value.

IFRS 9 "Financial Instruments" addresses the classification, valuation and accounting of financial liabilities and assets. IFRS 9 was published in November 2009 regarding financial assets and in October 2010 regarding financial liabilities and replaces those aspects of IAS 39 which refer to the classification and measurement of financial instruments. IFRS 9 stipulates that financial assets be classified into two different categories: valued at fair value or valued at accrued acquisition cost. Classification is determined at initial recognition according to the company's business model and the characteristics in the contractual cash flows. There will be no major differences compared with IAS 39, as regards financial liabilities. The largest difference implies changes to liabilities which are valued at fair value. The following is applied to such liabilities: the portion of the change in fair value which is attributable to the company's own credit risk is to be recognised in Other comprehensive income, instead of in Net profit/loss, so long as this does not result in an accounting mis-match. The Group intends to apply the new standard no later than the financial year beginning 1 January 2015 and has not yet evaluated the effects. The Group will evaluate the effects of the remaining phases of IFRS 9 once they are completed by IASB.

IFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor as to whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in the determination of this control where this is difficult to assess. The Group intends to apply IFRS 10 for the financial year beginning 1 January 2014 and has not yet evaluated the full effects on the consolidated financial statements.

IFRS 12 "Disclosures of Interests in Other entities" includes disclosure requirements for subsidiaries, joint arrangements, associated companies and "structured entities" which have not been consolidated. The Group intends to apply IFRS 12 in the financial year beginning 1 January 2014 and has not yet evaluated the full effects on the consolidated financial statements.

No other of the IFRS or IFRIC interpretations yet to enter into force are expected to have any significant impact on the Group.

Consolidated financial statements

Subsidiaries

Subsidiaries are those companies in which the Group, directly or indirectly, holds more than 50 % of the votes or, in any other manner, exercises a controlling influence. Subsidiaries are included in the consolidated financial statements as of the date on which control is transferred to the Group and deconsolidated as of the date on which control is relinquished.

Subsidiaries are reported in accordance with the purchase method. The acquired identifiable assets, liabilities and contingent liabilities are measured at fair value as of the acquisition date. Any surplus, constituting by the difference between the consideration paid for the acquired holding and the sum of fair values of the acquired identifiable assets and liabilities, is reported as goodwill. If the acquisition cost is less than the fair value of the acquired subsidiary's net assets, the difference is reported directly in the income statement.

Acquisition-related costs are expensed as they arise. Intra-Group transactions, balance sheet items and income and expenses from transactions between Group companies are eliminated. Profits and losses arising from intra-Group transactions, reported as assets, are also eliminated. Accounting principles for subsidiaries have, if appropriate, been altered in order to guarantee a consistent application of the Group's principles.

Associated companies

Associated companies are the companies in which the Group has a significant influence but not a controlling influence, which, in principle, applies to a holding amounting to between 20 % and 50 % of the votes. Holdings in associated companies are reported in accordance with the equity method. In accordance with the equity method, investments are initially measured at acquisition cost, after which the carrying value is increased or decreased in order to reflect the Group's holding in the profits or losses of the associated company after the acquisition date. The Group's carrying value of holdings in associated companies also includes any goodwill and other surplus values identified in the acquisition.

If the participating interest in an associated company decreases but the investment continues to be defined as an associated company, only a proportional amount of the profit or loss which was previously reported in other comprehensive income is reclassified in the statement.

The Group's share of the profit arising after the acquisition is reported in the income statement and the share of the changes in other comprehensive income after acquisition is reported in other comprehensive income, with a corresponding change in the holding's carrying value. When the Group's share in the losses of an associated company amounts to, or exceeds, its holding

in the associated company, including any receivables without collaterals the Group does not report further losses unless it has assumed legal or informal obligations or made payments on behalf of the associated company.

At the end of each reporting period, the Group assesses whether there is objective proof for impairment regarding investments in associated companies. In such case, the Group calculates the impairment as the difference between the recoverable amount of the associated company and the carrying value, and reports the amount in "Holdings in associated companies" in the income statement.

Leases

In the consolidated financial statements, leases are classified either as financial or operating. Contracts in which the economic benefits associated with the commitment have, in all material aspects, been transferred to the lessee, are reported as financial leases. Other contracts are reported as operating leases and are expensed on a straight-line basis over the lease term.

Finance leases

Each lease payment is allocated between amortisation of liabilities and financial expenses. The corresponding payment commitments, after deduction for financial expenses, are included in the balance sheet items Non-current interest-bearing liabilities and Current interest-bearing liabilities. The interest from the financial expenses is reported in the income statement, allocated over the lease term so that each accounting period receives an amount corresponding to a fixed interest rate for the liability reported in each period. Fixed assets held in accordance with financial lease agreements are depreciated over the asset's useful life or lease term, whichever is the shorter.

Operating leases

The Group signs lease agreements with land owners for periods of 30 years or more for the construction of wind turbines. Lease agreements regarding land are defined as operating leases. Lease payments for operating lease contracts are expensed systematically over the lease term.

Transactions and balance sheet items in foreign currencies

In each entity, transactions in foreign currencies are reported on the basis of the entity's functional currency, in accordance with the exchange rate applicable on the transaction date. Monetary assets and liabilities in foreign currencies are translated at the closing rate, and the exchange rate differences arising are included in income for the period. Exchange rate differences between operating receivables and operating liabilities are reported in operating income, whilst exchange rate differences between financial receivables and liabilities are reported in net financial income/expenses.

Profits and losses on derivatives for hedging are reported in the income statement items in which the hedged transactions are reported.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Income

Income is recognised in the income statement when the significant risks and benefits associated with the sale have been transferred to the purchaser. Income is not reported if it is likely that the economic benefits will not accrue to the Group. Income is reported at the fair value of that which has been received, or is expected to be received, with deduction for discounts granted.

Net sales include the sales of generated electricity, earned and sold electricity certificates and realisations of electricity and currency derivatives attributable to hedged production. Other operating income comprises development fees, income for sold but not yet generated electricity, income from crane rental, project management and administrative services and other minor items (Note 2).

Income from sales of generated electricity is recognised during the period in which the delivery was performed at the obtained spot price, forward price or other agreed price. Income relating to electricity certificates is recognised at the applicable spot price, forward price or other agreed price for the period in which the electricity certificate is earned, which is the period in which the electricity is produced.

Electricity certificates are reported as inventories in the balance sheet when they are registered in the Energy Agency's account, and as accrued income for any periods during which they have been earned but not yet registered.

Government grants

Government grants are reported at fair value when it is regarded as reasonably assured that the grants will be received and the Group will fulfil the conditions attached to the grant.

Income from government grants is reported in the income statement in the same period as the expense for which the grant has been received is reported. Government grants received for investments in fixed assets are reported in the balance sheet by reducing the total investment amount.

Employee benefits

Employee benefits in the form of salaries, holiday pay, paid sick leave, etc., and pensions are reported as they are earned. With regard to retirement benefit obligations, the Group only has defined contribution pension plans which primarily include retirement pension, disability pension and family pension.

Premiums are paid continuously during the year, by each Group company, to separate legal entities, normally insurance companies. The size of the premium is based on the salary level and, other than pension payments, the Group has no obligation to pay further benefits. The expenses are charged to the Group's earnings at the same time as the benefits are earned, which normally coincides with the time at which premiums are paid. Regarding guidelines for benefits to senior executives please refer to the Director's report on page 31.

Tax

Tax expense or tax income for the year's comprises current tax and deferred tax. Current tax is based on the year's taxable income. The year's taxable income is different from the year's reported profit as it has been adjusted for non-taxable and non-deductible items. Deferred tax is tax attributable to taxable or deductible temporary differences which incur or reduce tax in the future.

Deferred tax is calculated, applying the balance sheet method on the basis of temporary differences between the carrying values and taxable values of assets and liabilities. The amounts are calculated based on the manner in which the temporary differences are expected to be settled and by applying the tax rates and tax regulations agreed or announced on the balance sheet date. Deferred tax receivables attributable to fiscal losses and deductible temporary differences are reported only to the extent that it is likely that future fiscal surpluses will be accessible, against which temporary differences and loss carry-forwards can be offset.

Deferred tax is reported as an income or expense in the income statement, apart from the cases in which it refers to transactions reported in other comprehensive income or in equity, in which case any tax effects are also reported in other comprehensive income or equity, respectively.

Deferred tax receivables and tax liabilities are offset when they relate to income tax debited by the same tax authority or when the Group intends to settle tax with a net amount.

Property, plant and equipment

Property, plant and equipment are reported at cost less accumulated depreciation and impairment. The cost includes expenditure which is directly attributable to the acquisition of the asset and transfers from equity of earnings from approved cash flow hedges relating to purchases of property, plant and equipment in foreign currencies. The cost for wind turbines also includes, in contrast to the cost for other investments, normal expenses for installation. Interest expenses attributable to construction and installation are included in the acquisition value. All expenses for continuous new investments are capitalised.

In conjunction with the permit for the construction of wind turbines, the Group commits to restore land to its original condition after the end of these turbines useful life. The estimated expense for the restoration is reserved in the Group's finances and included in the cost for wind turbines.

Subsequent expenditure increases the asset's carrying value or is reported as a separate component only when it is likely that future economic benefits associated with the asset will accrue to the Group and the cost of the asset can be measured reliably. All other forms of repairs and maintenance are reported as expenses in the income statement in the period in which they arise.

Land is assumed to have an indefinite useful life and is, therefore, not depreciated. Depreciation of wind turbines is undertaken on a straight line basis down to the asset's estimated residual value and over the asset's expected useful life. The depreciation of wind turbines is initiated in conjunction with the takeover from the supplier. For the calculation of depreciation according to plan, the following useful lives are applied:

- Buildings 20 years
- Wind turbines 25 years
- Other equipment 3–5 years

Impairment

At each reporting date, the assets' useful lives are reviewed and are tested for impairment of the Group's assets. In such cases, the asset's recoverable amounts are calculated.

The recoverable amount is the higher of the asset's value in use and net realisable value. The value in use comprises the current value of all incoming and outgoing payments attributable to the asset during the period in which it is expected to be utilised in the operations, plus the present value of the net realisable value at the end of the asset's useful life. If the calculated recoverable amount is less than the carrying value, the asset is impaired to its recoverable amount.

A previous impairment is reversed when a change has occurred in the assumptions used in the determination of the asset's recoverable amount when it was impaired, and which implies that the impairment is no longer deemed necessary. Reversals of previous impairments are assessed individually and reported in the income statement.

FINANCIAL ASSETS

Classification

Financial assets can be categorised in the following categories: financial assets valued at fair value through profit or loss, loans and receivables, investments held to maturity, and financial assets available for sale. The classification depends on the intention for which the financial asset was acquired. Management determines the classification of the financial assets upon initial recognition. The only category held by the Company is loans and receivables.

Loans and receivables

Loans and receivables are financial assets which are not derivatives, which have determined or determinable payments and which are not quoted on an active market. They are included in current assets, with the exception of items maturing later than 12 months after the balance sheet date, which are classified as fixed assets. The Group's loans and receivables comprise receivables from associated companies, accounts receivable and other receivables, as well as cash and cash equivalents in the balance sheet.

Loans and receivables are reported after acquisition date at amortised cost, applying the effective interest method, less any reserve for increase in value.

Financial instruments

A financial asset or a financial liability is reported in the balance sheet when Arise Windpower becomes a party to the instrument's contractual terms and conditions. A financial asset is derecognised from the balance sheet when the rights of the agreement are realised, expire or the Company loses control over them. A financial liability is derecognised from the balance sheet when the obligations in the agreement are fulfilled or extinguished in a different manner. Acquisitions and sales of financial assets are reported on the transaction date, which is the date on which the Company commits to acquire or sell the asset, except for cases in which the Company acquires or sells listed securities when settlement accounting is applied. On each reporting date, Arise Windpower assesses whether there are objective indicators suggesting that a financial asset or a group of financial assets needs to be impaired.

Calculation of the fair value of financial instruments

In determining the fair value of long-term derivatives, official market prices on the balance sheet date are applied. The market values of other financial assets and financial liabilities are calculated through generally accepted methods such as discounting of future cash flows to the listed market rate for each maturity. Translation to Swedish kronor is made applying the quoted exchange rate on the balance sheet date.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and reported in a net amount in the balance sheet when there is a legal right of offset and when the intention is to settle the items with a net amount or to realise the asset and settle the liability at the same time.

Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, which are measured at fair value.

Derivatives

All derivatives are reported at fair value in the balance sheet. Measurement of hedging instruments for electricity prices, currencies and interest rates is based on observable data. For derivatives for which hedge accounting is not applied and for derivatives included in a fair value hedge, the changes in value are reported in the income statement. In cash flow hedging, the changes in value are reported in specific categories within equity until the hedged item is reported in the income statement. Any profits or losses on hedging instruments attributable to the effective part of hedging are reported in equity under hedging reserve. Any profits or losses attributable to the ineffective parts of hedging are reported in the income statement; electricity and currencies in operating income and interest derivatives in net financial income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

When transactions are made, the Group documents the relationship between hedging instrument and the hedged item, as well as the Group's objectives for risk management and the risk management's strategy regarding hedging. The Group also documents its assessment, both when the hedging is initiated and on an on-going basis, as regards whether the applied derivatives in hedge transactions are effective in terms of offset changes in the fair value or cash flows attributable to the hedged items.

Information on the fair value of various derivatives applied in the hedging system can be found in Note 11.

Borrowing

Liabilities to credit institutions and credit facilities are categorised as "Other financial liabilities" and measured at amortised cost, whereby directly attributable expenses such as arrangement fees are distributed over the loan's maturity using the effective interest method. Non-current liabilities have an expected maturity longer than 1 year whilst current liabilities have a maturity shorter than 1 year.

Borrowing expenses

The Group capitalises borrowing expenses directly attributable to purchases, construction or production of an asset as it takes time to complete the construction for use, as part of the amortised cost of the asset (Note 9).

ACCOUNTS PAYABLE

Accounts payable are obligations to pay for products or services which have been acquired in the operations from suppliers. Accounts payable are classified as current liabilities if they fall due within one year or earlier. If not, they are recognised as non-current liabilities.

Accounts payable are initially recognised at fair value and thereafter at amortised cost, applying the effective interest method.

Inventories

Inventories are measured at the lower of cost and net realisable value. The net realisable value is equivalent to the listed value on a specific exchange for electricity certificates or another value if a different agreement has been concluded. The cost for inventories is calculated by applying the first in, first out method (FIFO).

Segment reporting

Operating segments are reported in a manner which is consistent with the internal reporting, which for Arise means Own wind power operations, Co-owned wind power operations and Other wind power development.

Share capital

Ordinary shares are classified as equity. Obligatory redeemable preference shares are to be classified as liabilities; however, this is not applicable for Arise.

Transaction costs which can be directly attributed to the issuing of new ordinary shares or bonds are reported, net after tax, in equity, as deductions from the capital received from the issue. When a Group company purchases the Parent Company's shares (repurchase of own shares), the paid purchase price, including any directly attributable transaction costs (net after tax), reduces the profit carried forward, until the shares are withdrawn or sold. If these ordinary shares are, at a later date, sold, the received amount (net after any directly attributable transaction costs and tax effects) is reported in profit carried forward.

3. SIGNIFICANT ESTIMATES AND ASSUMPTIONS

In preparing financial statements in accordance with IFRS and generally accepted accounting principles, estimates and assumptions about the future are made, which affect balance sheet and income statement items. These assessments are based on past experience and the various assumptions which the management and the Board regard as reasonable under the prevailing circumstances. In cases in which it is not possible to determine the carrying value of assets and liabilities on the basis of information from other sources, measurements are based on such estimates and assessments. If other assumptions are made or other conditions arise, the actual outcome may differ from these assessments. Due to the fact that these types of assessments are normally significant in calculating tax, the assessments made regarding future taxation may have a significant impact on Arise Windpower's income and financial position.

Measurement of loss carry-forwards

Deferred tax receivables regarding loss carry-forwards reported in the Group amount to MSEK 26 (17), see Note 7. The carrying value of these tax receivables has been assessed at year-end and it has been regarded as likely that the losses may be offset against surpluses in future taxation. The tax receivables refer to Swedish tax losses, which can be utilised for an indefinite period. The Group's operations, in the form of actual wind farms in operation, are expected to generate significant profits over the next few years, for which reason Arise Windpower believes that there are factors confirming that it will be possible that the tax losses to which the tax receivables are attributable will be offset against future taxable surpluses.

Useful lives of wind turbines

In conjunction with the preparation of the second quarter interim report, the useful life of wind turbine investments was reassessed together with the depreciation of turbine components. The assessment has resulted in a prolonged useful life, from the previous 20 to 25 years. The change has been executed from the start of the second quarter of 2012 and has decreased depreciation for the year by approximately MSEK 15 compared to the previous depreciation according to plan. In cases in which the useful lives prove to be shorter than 25 years, Arise Windpower's profits and cash flows can be negatively influenced.

Framework agreements with suppliers – cancellation fees

The Company has concluded framework agreements regarding the purchase of wind turbines, including clauses regarding cancellation fees under certain circumstances. On the basis of actual purchase plans and forecasts, Company management assesses that no fees will be payable (Notes 9 and 21).

Restoration costs

In certain projects there are requirements on the restoration of land after the expiration of the project. The expenses for the dismantling of wind turbines and restoring the land around wind turbines have been estimated to MSEK 20 (20) for turbines in operation, for which a provision has been made in the financial statements (Note 19) and included in the depreciable amount.

NOTE 2 INCOME

Net sales include the sale of generated electricity, earned and sold electricity certificates, as well as realisations of electricity and currency derivatives relating to hedged production.

	2012	2011
Electricity	127	106
Electricity certificates	83	74
Net sales	210	180

Realised derivatives have affected net sales positively by MSEK 21 (8).

EElectricity production in Own wind power operations amounted to 326.1 (246.6) GWh. The average income for electricity was SEK 390 (432) per MWh and for electricity certificates was SEK 255 (300) per MWh, i.e. an average income per produced MWh of SEK 645 (732) per MWh.

The following items are included in Other operating income:

	2012	2011
Other income attrib. to electricity and certificates	-	8
Revenue from crane rental	11	16
Development fee	7	37
Project management and administrative services	13	5
Other items	7	9
Other operating income	38	74

Capitalised work on own account refers to internal work capitalised at the Group's wind power projects. From the fourth quarter of 2012, this is reported in Operating expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 SEGMENT REPORTING

The Group's internal reporting system is based on the return and profitability of the wind farms built and in operation, for which reason Own wind power operations form the primary basis of segment reporting. Associated companies, which for accounting purposes are not consolidated and currently only consist of the Jädraås project, are illustrated in the new segment Co-owned wind power operations, as if these operations were consolidated. Other activities in the Group

aim to develop wind farms, for which reason these activities have been categorised as Wind power development. Transfer prices between the various segments are determined on the basis of the "arm's length" principle, that is, between parties who are independent, well informed and with an interest in the transactions made. Segment income, earnings and assets include directly attributable items and items which can be allocated to segments in a reasonable and reliable manner.

	Own wind power operations		Co-owned wind power operations		Wind power development		Eliminations		Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Net sales, external	210	180	13	-	-	-	-13	-	210	180
Net sales, internal	-	-	-	-	12	6	-12	-6	-	-
Other operating income	-	8	-	-	38	67	-	-	38	74
Total income	210	188	13	-	50	73	-25	-6	248	255
Capitalised work on own account	-	-	-	-	19	31	-	-	19	31
Operating expenses	-46	-32	-2	-	-65	-86	14	9	-99	-109
Share in income of associated companies	-	-	-	-	-	-	9	-	9	-
Op. profit before depreciation (EBITDA)	164	156	11	-	3	18	-2	3	177	177
Depreciation and amortisation	-85	-63	-	-	-37	-4	0	-7	-122	-73
Operating profit (EBIT)	80	93	11	-	-34	14	-2	-4	54	104
Financial income	4	3	-	-	12	4	0	-	16	8
Financial expenses	-68	-44	-	-	-25	-2	0	-	-93	-46
Profit/loss before tax	16	53	11	-	-46	16	-2	-4	-22	65
Assets	2,315	2,434	1,571	-	923	435	-1,571	-	3,237	2,869
- of which associated companies shares	-	-	-	-	69	84	-	-	69	84
- of which receivables associated companies	-	-	-	-	373	285	-	-	373	285
- of which purchase of fixed assets ¹	14	1,308	-	-	145	510	-	-1,295	159	523

1) Purchase of fixed assets other than financial instruments and deferred tax assets.

All operations are conducted in Sweden. Eliminations comprise of the sale of leases for the developed land areas, hiring of measuring equipment, consulting services primarily consisting of licensing and planning work, and further charged administrative expenses.

NOTE 4 PERSONNEL

Average number of employees	2012			2011		
	Women	Men	Total	Women	Men	Total
Parent Company	7	17	24	5	15	20
Subsidiary	1	14	15	1	11	12
Group total total	8	31	39	6	26	32
Salaries and other remuneration						
	Board and CEO	of which variable rem.	Other empl.	Board and CEO	of which variable rem.	Other empl.
Parent Company	4.3	-	14.8	4.0	0.5	18.4
Subsidiary ¹	3.5	-	6.1	3.4	0.7	5.6
Group total	7.8	-	20.9	7.4	1.2	24.0
Salaries and other remuneration						
	Salaries and remun.	Social Sec. contr.	of which pens. costs	Salaries and remun.	Social sec. contr.	of which pens. costs
Parent Company	19.2	10.2	4.3	22.4	9.5	3.6
Subsidiary	9.6	5.4	2.1	9.0	4.3	1.8
Group total	28.8	15.6	6.4	31.4	13.8	5.4

2012

Remuneration to the Board of Directors, CEO and Senior executives	Directors' fees	Salaries	Variable remun.	Other benefits	Pension Costs
Pehr G Gyllenhammar, chairman	1.0				
Birger von Hall	0.4				
Joachim Gahm	0.6				
Maud Olofsson	0.4				
Jon G Brandsar					
otal remuneration to the Board of Directors	2.4				
Peter Nygren, CEO		1.9	-	0.1	0.6
Other senior executives (6 individuals)		6.0	-	0.3	1.6
Total remuneration to CEO and senior executives		7.9	-	0.4	2.2

1) In addition to the reported salaries and remuneration, consulting fees of MSEK 0.1 (0.3) have been paid to three Board members in subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2011

Remuneration to the Board of Directors, CEO and Senior executives	Directors' Fees	Salaries	Variable remun.	Other benefits	Pension- Costs
Pehr G Gyllenhammar, Chairman	1.0				
Birger von Hall	0.5				
Joachim Gahm	0.7				
Jon G Brandsar					
Total remuneration to the Board of Directors	2.2				
Peter Nygren, CEO		1.8	0.4	0.1	0.6
Other senior executives (5 individuals)		4.9	1.1	0.2	1.3
Total remuneration to CEO and senior executives		6.7	1.5	0.3	1.9

Basic salary/Directors' fee

The Chairman and Members of the Board are paid in accordance with the resolution of the Annual General Meeting. Those Board Members who are employees of the Company have received no remuneration or benefits other than those relating to their employment. Remuneration to the CEO and other Senior Executives consists of basic salary, variable remuneration, other benefits and pensions. Senior Executives refers to the group of individuals who, together with the CEO, formed the Group Executive Board in 2012.

Variable remuneration

All employees are covered by a collective remuneration program which is linked to the quantitative objectives set out within the Group. This program has been supplemented with individual remuneration programs based on individual goals. Goal attainment for 2012 assumed a positive result, which was not achieved, meaning that no variable remuneration based on any remuneration program was paid. No other payments or payments with a dilution effect were made.

Other benefits

Other benefits primarily refer to company cars.

Pension

The retirement age for the CEO and other senior executives is 65. The pension contribution to the CEO is 35% of the pensionable salary and follows the defined contribution plan. Other senior executives also have defined contribution pension plans and for 2012, the pension premium averaged 26 (28) per cent of the base salary. Variable remuneration solutions do not form the basis for any pension payments for the CEO or for the Senior Executives. All pensions are vested, meaning that they are not conditional upon future employment.

Financial instruments

Remuneration and benefits in the form of financial instruments have not been paid out or provided for.

Severance pay

Between the Company and the CEO, a notice period of 6 months has been agreed upon. Notice of termination on behalf of the Company to other Senior Executives is typically between 6 and 24 months. During the notice period, normal salary is paid. No severance payments to the CEO or other senior executives are paid.

Drafting and decision-making process

During the year, the Remuneration Committee provided the Board with recommendations on principles for remuneration to Senior Executives. The recommendations included the size of any increases in salary and criteria for evaluation of variable remuneration. The Board discussed the Committee's proposal and made a recommendation on remuneration policy, which was also approved by the Annual General Meeting.

Remuneration to the CEO for the financial year 2012 was resolved by the Chairman of the Board in accordance with the recommendations of the Remuneration Committee, as approved by the Annual General Meeting. Remuneration to other Senior Executives was determined by the CEO after consultation with the Remuneration Committee, within the framework of the remuneration policy.

In 2012, the Remuneration Committee included Birger von Hall, (Chairman), Joachim Gahm and Maud Olofsson. The Committee is convened when required, but at least twice a year to prepare proposals on remuneration to the CEO and to accept or reject their proposal for the remuneration and conditions for the Senior Executives who report directly to him. Furthermore, the Committee establishes principles for determining the salaries and conditions of employment for Senior Executives, which are submitted to the AGM for approval. The Remuneration Committee shall make recommendations on the remuneration, terms and principles of the Board which will, consequently, decide on these matters. The Committee met on three occasions in 2012.

Sick leave in the Group	2012	2011
Total sick leave	0.6%	2.2%
Short-term sick leave	0.6%	0.9%
Long-term sick leave	0%	1.3%
Sick leave for men	0.4%	1.9%
Sick leave for women	1.3%	3.3%
Sick leave, employees under 30 years old	0.2%	0.4%
Sick leave, employees aged 30-49	1.0%	3.8%
Sick leave, employees aged 50 or above	0%	0.7%

The total sick leave is stated as a percentage of the employees' regular working hours. Long-term sick leave refers to sick leave for a continuous period of 60 days or more.

Gender distribution among senior executives

	2012				2011			
	Women		Men		Women		Men	
	No. of	Per cent	No. of	Per cent	No. of	Per cent	No. of	Per cent
Board of Directors	1	20%	4	80%	0	0%	4	100%
Senior executives	0	0%	7	100%	0	0%	6	100%

Peter Nygren is both Board member and CEO. In the table above, he is a member of Group Management.

NOTE 5 AUDITING FEES

	2012	2011
Öhrlings PricewaterhouseCoopers		
Audit assignment	1.1	1.1
Audit activities other than the audit assignment	0.7	0.6
Tax consultancy	0.3	0.7
Other services	0.1	0.3
Total	2.2	2.7

NOTE 6 FINANCIAL INCOME AND EXPENSES

	2012	2011
Interest income	16	8
Foreign exchange gains	0	0
Total financial income	16	8
Interest expenses	-92	-40
Foreign exchange losses	-1	-6
Total financial income	-93	-46

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 TAX

	2012	2011
Tax on profit for the year		
Deferred tax	6	-18
Reported tax	6	-18
Deferred tax		
Attributable to unutilised loss carry-forward ¹	26	17
Derivatives stated at fair value	47	30
Fixed assets	-10	-2
Total recognised deferred tax	63	45
Reconciliation of reported tax in the Group		
Profit/loss before tax	-22	65
Tax 22% (26,3%)	5	-17
<u>Tax effect of:</u>		
Non-deductible expenses	0	3
Non-deductible expenses 22%	-7	-
Correction of tax expense for prior years	1	0
Other additional and removed items	7	-4
Reported tax on profit for the year	6	-18
Change in deferred tax		
Opening value, net	45	34
Reported deferred tax on net profit/loss for the year	6	-18
Tax items recognised directly in equity ²	12	30
Closing value, net	63	45

1) The Group's total tax loss carry forward amounts to MSEK 117 (66), of which MSEK 37 (37) is blocked from use until the income year 2014. The financial deficit is expected to be utilised, in its entirety, against future taxable profits.

2) Tax items recognised directly in Other comprehensive income refer to the Group's hedging reserve attributable to interest, electricity and forward currency contracts, as well as to tax effects of costs attributable to new share issues.

NOTE 8 ADDITIONAL DISCLOSURES ON CASH FLOW STATEMENT

Cash and cash equivalents comprise cash and bank balances.

	2012	2011
Adjustment for non-cash items		
Depreciation and impairment of property, plant and equipment	122	73
Unpaid purchase consideration Solberg	-81	-
Internal gains associated companies	23	-
Repurchase of own shares	-2	2
Unrealised exchange gains	-	2
Impairment of proceeds from warrants	-	0
Total	62	75

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

	Buildings foundations and land ¹		Wind power, foundations and electrical inst.		Equipment, tools, fixtures and fittings		Advances and construction in progress ²		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Opening acquisition cost	3	6	2 057	749	80	75	110	897	2,250	1,728
InPurchases/investments ³	0	-	14	13	4	4	141	506	159	523
Grants	-	-	-	-	-	-	-	-	-	-
Sales/disposals	-	-	-	-	0	-1	-	-	0	-1
Reclassifications	-	-3	-	1,295	-	2	-	-1,293	-	-
Closing acquisition cost	3	3	2,071	2,057	83	80	252	110	2,409	2,250
Acc. accumulated depreciation and impairment at beginning of the year	0	0	-105	-44	-17	-5	-	-	-123	-50
Depreciation for the year	0	0	-86	-62	-12	-11	-26	-	-123	-73
Reclassifications	-	0	-	1	-	-1	-	-	-	-
Sales/disposals	-	-	-	-	-	-	-	-	-	-
Closing accumulated depreciation and impairment	0	0	-191	-105	-29	-17	-27	-	-247	-123
Closing residual value	3	3	1,881	1,952	54	63	225	110	2,162	2,127

1) Land and buildings includes land with a book value of MSEK 1 (1). The tax assessment value of the Group's properties is MSEK 2 (2), of which MSEK 1 (1) refers to the tax assessment value of land.

2) Constructions in progress include advance payments regarding property, plant and equipment of MSEK 19 (15).

3) Investments for the year do not include any capitalised interest (MSEK 16). In the previous year, the interest was calculated at an average interest rate of (4.4 %).

The framework agreement signed previously with GE Energy has been replaced by a new framework agreement which results in a contractual commitment to purchase a certain number of wind turbines during 2013. If these commitments are not met, the Company can become liable for costs to an amount of MSEK 21 (21) in 2013. The Company intends to enter into new agreements with suppliers on a regular basis for the continued expansion until 2017.

Financial lease agreements

The Group leases a crane and a truck under non-cancellable leases where the lease term amounts to 8 years. In addition, company cars under cancellable leases are leased with lease periods of 3 years. The residual value is included in financial lease agreements by MSEK 43 (50).

Operating leases

The Company has entered into operating leases, primarily leases of land associated with the construction of wind turbines, with minimum lease payments as described below. The cost of operating leases amounted to MSEK 16 (16), of which variable fees amounted to 15.9 (15.8) and minimum leasing fees amounted to 0.6 (0.2).

	2012	2011
Within 1 year	3	3
In 2 to 5 years	12	12
In 6 to 20 years	36	39
Total	51	54

Costs for land leases are based on the minimum lease payments for wind turbines in operation or under construction, and on contracts for which all necessary permits for the construction of wind turbines have been obtained. Minimum lease fees are indexed and adjusted in arrears according to the actual changes to KPIs. In addition, there are variable fees dependent on the income from electricity produced, which are adjusted in arrears according to the actual changes to KPIs, which may imply either an increase or a decrease to the fees. The amounts in the table are based on an unchanged future index.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 INVESTMENTS IN ASSOCIATED COMPANIES

	2012	2011
Opening book value	84	-
Acquisitions	0	89
Profit participation in associated companies	9	-
Elimination internal transactions	-24	-5
Closing book value	69	84

The Group's profit participation in associated companies and its share of assets and liabilities is as follows (MEUR):

Associated company	Registration country and currency	Assets	Liabilities	Revenue	Profit/loss	Participating interest
Sirocco Wind Holding AB	Sweden, EUR	360.4	339.5	3.1	2.0	50%

NOTE 11 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The most significant financial risks to which the Group is exposed include energy price risk, currency risk, interest risk, financing risk, capital risk and credit risk.

The overall goal of the Group's financial risk management is to identify and control the Group's financial risks. Risk management is centralised to the Parent Company's finance function. All financial risks that exist or arise in the Group's subsidiaries are managed by the central finance function.

Energy price risk

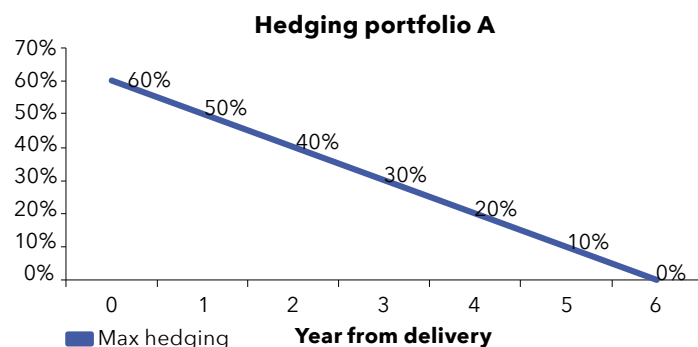
The most significant risk and the risk that has the largest impact on consolidated profit or loss is the electricity price risk.

The risk arises in cases in which prices for sold electricity have not been hedged, which means that changes in prices in the power market have a direct impact on the Group's operating profit or loss. The purpose of the Group's price hedging strategy is to mitigate the risk of fluctuations in the Group's profit or loss through price hedging.

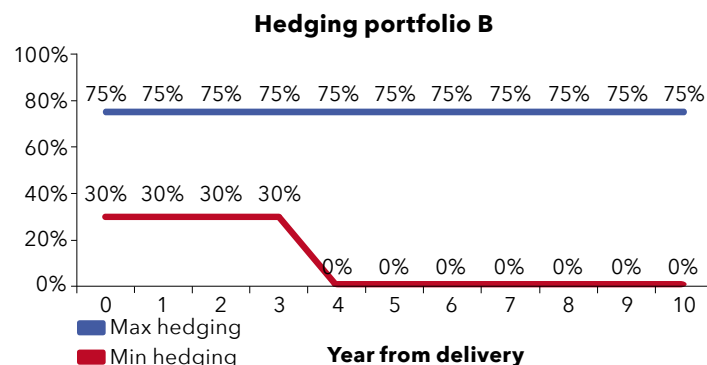
Electricity prices in the power market vary over time, and the Group strives to ensure that the price of delivered electricity is, at the time of delivery, should be hedged to some extent.

During the year, there has been a review of the financial policy and a division has been made between wind power projects to be built in the future, where the company has its own resources to finance the equity portion (Portfolio A), and projects of finished and taken-over wind farms (Portfolio B).

Portfolio A can be hedged in a falling five-year limit to a maximum of 60 %. Hedging of price risk can thus be up to 5 years before the delivery of the same quantity of electricity takes place. No lower limit has been established, as the company will not be forced to undertake low and unfavourable hedging in this portfolio.



For portfolio B, hedging should be undertaken at a minimum of 30 % and a maximum of 75 %, where the lower time limit is 3 years and the upper limit is 10 years on a rolling basis. Price hedging is, at any moment in time, to be within a specified hedging channel, but a transitional period of 24 months to transfer the hedges from portfolio A to portfolio B has been deemed reasonable. The remaining volume which is not hedged is sold at variable prices.



Prices can be hedged bilaterally, through physical delivery contracts with major consumers of electricity, and financially, by signing electricity derivatives on the Nordic power exchange, Nord Pool.

If the price of electricity to be delivered is hedged before the production capacity concerned has become operational, a volume risk arises, that is, the risk of non-delivery or delays in the delivery. The same risk may also arise in cases in which production, due to weak winds or no wind and/or disruptions in production, falls below fixed delivery undertakings provided for in bilateral contracts. Consequently, additional electricity has to be purchased on Nord Pool at the prevailing market price, which may be higher than the selling price in the fixed delivery contract. The Group strives to hedge prices of electricity from facilities that have yet to go into operation; in the first hand, through bilateral contracts which limit the volume risk; in the second hand, through financial hedging on Nord Pool, provided that it results in a higher revenue. However, financial hedging of prices of electricity from facilities that have yet to go into operation is not to exceed 25 % of the planned annual output. The remaining portion, up to the target price hedging level, is hedged through bilateral contracts.

Price hedging through various types of financial derivatives must be performed in a manner that meets the requirements for hedge accounting according to IAS 39. Derivatives are carried at market value in the balance sheet and unrealised changes in value are recognised in the balance sheet and in the hedging reserve in equity. When the hedged position is recognised in the income statement the result from the derivatives transaction is transferred from equity to the income statement to meet result from the hedged position.

Price hedging via Nord Pool is generally undertaken in the Nordic price area, at a so called system price, as compared to actual production and delivery, which are conducted in the price area in which the respective wind farm is established. In conjunction with price hedging on Nord Pool, the Group strives to ensure that the price area risk is also eliminated through trading in CFDs (Contracts For Difference).

Regarding issues related to electricity, the Group cooperates with Scandem which, in addition to providing assistance on power trading and other electricity issues, also manages the Group's need for balancing energy. This need arises on occasions in which the actual physical delivery of electricity deviates from the forecasted delivery. The difference, positive or negative, is handled by Scandem as so called balancing energy. Through aggregation with Scandem's other customers, a lower balancing energy cost is generally achieved than if Arise Windpower itself had handled this.

Electricity certificate price risk

Electricity certificates differ from electricity price, primarily because certificates can be saved and stored. The certificates are recognised in connection with the production of the corresponding electricity and are obtained physically from the Swedish Energy Agency the month after being earned. This means that sales must take place at a later date than both the earning and obtaining of the certificate. Electricity certificate price risk arises in cases certi-

ificate sales are not hedged and changes in the certificate market will thus have a direct impact on the Group's operating profit.

Price hedges of certificates can only be made bilaterally through the subscription of physical supply contracts with large electricity users. Most deliveries of the certificates are normally made in conjunction with the annual reconciliation in March that coincides with the annual declaration date for companies requiring certificates. The hedging period for one calendar year therefore runs from April to March. A certain proportion of certificates must be stored so that a "safety stock" of certificates can be built up to ensure delivery in accordance with the hedging agreements can be made until March of the following calendar year. Current sales can only be made of certificates held beyond this "security stock". Even within the certificates market, prices vary over time and the Group's aim is for certificates to be price hedged according to the same principles as electricity, as described above. The remaining volume which is not hedged can be sold at the variable spot market price on SKM's (Swedish Kraftmäklings) marketplace. Since certificates can be stocked, there is a price risk in respect of the stock certificates that are not hedged and which are continuously sold, known as the "Spot stock".

Currency risk

The Group's currency risk exposure arises primarily in conjunction with the sales of electricity on the Nord Pool power market (transaction exposure), the purchase of wind turbines and the translation of balance sheet items in foreign currency (translation exposure). The majority of these transactions are made in EUR. The risk on the sales side is managed by hedging the currency portion of hedged power prices using EUR currency futures. Wind turbine investments in foreign currencies are hedged by concluding futures contracts at the time of making the investment decision or by purchasing currency deposited on an account.

Transaction exposure

Currency exposure on sales arises when electricity is sold in EUR on Nord Pool or via a bank. Sales of electricity and electricity certificates and bilateral sales contracts signed directly with power distributors of electrical power are, however, normally denominated in SEK and, therefore, do not give rise to any currency exposure. If a bilateral agreement is signed in EUR, a foreign exchange risk exposure occurs. Normally, currency exposure is estimated to occur in 50-60 % of income. Of this, about ¼ derives from the portion of the price hedging which takes place via financial instruments in Nord Pool and the remaining ¾ derives from the daily supply of electricity (spot sales).

The Company's policy is that the daily supply of electricity is not hedged. The reason for this is that the production varies with wind conditions on a day-to-day or hour-to-hour basis, and is, thus, difficult to predict. By contrast, the electricity that is hedged financially in EUR should also be price-hedged. Hedging can be undertaken as a monthly or quarterly hedged amount. The Company's policy is, therefore, that spot sales of electricity

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in EUR can neither be price hedged or currency hedged. Since the company also has on-going payments in EUR for, among other things, service costs for turbine suppliers, a natural hedge of the flow of EUR can be achieved. Any excess liquidity in EUR shall continuously be sold.

The Group uses currency futures to manage currency risk exposure and applies hedge accounting for contracted future payment flows and the translation of financial assets and liabilities. Arise Windpower's net foreign currency flow refers almost exclusively to EUR. Exchange differences on operating liabilities are booked along with the investment. The result from currency futures held for hedging purposes is recognised in net sales. Exchange differences on financial liabilities and receivables are recognised in net financial income.

Translation exposure

Financial and other operations-related assets and liabilities in foreign currencies arise almost exclusively in conjunction with the

purchase of wind turbines and other electrical installations, which are normally hedged using currency futures. In conjunction with the investment in the Jädraås project, a currency exposure has arisen as the reporting currency of the associated companies is EUR. This exposure is not hedged. Other items are not significant and are not currency-hedged.

Interest rate risk

Interest rate risk is defined as the risk of performance degradation caused by a change in market interest rates. The Group's financial policy provides guidelines for fixed interest rates (duration). The objective of managing interest rate risk is to reduce the negative effects of market interest rate changes. Group seeks a balance between cost-effective borrowing and risk exposure to a negative impact on earnings, a sudden, major change in interest rates. Hedging of interest rate periods occurs through interest rate swaps and interest rate caps, which include portions of long-term borrowings, see Note 18.

Sensitivity Analysis

A change in any of the variables below has an impact on the profit before tax 2012 (in MSEK) as follows:

Variable	Change	Impact on profit or loss before tax
Production	10%	17
Electricity price	10%	12
Electricity certificate price	10%	8
Interest expense	1 pp	-14
Investments	10%	-1
EUR/SEK, investments	10%	1
EUR/SEK, electricity prices	10%	8

Interest-bearing and non-interest-bearing financial assets and liabilities

	2012			2011		
	Interest-bearing		Non-interest bearing	Interest-bearing		Non-interest bearing
	Fixed rate	Variable rate		Fixed rate	Variable rate	
Current receivables			28			41
Non-current receivables	373		63	287		45
Blocked liquid assets		85			73	
Cash and cash equivalents		341			137	
Current liabilities		-107	-317		-82	-61
Non-current liabilities	-1,315	-268		-1,308	-22	
Summa	-942	51	-226	-1,021	106	25

Capital risk

The Group's objective regarding the capital structure is to safeguard the ability to continue operations in order to provide returns for shareholders and benefits for other stake-holders and to ensure that the capital structure is optimal with respect to the cost of capital. The issuance of new shares, issuance of corporate bonds or asset sales are examples of actions that the Group can use to adjust the capital structure. See also information about the dividend policy and the equity ratio on page 76. The Group's target equity/assets ratio is 25 per cent, outcome at 31 December 2012 was 35.9 (43.3) per cent.

Financing Risk

Financing risk is defined as the risk of being unable to meet payment obligations as a result of insufficient liquidity or difficulties in obtaining financing. The Group aims to always have more than one lender who is willing to offer financing on market terms. The Group's policy states that a liquidity amounting to MSEK 100 (previously MSEK 50) will always be available. The Group's expansion plan calls for continued financing. Through issuance of shares, corporate bonds or other capital contribution forms, continuous loan financing is made possible, see Note 18.

Credit risk

Credit risk or counterparty risk is the risk of loss if counterparty fails to meet its obligations. The commercial credit risk includes customers' ability to pay and is handled by the central finance function by carefully monitoring the track records on payments and customers' financial reports as well as good communications. The Group's total credit risk is distributed across a small number of customers, which accounts for a relatively large share of the Group's accounts receivable. All customers have a high level of transparency, including the Nord Pool marketplace, which is the Company's single largest customer in this context.

In periods during which the Company temporarily has excess liquidity, a certain portion of this liquidity may be invested in order to obtain a higher return. Excess liquidity may only be invested in assets with a low counterparty risk, approved by the Board of Directors. These are bank accounts (special savings, business or investment accounts), treasury bills or certificates if the counterparty has a credit rating of at least A3/A- from Moody's or Standard & Poor's credit ratings. Investments in complex financial products are not permitted even if they meet the credit rating criteria.

Fair value

In cases in which the fair value differs from the carrying value, the fair value is disclosed in the associated note. All of the financial instruments measured at fair value belong to level 2 in the fair value hierarchy. The different levels are defined as follows:

- Quoted (unadjusted) prices in active markets for identical assets or liabilities (level 1).
- Other observable data for the asset or liability than quoted prices included in level 1, either directly (that is, as quoted prices) or indirectly (that is, derived from quoted prices) (level 2).
- Data for the asset or liability which is not based on observable market data (that is, non-observable data) (level 3).

Hedging reserve

The hedging reserve consists of interest, electricity and currency futures. According to the financial policy, a certain portion of the transaction exposure must be hedged through hedging of prices and exchange rates in future contracted payment flows using electricity and currency future contracts. Contracts have been concluded with maturities matching those of the underlying contracted orders and payment flows.

The table below presents the Group's derivatives outstanding as of 31 December.

	2012		2011	
	Carrying value	Fair value	Carrying value	Fair value
Electricity futures	10	10	-11	-11
Currency futures, EUR/SEK	-	-	-	-
Currency futures, SEK/EUR	-1	-1	3	3
Interest rate swaps	-201	-201	-114	-114
Hedging reserve	-192	-192	-122	-122

The fair value is calculated on the basis of market-based quotations and generally accepted valuation techniques. Currency rate futures refer to sales and purchases of EUR for hedging of electricity sales and purchases of wind turbines respectively. For every position, there is a counter flow in SEK. The ineffective portion associated with cash flow hedges, reported in the income statement, constitutes of a profit of MSEK 1 (-3).

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Electricity future contracts

The nominal amount of electricity futures outstanding totals MSEK 74 (69). The hedged, very probable forecasted transactions of electricity sales are expected to take place at varying points in time in the following five years. Gains and losses from electricity futures recognised in the hedging reserve in equity are recognised in profit or loss in the period, or periods, in which the hedged transaction affects profit or loss.

Exchange rate future contracts

The nominal amount of exchange rate futures outstanding totals MSEK -16 (42). The hedged, very probable forecasted transactions in foreign currencies are expected to take place at different

points in time in the following two years. Gains and losses from exchange rate futures recognised in the hedging reserve in equity are recognised in profit or loss in the period, or periods, in which the hedged transaction affects profit or loss.

Interest rate swaps and caps

The nominal amount of interest rate swaps and cap contracts outstanding totals MSEK 2,371 (1,394). The fixed interests vary between 3.2 and 7.1 (3.2 and 6.3) per cent. The most significant variable interest rates are Stibor and Euribor. Gains and losses from interest rate swaps recognised in the hedging reserve in equity are continuously transferred to financial expenses in profit or loss until the loans have been repaid.

Classification of financial instruments

The tables below illustrate the classification of the financial instruments in balance sheet in 2012 and 2011.

2012				
Assets	Derivatives stated at fair value	Loans and accounts receivable	Net investments in operations with a different functional currency	Total
Investments in associated companies		74	-5	69
Receivables with associated companies		373		373
Other financial assets		86		86
<u>Current assets</u>				
Accounts receivable		6		6
Other receivables	4	18		22
Cash and cash equivalents	-1	342		341
Total current assets	3	366	-	369
Total assets	3	900	-5	897
Liabilities	Derivatives stated at fair value	Loans and accounts receivable	Net investments in operations with a different functional currency	Total
Non-current interest-bearing liabilities		1,583		1,583
<u>Current liabilities</u>				
Current interest-bearing liabilities		107		107
Accounts payable		26		26
Other liabilities	196	95		291
Total current liabilities	196	228	-	424
Total liabilities	196	1,811	-	2,007

Maturity on the Group's financial assets

Amounts in MSEK	Within 3 months	Within 3 months - 1 year	Within 2-3 years	Within 4-5 years	After 5 years	Total contracted cash flow
Currency futures	0	1	0	-	-	1
Total	0	1	0	-	-	1

2011				
Assets	Derivatives stated at fair value	Loans receivable and accounts receivable	Net investments in operations with a different functional currency	Total
Investments in associated companies	0	85	-1	84
Receivables with associated companies		285		285
Other financial fixed assets		75		75
<u>Current assets</u>				
Accounts receivable		29		29
Other receivables	4	8		12
Cash and cash equivalents	-1	138		137
Total current assets	3	167	-	178
Total assets	3	612	-1	622

Liabilities	Derivatives stated at fair value	Other financial liabilities	Net investments in operations with a different functional currency	Total
Non-current, interest-bearing liabilities		1,319		1,319
<u>Current liabilities</u>				
Current, interest-bearing liabilities		82		82
Accounts payable		22		22
Other liabilities	134	5		139
Total current liabilities	134	109	44	243
Total liabilities	134	1,422	64	1,562

Maturity structure of financial liabilities

The maturity structure of interest-bearing liabilities is presented in Note 18 Interest-bearing liabilities. Other financial liabilities, such as accounts payable and advances to customers, have contractual maturities of 1 – 60 days.

Capital management

The Company is currently in a strong expansion phase and the objective regarding the capital structure is to secure the funds required to continue the expansion objectives stated in conjunction with the expanded business model announced in autumn 2012, i.e. to have constructed and manage 1,000 MW by 2017, of which the Company will own 500 MW. As the Company and its operations are developed, the possibilities to improve the efficiency and diversification of the capital structure increase through various measures, such as issuance of shares, preference shares, corporate bonds, convertible instruments, disposal of wind turbines or farms, or other measures. The objective is to maintain an optimal

capital structure in order to keep the cost of capital low at the same time as required investment capacity must be maintained to secure the Company's expansion rate. Consequently, a trade-off, needs to be made continuously between the cost of capital, financial risk and expected return and cash flow in the Company's investments. In the future, dividends and the possibility of repaying capital to the shareholders constitute actions to be taken in order to adjust the capital structure. The capital is assessed based on the equity/assets ratio, in which the key ratio is calculated as shareholders' equity divided by total assets. In 2012, the Company's strategy and goals changed, mainly in that the sale of farms can now be a way to fund the construction of more profitable farms. Even under this strategy, an equity ratio exceeding 25 % is pursued. The equity ratio at 31 December 2012 amounted to 35.9 % and at 31 December 2011 to 43.3 %. The decline in the equity ratio was primarily due to planned investments which the company's financial objectives financed at between 70-75 % with borrowed capital.

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NOTE 12 OTHER FINANCIAL FIXED ASSETS

	2012	2011
Credit fees recognised in accounting period	0	1
Deposited into blocked accounts	85	73
Other receivables	1	1
Total	86	75

NOTE 13 INVENTORIES

	2012	2011
Electricity certificates	23	14
Electrical equipment	-	10
Total	23	24

Inventories are reported in accordance with the principles described in Note 1.

NOTE 14 OTHER CURRENT RECEIVABLES

	2012	2011
Derivatives	4	5
Current tax receivables	2	2
Other receivables	16	5
Total	22	12

NOTE 15 ACCOUNTS RECEIVABLE AND OTHER CURRENT RECEIVABLES

	2012	2011
Accounts receivable	6	29
Provision for impairment of accounts receivable	-	-
Accounts receivable - net	6	29
Receivables from related parties (note 22)	373	285
Other receivables (note 12)	1	1
Other receivables (not 14)	22	12
Less non-current portion	-374	-286
Current portion	28	41

On the balance sheet date, MSEK 1 (1) was from accounts receivable past due but without any impairment considered to exist. All accounts receivable have been paid in 2013. An age analysis of these receivables is provided below.

	2012	2011
Less than 3 months	6	29
3-6 months	-	-
Total	6	29

NOTE 16 PREPAID EXPENSES AND ACCRUED INCOME

	2012	2011
Accrued electricity and certificate income	29	35
Other accrued income ¹	-	7
Accrued interest income, associated companies	23	-
Other prepaid expenses	10	10
Total	62	52

1) A receivable from the Swedish Energy Agency is included amounting to MSEK - (7). This was paid in 2012.

NOTE 17 SHARE CAPITAL

	2012	2011
Number of registered shares in the Parent Company		
Issued as of 1 January	33,428,070	31,561,070
New share issues	-	1,867,000
Issued as of 31 December	33,428,070	33,428,070

All shares have been fully paid. All shares have an equal right to the assets and profits in the Company.
The shares' quotient value amounts to SEK 0.08.

WARRANTS

Scope

In 2007, 2008 and 2011, decisions were taken regarding the issuance of warrants for shares in Arise Windpower AB directed to the Board, senior executives and other key employees and external stakeholders, such as landowners and advisers.

	Employees	External stakeholders	Total
Warrants 2008, not exercised	-	192,500	
Warrants 2011	300,000		
Entitle to subscribe for number of shares	300,000	962,500	1,262,500

Valuation

Outstanding warrant programs are of two different series. The purchase price of the share warrants to employees (series 6) was based on the estimated market price for each subscription occasion by applying the Black & Scholes valuation model.

Warrants to external stakeholders (series 5) have been allocated free of charge. These warrants have been valued according to the Black & Scholes model at the date of allocation and are reported as a part of the acquisition cost for the project portfolio.

	Series 5	Series 6	Total
Warrants 2008, not exercised	192,500	-	192,500
Warrants 2011	-	300,000	300,000
Entitle to subscribe for number of shares	962,500	300,000	1,262,500
Subscription price (SEK)	45	55	

Terms and condition of subscription

A warrant entitles the holder to, in specified periods, subscribe for one or five shares in Arise Windpower AB at an issue price specified in the table above.

The subscription period for series 5 is 1 Feb – 28 Feb each year from 2009 to 2015.

The subscription period for series 6 is 3 Mar – 15 Mar in 2014.

Exercise of warrants in series 5 is conditional upon certain conditions regarding contracts, permits and construction of wind turbines.

Dilution

Assuming a full exercise of the allotted warrants, the dilution effect would amount to 3.6 % for both share capital and votes. According to management's assessment, the above conditions in series 5 would result in the exercise of an amount of warrants equivalent to no more than 830,000 shares, representing a dilution of 2.4 %.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 INTEREST-BEARING LIABILITIES

The Group has signed credit agreements with banks, and the agreements include so-called negative clauses which provide the lender with the right of cancelling loans as a result of changes in Arise Windpower's financial ratios. These clauses, called covenants, reflect the requirements typical of the industry regarding solvency, debt-service ratio as well as provisions for the debt reserve.

The Group's total credit lines amount to MSEK 1,808 (1,460) as of 31 December 2012 and are primarily used to fund the operations in the form of bank loans. Interest payments are hedged through interest rate swaps and interest rate caps. At present, a number of contracts with an average fixed interest term of 4.1 (5.4) years are held. Financing cost is based on the agreed fixed interest and agreed margin. The Group's average effective interest rate during the year amounted to 4.8 (4.4 per cent).

Non-current interest-bearing liabilities	2012	2011
Non-current borrowings	1,690	1,412
Current portion of non-current borrowings	-107	-82
Total	1,583	1,330

Maturity of the Group's financial liabilities, including estimated interest payments

	Within 3 Months	In 3 months -1 year	In 2-3 years	In 4-5 years	After 5 years	Total contracted cash flow
Bank loans*	43	144	1,107	262	467	2,024
Financial leasing liabilities	2	7	13	13	2	37
Accounts payable	26					26
Interest rate futures *						
Currency futures	1	10	3			14
Total	72	161	1,123	275	469	2,101

* When calculating the interest payments on bank loans, the effect of interest rate futures have been taken into account in determining the interest based on circumstances at year-end.

Currency futures refer to the sales and purchases of EUR to hedge electricity sales and purchases of wind turbines. For each position, there is a counter-flow in SEK.

NOTE 19 PROVISIONS

This item relates to a provision for restoration costs concerning wind turbines in operation.

NOTE 20 ACCRUED EXPENSES AND DEFERRED INCOME

	2012	2011
Accrued financial costs	8	3
Accrued personnel-related costs	11	15
Other accrued expenses	9	26
Total	28	44

NOTE 21 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets	2012	2011
Pledged shares in subsidiaries	666	674
Security transfer of wind turbines and leases	1,954	1,950
Financial leasing contracts	43	50
Total	2,663	2,674
Contingent liabilities	None	None

The Company has signed a framework agreement for the purchase of wind turbines, which contains a clause on cancellation fees under certain circumstances. Based on current purchasing plans and forecasts and according to management's assessment, no fees will be paid. For further information, please refer to Note 9.

NOTE 22 RELATED-PARTY TRANSACTIONS

Arise Windpower AB owns Sirocco Wind Holding AB to 50 %, together with Sydvästanvind AB (50 %), which, in turn, is controlled by the English company Platina Partners LTT.

Sirocco Wind Holding AB owns 100 % of the holding company JVAB Holding AB which, in turn, owns 100 % of Jädraås Vind-

kraft AB. Sirocco Wind Holding AB also owns 100 % of the holding company HKAB Holding AB which, in turn, owns 100 % of Hälleåsen Kraft AB. Together this group of companies form what has been called the "Jädraås project", that is, the construction of 66 wind turbines totalling 203 MW in Jädraås, outside of Gävle.

The following transactions with related parties have taken place (Sirocco Wind Holding Group):

	2012	2011
Project management and administrative services	19	11
Development fee	13	-
Total	32	11

Sales of project management and administrative services have been made to agreed fixed prices based on market terms. No purchases of goods and services have been made.

Lending to related parties:

	2012	2011
<u>Lending to associated companies:</u>		
At the beginning of the year	285	-
Lending paid out during the year	88	285
At year-end	373	285

Non-current receivables from related parties in the form of shareholder loans to companies in the Sirocco Group have no maturity date. The fair values of these loans are based on discounted cash flows at a rate of about 6 %. The discount rate is equivalent to Euribor plus the appropriate credit assessment which has been assessed at market value. Interest accrued on the balance sheet date amounted to MSEK 23 (3), which has been reported in net profit/loss for the year.

For remuneration to senior executives, see Note 4.

There are no assets or liabilities at year-end to report as a result of the sale and purchase of goods and services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23 EVENTS AFTER THE BALANCE SHEET DATE

Investment decisions have been taken concerning three smaller projects in southern Sweden with a total of 15 wind turbines. Construction will start in the period April-May 2013 with commissioning approximately 6 months later. The turbines have a combined installed capacity of 25.4 MW and are expected to produce approximately 87 GWh annually. The total investment is about MSEK 400. The farms are fully funded.

Option agreements have been signed regarding the acquisition of a project in Norway (130 MW) currently in the process of applying for permits. Agreements have also been signed concerning the right to lease land along the Scottish west coast and to apply for permission to erect a larger wind farm there (approximately 150 MW).

Parent company income statement

Amounts in MSEK	Note	2012	2011
Sales of electricity and electricity certificates		190	175
Sales services, own employees		20	9
Development fees		13	42
Other operating income		12	16
Total income	2	236	242
Capitalised work on own account		13	18
Purchases of electricity and electricity certificates		-221	-174
Personnel costs	3	-30	-30
Other external expenses	4	-25	-17
Operating profit/loss before depreciation (EBITDA)		-27	39
Depreciation of property, plant and equipment	7	-28	-3
Operating profit/loss (EBIT)		-55	36
Financial income	5	23	7
Financial expenses	5	-38	-7
Profit/loss after financial items		-70	36
Group contribution		-1	-18
Profit/loss before tax		-71	18
Income tax	6	14	-5
Net profit/loss for the year and comprehensive income		-57	13

Parent Company Balance Sheet

Amounts in MSEK	Note	2012	2011
ASSETS			
Fixed assets			
Property, plant and equipment	7	80	119
Shares in subsidiaries	8	292	700
Receivables from Group companies		475	-
Investments in associated companies	9	89	89
Receivables with associated companies	9	372	285
Deferred tax assets	6	31	17
Other financial fixed assets	10	10	10
Total fixed assets		1,348	1,220
Current assets			
Inventories	11	16	9
Receivables from Group companies		70	-
Accounts receivable		0	28
Other current receivables		8	4
Prepaid expenses and accrued income	12	43	28
Cash and cash equivalents		242	96
Total current assets		380	165
TOTAL ASSETS		1,728	1,385
EQUITY			
Restricted equity			
Share capital		3	3
Statutory reserve		0	0
Non-restricted equity			
Share premium reserve		1,367	1,368
Accumulated deficit		-46	-59
Profit/loss for the year		-57	13
Total equity		1,267	1,325
LIABILITIES			
Non-current liabilities			
Bond issues		350	-
Total non-current liabilities		350	-
Current liabilities			
Liabilities to Group companies		86	33
Accounts payable		6	15
Other liabilities		4	1
Accrued expenses and deferred income	13	14	12
Total current liabilities		110	60
TOTAL EQUITY AND LIABILITIES		1,728	1,385
Pledged assets	15	259	700
Contingent liabilities	15	None	None

Parent Company Cash Flow Statement

Amount in MSEK	Note	2012	2011
Operating activities			
Operating profit (EBIT)		-55	36
Adjustment for non-cash items	14	12	-15
Tax paid		0	-1
Cash flow from operating activities before changes in working capital		-43	-21
Cash flow from changes in working capital			
Increase in inventories		-7	-1
Increase (-)/Decrease (+) in operating assets		-61	347
Increase (+)/Decrease (-) in operating liabilities		57	35
Cash flow from operating activities		-54	402
Investing activities			
Sales of property, plant and equipment		4	105
Government grants		8	27
Investments in subsidiaries		-67	-191
Investments in associated companies		0	-14
Investments in other financial fixed assets		-73	-286
Cash flow from investing activities		-128	-359
Financing activities			
Bond issues		350	-
Interest paid		-24	-1
Interest received		4	7
Deposits, blocked accounts		-1	-
Issue of new shares		-	11
Cash flow from financing activities		329	16
Cash flow for the year		146	58
Cash and cash equivalents at beginning of year		96	38
Cash and cash equivalents at end of year		242	96

Parent Company Statement of Equity

Amount in MSEK	Share Capital	Statutory reserve	Share premium reserve	Accumulated deficit	Total equity
Opening balance as of 1 Jan 2011	3	0	1,283	-59	1,227
Profit/loss for the year and comprehensive income				13	13
Issue of new shares	0		11		11
Issue of new shares upon acquisition of ass. companies			47		47
Utilisation of treasury shares for the acquisition of assets			28		28
Closing balance as of 31 Dec 2011	3	0	1,368	-46	1,326
Opening balance as of 1 Jan 2012	3	0	1,368	-46	1,326
Profit/loss for the year and comprehensive income				-57	-57
Acquisition of own shares			-1		-1
Closing balance as of 31 Dec 2012	3	0	1,367	-103	1,267

Notes to the Parent Company's Financial Statements

NOTE 1 ACCOUNTING PRINCIPLES

ACCOUNTING PRINCIPLES FOR THE PARENT COMPANY

The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation RFR 2, Accounting for Legal Entities, and the applicable pronouncements from the Swedish Financial Reporting Board. RFR 2 implies that, in its preparation of the annual accounts for the legal entity, the Parent Company apply all the IFRS and interpretive statements approved by the EU as far as this is possible within the framework of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act, giving due consideration to the relationship between accounting and taxation. The Parent Company applies, for the most part, the same principles as outlined regarding the Group. The Parent Company applies the exemption rule in respect of IAS 39 which implies that financial instruments are valued at acquisition cost. Other differences between the accounting principles of the Group and the Parent Company are described below.

Income

Income is reported in the income statement when significant risks and benefits are transferred to the purchaser. Income is not reported if it is probable that the financial benefits will not accrue to the Parent Company. Income is reported at the fair value of the sum received, or expected to be received, after deductions for discounts.

Income arising from the sale of generated electricity is reported in the period in which delivery was made at the spot price, forward price or other agreed price. Income arising from electricity certificates is reported at the current spot price, forward price or other agreed price for the period in which the electricity certificate was earned, corresponding to the period in which the electricity was produced. The electricity certificates are reported in the balance sheet as inventories once they have been registered in the Swedish Energy Agency's account and as accrued income for as long as they are earned but not yet registered.

Income from construction in progress and charged to Wind Farm companies is reported net in the income statement.

Taxes

Tax legislation permits allocation to special reserves and funds which are reported separately in the Parent Company. This allows companies to appropriate and retain reported profits in the business, within certain limits, rather than being taxed immediately. The untaxed reserves are subject to taxation first when they are utilised. However, in the event that the business reports a loss, the untaxed reserves can be appropriated to cover the loss without being subject to tax.

Group contributions and shareholders' contributions

Group contributions and shareholders' contributions are recognised in accordance with RFR 2. Group contributions are reported as appropriations in the income statement and the tax effect is reported, in accordance with IAS 12, in the income statement. Shareholders' contributions are reported as an increase in shares in subsidiaries.

NOTE 2 NET SALES

Net sales are comprised of development fees, consulting costs which have been invoiced internally within the Group, sales of generated electricity and electricity certificates, income from electricity sold but not yet generated, and realisation of electricity and currency derivatives attributable to secured production, as well as to other smaller items. Realised derivatives have had a positive impact of MSEK 12 (8) on net sales in the Parent Company.

NOTE 3 PERSONNEL

For personnel information – see Note 4 of the consolidated financial statements.

NOTE 4 AUDITING FEES

	2012	2011
Öhrlings PricewaterhouseCoopers		
Audit assignment	0.6	0.6
Audit activities other than the		
Audit assignment	0.7	0.6
Tax consultancy	0.3	0.7
Other services	0.1	0.3
Total	1.7	2.2

NOTE 5 FINANCIAL INCOME AND EXPENSES

	2012	2011
Dividend from subsidiaries	-	14
Impairment of shares in subsidiaries	-	-14
Interest income	23	7
Total financial income	23	7
Interest expenses	-24	-1
Exchange rate losses	-14	-6
Total financial expenses	-38	-7

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

NOTE 6 TAX

	2012	2011
Tax on profit for the year		
Deferred tax	14	-5
Reported Tax	14	-5
Deferred tax		
Attributable to unutilised tax losses	31	17
Total recognised deferred tax	31	17
Change in deferred tax		
Opening value, net	17	22
Reported deferred tax on net profit/loss for the year ¹	14	-5
Closing value, net	31	17

1) Translation of all deferred taxes has taken place at the applicable tax rate for 2013 of 22 %.

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings ¹		Equipment, tools, fixtures and fittings		Adv. paym. and Construction in progress ²		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Opening acquisition cost	3	1	15	12	107	244	125	258
Purchases/investments	-	2	3	3	47	347	50	351
Purchases from Group companies	-	-	-	-	-	-	-	-
Sales/disposals	-	-	-	-	-61	-484	-61	-484
Closing acquisition cost	3	3	18	15	93	107	114	125
Acc. depr. and imp.								
at beg. of year	0	0	-6	-3	-	-	-6	-3
Depreciation for the year	0	0	-4	-3	-24	-	-28	-3
Sales/disposals	-	-	0	0	-	-	0	0
Closing acc. depr. and impairment	0	0	-10	-6	-24	-	-34	-6
Closing residual value acc. to plan	3	3	8	9	69	107	80	119

1.) Land and buildings includes land with a book value of MSEK 1 (1). The tax assessment value of the Parent Company's properties is MSEK 2 (2), of which MSEK 1 (1) represents the tax assessment value of land.

2.) Constructions in progress include advance payments regarding property, plant and equipment of MSEK 19 (15).

The framework agreement signed previously with GE Energy has been replaced by a new framework agreement which results in a contractual commitment to purchase a certain number of wind turbines during 2013. If these commitments are not met, the Company can become liable for costs to an amount of MSEK 21 (21) in 2013. The Company intends to enter into new agreements with suppliers on a regular basis for the continued expansion until 2017. The Company intends to enter into new agreements with suppliers on a regular basis for the continued expansion until 2017.

NOTE 8 SHARES IN SUBSIDIARIES

	2012	2011
Carrying value at beginning of year	700	509
Investments in subsidiaries	-	205
Impairment of shares	-	-14
Intragroup transfers of subsidiaries	-408	-
Carrying value at end of year	292	700

Parent Company's holding

Name	Corp. Identity No.	Regd. off.	No. of shares	Owned share, %	Carr. amount of hold.	Equity
Arise Elnät AB	556747-2641	Halmstad	1 000	100%	21	21
Arise Service AB	556756-2730	Halmstad	1 000	100%	4	4
Arise Kran AB	556758-8966	Halmstad	1 000	100%	7	7
Arise JV AB	556758-8891	Halmstad	1 000	100%	0	0
Arise Wind Farm 2 AB	556758-9113	Halmstad	1 000	100%	259	259
Arise Wind Farm 7 AB	556758-8909	Halmstad	1 000	100%	0	0
Arise Wind Farm 9 AB	556833-5813	Halmstad	500	100%	0	0
Arise Wind HoldCo 1 AB	556869-2114	Halmstad	500	100%	0	0
Arise Wind HoldCo 2 AB	556867-9913	Halmstad	500	100%	0	0
Arise Wind HoldCo 3 AB	556867-9798	Halmstad	500	100%	0	0
Arise Wind HoldCo 4 AB	556868-0069	Halmstad	500	100%	0	0
Arise Wind HoldCo 5 AB	556867-9764	Halmstad	500	100%	0	0
Arise Wind HoldCo 6 AB	556868-0051	Halmstad	500	100%	0	0
Arise Wind HoldCo 7 AB	556867-9756	Halmstad	500	100%	0	0
Arise Wind HoldCo 8 AB	556868-0010	Halmstad	500	100%	0	0
Total					292	292

The shareholdings in Arise Wind Farm 1 AB and Arise Wind Farm 4 AB were transferred to the wholly-owned subsidiary Arise Wind Farm 7 AB during the year at an estimated market value.

NOTE 9 SHARES IN ASSOCIATED COMPANIES

	2012	2011
Carrying value at beginning of year	89	-
Investment in associated companies	0	89
Carrying value at end of year	89	89

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Parent Company's holding

Namn	Corp. Identity No.	Regd. off.	No. of shares	Owned share, %	Carr. amount of hold.	Equity
Sirocco Wind Holding AB	556864-8058	Stockholm	6 000	50%	89	90
JVAB Holding AB	556864-2069	Stockholm	50 000	100%	-	-
Jädraås Vindkraft AB	556733-6481	Stockholm	1 000	100%	-	-
HKAB Holding AB	556864-2051	Stockholm	50 000	100%	-	-
Hälleåsen Kraft AB	556864-2077	Stockholm	50 000	100%	-	-
Total					89	90

All companies listed under Sirocco Wind Holding AB are wholly-owned by this company.

NOTE 10 OTHER FINANCIAL FIXED ASSETS

	2012	2011
Cash and cash equivalents in blocked accounts	9	9
Other shares and participations	1	1
Carrying value at end of year	10	10

NOTE 11 INVENTORIES

	2012	2011
Electricity certificates	16	9
Total	16	9

Inventories are reported in accordance with the Group's accounting principles as described in Note 1.

NOTE 12 PREPAID EXPENSES AND ACCRUED INCOME

	2012	2011
Accrued electricity and certificate income	13	16
Accrued income, Swedish Energy Agency	-	7
Accrued interest income	23	3
Prepaid expenses	7	2
Total	43	28

NOTE 13 ACCRUED EXPENSES AND DEFERRED INCOME

	2012	2011
Accrued personnel related expenses	7	10
Accrued interest expenses	6	-
Other accrued expenses	1	2
Total	14	12

NOTE 14 ADD. DISCLOSURES ON CASH FLOW STATEMENT

Cash and cash equivalents are comprised of cash and bank balances.

Adjustment for non-cash items

	2012	2011
Depreciation and impairment of property, plant & equipment	28	3
Exchange rate differences in foreign investments	-13	-
Repurchase of own shares	-2	-
Group contributions	-1	-18
Total	12	-15

NOTE 15 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets	2012	2011
Shares in subsidiaries	259	700
Total	259	700
Contingent liabilities	None	None

The Company has signed a framework agreement for the purchase of wind turbines, which contains a clause covering cancellation fees under certain circumstances. Based on current purchasing plans and forecasts, management's assessment is that no fee will be paid. See Note 7.

NOTE 16 RELATED-PARTY TRANSACTIONS

During the year, the following transactions with related parties took place:

	2012	2011
Sales of goods and services to subsidiaries	77	398
Purch. of goods and services from subsidiaries	249	190
Trans. with other senior executives	-	-

The Parent Company's transfer of projects and charging of services to its subsidiaries amounted to MSEK 77 (398). Services sold refer primarily to consulting fees in relation to permitting and planning work, and billed administrative expenses. The Parent Company's purchase of goods and services from subsidiaries amounted to MSEK 243 (190) and consists of electricity and electricity certificates and the purchase of miscellaneous consulting services.

No Director or senior executive has been engaged, either directly or indirectly, in any business transactions between themselves and the Company which is or was unusual in character with respect to the terms and conditions. Remuneration to directors and senior executives is presented in Note 4 to the consolidated financial statements.

For information regarding related party transactions with the Sirocco Group, see Note 22 for the Group.

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

THE INCOME STATEMENTS AND BALANCE SHEETS WILL BE PRESENTED FOR AD TO THE ANNUAL GENERAL MEETING ON 2 MAY 2013.

The Board of Directors and Chief Executive Officer hereby certify that the annual accounts have been prepared in compliance with the Annual Accounts Act and RFR 1 and give a true and fair view of the Company's financial position and result, and that the Directors' Report gives a true and fair view of the development of the Company's business, financial position and result and describes significant risks and uncertainties faced by the Company. The Board of Directors and the Chief Executive Officer hereby certify

that the consolidated accounts have been prepared in compliance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and give a true and fair view of the Group's financial position and result and that the Directors' report for the Group gives a true and fair view of the development of the Group's business, financial position and result, and describes significant risks and uncertainties faced by the companies included in the Group.

Halmstad, 27 March 2013

Pehr G Gyllenhammar
Chairman

Birger von Hall
Director

Joachim Gahm
Director

Peter Nygren
Director and CEO

Jon G Brandsar
Director

Maud Olofsson
Director

Our audit report was submitted on 27 March 2013
Öhrlings PricewaterhouseCoopers AB

Bror Frid
Authorised Public Accountant

Auditor's Report

TO THE ANNUAL GENERAL MEETING OF ARISE WINDPOWER AB (PUBL.)

CORPORATE IDENTITY NUMBER 556274-6726

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and the consolidated accounts for Arise Windpower AB (publ.) for the year 2012. The annual accounts and consolidated accounts of the Company are included in the printed version of this document on pages 31-70.

Responsibilities of the Board of Directors and the Chief Executive Officer for the annual accounts and consolidated accounts

The Board of Directors and the Chief Executive Officer are responsible for the preparation and fair presentation of annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Chief Executive Officer determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit in order to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Chief Executive Officer, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material aspects, the financial position of the Parent Company as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the

financial position of the Group as of 31 December 2012 and of its financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory Directors' Report is consistent with the other parts of the annual accounts and consolidated accounts.

We recommend to the Annual General Meeting that the income statement and balance sheet of the Parent Company and the Group be adopted.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and the consolidated accounts, we have examined the proposed appropriation of the Company's profit or loss and the administration of the Board of Directors and the Chief Executive Officer of Arise Windpower AB for the year 2012.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriation of the Company's profit or loss, and the Board of Directors and the Chief Executive Officer are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriation of the Company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriation of the Company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and the consolidated accounts, we examined significant decisions, actions taken and circumstances of the Company in order to determine whether any member of the Board of Directors or the Chief Executive Officer is liable to the Company. We also examined whether any member of the Board of Directors or the Chief Executive Officer has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the Annual General Meeting that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Gothenburg, 27 March 2013

Öhrlings PricewaterhouseCoopers AB

Bror Frid

Authorised Public Accountant

Corporate Governance Report

Corporate Governance Report for the Group

Arise Windpower AB (publ) is a Swedish public limited liability company which is quoted on Nasdaq OMX Stockholm. Arise therefore applies the Swedish Corporate Governance Code (the "Code"). This corporate governance report has been established in accordance with the provisions included in the Code, Chapter 6, Sections 6 – 9 of the Swedish Annual Accounts Act and Chapter 9, Section 31 of the Swedish Companies Act and refers to the financial year 2012. Arise's Articles of Association and other information regarding corporate governance in Arise is available on our website, www.arisewindpower.se.

Application of the Code

Corporate Governance in Arise complies with the Code and is, therefore, based on the principles provided in legislation, listing agreements, guidelines and good practice. It is stated as an explained deviation from the Code that the Chairman of the Board has served as the Chairman of the Nomination Committee. The reason for this deviation is based on the Chairman's experience on similar assignments, as well as his other merits. Other deviations from the Code are reported continuously in the Corporate Governance Report. In 2012, the Company did not engage in infringements of the regulations applied in the regulated market on which the Company's shares are quoted for trade, or of good practice on the securities market in general.

Shareholders

According to Euroclear Sweden AB's shareholder register, Arise had approximately 3,388 shareholders on 31 December 2012. Shareholders with direct or indirect shareholdings representing more than 10 % of the votes are represented by Nordea Fonder AB and Länsförsäkringar Fondförvaltning AB. More information on the major shareholders is also provided on Arise's website, www.arisewindpower.se.

Shares

The share capital in Arise amounted on 31 December 2012 to SEK 2,674,245.60, distributed between 33,428,070 shares. All shares are of the same type and thus carry the same rights to the Company's assets, profits and dividends.

Annual General Meeting

Arise's highest decision-making body is the Annual General Meeting of shareholders. Notice of the Annual General Meeting, or an extraordinary general meeting in which issues concerning changes in the Articles of Association are discussed, is given no earlier than six weeks and no later than four weeks before the meeting. All shareholders who are included in the transcript of the shareholder register and who have announced their participation in time, have the right to take part and vote in the meeting. The number of votes a shareholder is entitled to is not restricted. The shareholders who are unable to attend the meeting in person may be presented by proxies. The Company does not apply special arrangements with regard to the function of the general meeting, neither on the basis of regulations in the Articles of Association nor, to the extent they are known to the Company, shareholder

agreements. Furthermore, the Articles of Association do not include specific regulations relating to changes in the Articles of Association. The most recent Annual General Meeting took place on 25 April 2012 in Halmstad. This AGM authorised the Board to take decisions regarding the acquisition and transfer of own shares and the issuing of shares. The minutes from the AGM are available on Arise's website. The next Annual General Meeting will be held on 2 May 2013 in Halmstad. Shareholders wishing to have issues addressed at the general meeting may send written requests to Arise Windpower AB (publ), Att: Chairman of the Board, Box 808, SE-301 18 Halmstad. The Board of Directors must receive such requests no later than seven weeks before the meeting, or at least in sufficient time so that the issue can be, if required, included in the notice of the meeting.

Nomination Committee

At the Annual General Meeting on 25 April 2012, the meeting resolved to establish procedures for the appointment of a Nomination Committee prior to the next elections and for determinations of remuneration. According to the resolution, the Nomination Committee is to comprise five regular members, including four members appointed as representatives of the four largest owners as of the beginning of October, together with the Chairman of the Board. The Nomination Committee prior to the Annual General Meeting 2013 consists of Bengt Hellström (Tredje AP fonden), Joachim Gahm (the founders including family and corporation (L Energy Holding & Ny Holding AB etc.)), Albert Hæggström (Länsförsäkringar), Peter van Berlekom (Nordea Fonder) and the Chairman of the Board of Directors, Pehr G Gyllenhammar. The majority of the Nomination Committee's members are independent in relation to the Company and management.

According to the Code, the Nomination Committee's task is to prepare issues regarding appointments and remuneration prior to the following general meeting. The Nomination Committee will present a description of their activities at the Annual General Meeting on 2 May 2013. Shareholders wishing to submit proposals to the Nomination Committee are requested to contact the Chairman of the Nomination Committee: Arise Windpower AB (publ), Att: Chairman of the Nomination Committee, Box 808, 301 18 Halmstad.

THE BOARD OF DIRECTORS

General information

The Board of Directors is responsible for the management of the Company, as well as its affairs and organisation. In accordance with the Articles of Association, the Board of Directors shall comprise at least three and no more than nine board members. The Articles of Association do not include any specific regulations regarding the appointment or the dismissal of board members. At the most recent Annual General Meeting, held on 25 April 2012, a board was elected consisting of the regular members Pehr G Gyllenhammar (Chairman), Jon G Brandsar, Birger von Hall, Joachim Gahm, Maud Olofsson and CEO Peter Nygren. No deputy board members were appointed.

In accordance with the formal work plan for the Board of Directors, the Board is to hold at least six scheduled meetings between each Annual General Meeting. In the financial year 2012, the Board held ten meetings. Minutes were kept for each of them. The attendance at the meetings by the members is presented in the table below. During the financial year 2013, two meetings have taken place thus far.

A description of the Board of Directors including information on their other directorships, independence and relevant holdings of shares and warrants is provided on page 77. Remuneration and other benefits to the Board of Directors are described in Note 4, on page 47. All members of the Board appointed by a general meeting, except for Peter Nygren, have been independent in relation to the Company and the management (see also page 77). All members of the Board are independent in relation to major owners. More information on the Board of Directors is provided on Arise's website, www.arisewindower.se.

Attendance of the members of the Board 2012

	Meetings	Present	Attendance, per cent
Pehr G Gyllenhammar	10	9	90
Birger von Hall	10	10	100
Joachim Gahm	10	10	100
Peter Nygren	10	10	100
Jon G Brandsar	10	10	100
Maud Olofsson	7	7	100

The work of the Board

The meetings of the Board of Directors are preferably to be held by physical attendance at Arise's head office. Additional meetings can, however, be conducted over the telephone. In 2012, many of the Board meetings took the form of a conference call due to practical reasons. The Chairman of the Board leads and organises the work of the Board. Lawyer Jonas Frii has served as the Board's secretary.

Prior to each meeting, a proposal of the agenda is sent out, along with the documents which are to be addressed in the meeting. The proposal of the agenda is prepared by the CEO in consultation with the Chairman. Issues presented to the Board are for information, discussion or decision. Decisions are taken after discussions and after all members of the Board attending the meeting have had the opportunity to express their opinions. The Board's broad experience in various areas often results in a constructive and open discussion. During the year, no member of the Board expressed reservation against any issue regarding which decisions were taken. Objections are recorded in the minutes. Open questions are followed up on a continuous basis. The Board has not established a division of responsibilities among its members, other than that which is provided in the rules for the Board and its committees. The rules of procedure for the Board, which are to be reviewed on an annual basis, regulate the division of duties among the Chairman, the Board and its committees. The rules of procedure state, for example, the obligatory issues to be addressed at every regular meeting. The Board has evaluated its own work. The evaluation has been internal and it has

been conducted under the leadership of the Chairman, covering the work of the Board as well as each of its members. The results of the evaluation have been made available to the Nomination Committee. The Board has also evaluated the work of the CEO.

Remuneration Committee

Up to the Annual General Meeting 2013, the Remuneration Committee comprises the members of the Board Birger von Hall (Chairman), Maud Olofsson and Joachim Gahm. The CEO normally presents the matters of the Remuneration Committee, with the exception of issues dealing with their own salary or benefits. The Remuneration Committee convened three times during 2012. All members of the Board participated in all meetings. The Committee presents issues regarding remuneration and other terms of employment to the CEO and other senior executives, as well as issues regarding any variable remuneration programs or share warrant programs within the Group. All members of the Committee are independent in relation to Arise and its senior executives. The Committee's work is based on the decisions taken at the most recent Annual General Meeting, regarding the guidelines for remuneration to senior executives.

Audit Committee

Until the Annual General Meeting 2013 the Audit Committee consists of the members of the Board, Birger von Hall (chairman), Joachim Gahm and Jon G Brandsar. Issues addressed by the Committee are presented by the Company's CFO, Thomas Johansson. The Audit Committee held seven meetings in 2012. Attendance during the year was high in all meetings. The Audit Committee prepares issues concerning, for example, financial reporting, risks, governing documents, key figures, accounting rules and internal control. The Audit Committee also conducts an on-going dialogue with the auditor. In addition, a specially established finance committee has prepared certain issues concerning the raising of capital and acquisitions.

Attendance of the members of the Audit Committee 2012

	Meetings	Present	Attendance, per cent
Birger von Hall	7	7	100
Joachim Gahm	7	6	86
Jon G Brandsar	7	6	86

Group management

Arise's Group management and the Group management's holdings of shares and warrants are described on page 78.

Appointment of Auditors

At the Annual General Meeting in 2012 Öhrlings PricewaterhouseCoopers AB was appointed as the auditor, with authorised public accountant, Bror Frid, as Auditor-in-Charge for the period up to the next Annual General Meeting. The appointment of auditors is, thus, due to be addressed at the coming Annual Meeting.

Internal control

The goal for the internal control in Arise is to establish an effective decision-making process in which requirements, objectives and limits are clearly defined. The Company and the management apply the internal control system to monitor the operations and the Group's financial position.

Control environment

The control environment forms the basis for internal control. Arise's control environment comprises, for example, sound core values, integrity, competence, leadership philosophy, organisational structure, responsibility and authorities. Arise's internal rules of procedure, instructions, policies, guidelines and manuals provide guidance to the employees. In Arise, a clear division of roles and responsibilities for effective management of the operational risks is ensured, for example, through rules of procedure for the Board of Directors and committees, as well as through instructions to the CEO. In the day-to-day operations, the CEO is responsible for the system of internal controls required for the creation of a control environment for significant risks. In Arise, there are also guidelines and policies regarding financial governance and evaluation, communication issues and business ethics. All companies in the Group have the same reporting system with the same accounting plan.

The Board has appointed an Audit Committee which is responsible, for example, for ensuring that adopted policies for financial reporting and internal control are complied with. The CEO or CFO reports the results of their work on internal control to the Audit Committee. The results of the work of the Audit Committee in the form of observations, recommendations and proposals for decisions and measures are reported to the board on an on-going basis.

Thus, Arise's internal control environment is based on the division of work between the company organs, reporting to the Board of Directors, adopted policies and guidelines and on employees' compliance with the policies and guidelines.

Internal control regarding financial reporting

Internal control regarding financial reporting is part of the internal control within Arise and aims, for example, to provide reasonable reliability in the external financial reporting in form of interim reports, annual reports and year-end reports, and to ensure that the external financial reporting is prepared in accordance with laws, applicable accounting standards and other requirements for listed companies.

Risk assessment and control activities

On an on-going basis, Arise performs risk analyses in order to identify potential sources of errors in the financial reporting. Relevant procedures are documented so as to increase traceability in accounting as Arise expands. Normal control activities include reconciliation of accounts and supporting controls. The purpose of all control activities is to prevent, detect and correct any errors or deviations in financial statements. The most significant risks regarding financial reporting in the Group's activities and

internal control are managed through control structures which are primarily based on reports on deviations from adopted goals or standards regarding, for example, currencies and hedging.

Follow-up

On an on-going basis, the Board of Directors evaluates the information provided by the management. In the activities of the Board of Directors and the audit committee, great importance is attached to the work on following up the effectiveness of internal control. The activities include, for example, ensuring that measures are taken regarding any proposals for actions arising in external audits.

Information and communication

The provision of correct information, both internally and externally, implies that all parts of the operations are able to exchange and report relevant and significant information about the business in an effective manner. In order to achieve this, Arise has issued policies and guidelines regarding the management of information in the financial processes, which has been communicated to the employees by the management group. Furthermore, for communication with external parties, there is a policy stating guidelines for the way in which such communication is to take place. The ultimate purpose of the defined policies is to ensure that the disclosure requirements are complied with and that the investors receive the correct and timely information.

Internal audit

The size of the Company, in combination with the Audit Committee's work, and the fact that good control procedures have been prepared and applied, implies that the Board of Directors has not regarded it necessary to prepare a specific internal audit function. The issue of a specific internal audit function will, however, be addressed on an annual basis.

Activities in 2012

In 2012, the focus was placed on financing and investing issues, along with the execution of the Jädraås project.

Halmstad, 27 March 2013

Pehr G Gyllenhammar
Chairman

Birger von Hall
Director

Joachim Gahm
Director

Jon G Brandsar
Director

Peter Nygren
Director and CEO

Maud Olofsson
Director

Auditor's statement on the Corporate Governance Report

The Board of Directors is responsible for the Corporate Governance Report for the year 2012 on pages 72-74 and for ensuring that it is prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Report and based on this reading and our knowledge of the Company and the Group we believe we have a sufficient basis for our opinions. This implies that our statutory review of the Corporate Governance

Report has a different direction and a significantly narrower scope than the direction and scope of an audit conducted according to the International Standards on Auditing and generally accepted auditing standards in Sweden.

We conclude that a Corporate Governance Report has been prepared, and that its statutory content is in accordance with the annual accounts and the consolidated accounts.

Gothenburg, 27 March 2013

Öhrlings PricewaterhouseCoopers AB

Bror Frid

Authorised Public Accountant

Ownership Structure

Share capital

The share capital of Arise Windpower AB totals MSEK 2.7, distributed between 33,428,070 shares. Each share entitles to one vote and all shares entitle the right to an equal portion of the Company's assets and profits.

Dividend policy and target equity/assets ratio

In conjunction with the issue of a bond in March 2012, the Company is contractually obliged not to pay a dividend until after 31 March 2015. The financial policy states that the consolidated equity/assets ratio is to exceed 25 %.

Ownership structure as of 31 December 2012	Shares	Share of votes and capital
Nordea Investment Funds	4,568,595	13.67%
Founders with families and companies	3,535,629	10.58%
Länsförsäkringar Fondförvaltning AB	3,347,261	10.01%
Tredje AP-fonden	3,340,133	9.99%
Statkraft AS	2,495,613	7.47%
Alecta Pensionsförsäkring	1,500,000	4.49%
Ernström Finans AB	1,500,000	4.49%
Arbetsmarknedets Tillaegspension	1,098,348	3.29%
Danica Pension	1,040,776	3.11%
JP Morgan Bank	918,905	2.75%
Vätterledens Invest AB	614,174	1.84%
KL Ventures AB	500,000	1.50%
Pehr G Gyllenhammar	446,639	1.34%
Länsförsäkringar Bohuslän	400,373	1.20%
Nordea Bank Finland	362,901	1.09%
KLP-Pension	350,000	1.05%
Ethos Aktiefond	342,600	1.02%
Avanza Pension	300,999	0.90%
Lundaslättens Vindfabrik	280,165	0.84%
Hanvad Invest AB	255,165	0.76%
Handelsbankens Fonder	232,941	0.70%
SEB Investment Management	228,014	0.68%
Pohjola Bank PLC Client A/C	210,716	0.63%
Svenska Handelsbanken	200,000	0.60%
Other shareholders	5,303,929	15.87%
Total outstanding shares	33,373,876	99.84%
Arise Windpower AB ¹	54,194	0.16%
Total number of registered shares	33,428,070	100.00%

1) Holding of own shares.

	Number of shares	Accumulated number of shares	Share capital, SEK	Accumulated share capital, SEK
1986 Formation of the Company	50,000	50,000	50,000.00	50,000.00
1997 Split	950,000	1,000,000		50,000.00
1998 Bonus issue		1,000,000	50,000.00	100,000.00
2007 New issues	473,077	1,473,077	47,307.70	147,307.70
2008 New issues	1,420,000	2,893,077	142,000.00	289,307.70
2008 Bonus issue		2,893,077	867,923.10	1,157,230.80
2008 Split	11,572,308	14,465,385		1,157,230.80
2008 New issue	51,000	14,516,385	4,080.00	1,161,310.80
2008 New issue ¹	937,500	15,453,885	75,000.00	1,236,310.80
2009 New issue	5,972,185	21,426,070	477,774.80	1,714,085.60
2010 New issue	135,000	21,561,070	10,800	1,724,885.60
2010 New issue	10,000,000	31,561,070	800,000	2,524,885.60
2011 New issue	227,500	31,788,570	18,200.00	2,543,085.60
2011 New issue	15,000	31,803,570	1,200.00	2,544,285.60
2011 New issue	50,000	31,853,570	4,000.00	2,548,285.60
2011 New issue	1,574,500	33,428,070	125,960.00	2,674,245.60

1) Private placement in conjunction with the acquisition of the company PLU Energy Intressenter AB, which was merged with the Parent Company during 2009.

Arise Windpower's Board of Directors

Pehr G Gyllenhammar, born 1935

Pehr G Gyllenhammar is a Director and has served as Chairman of the Board since being appointed at the Annual General Meeting on 2 October 2007.

Other directorships and positions: Vice Chairman of Rothschild Europe, Chairman of Rothschild Nordic AB.

Education: LL.M. from Lund University (1959).

Holdings: 446,639 shares.

Independence/dependence: Pehr G Gyllenhammar is independent in relation to Arise Windpower, its senior executives and major shareholders.

Jon G Brandsar, born 1954

Jon G Brandsar has been a Director since being appointed by the Annual General Meeting on 16 June 2008.

Other directorships and positions: Executive Vice President Wind Power and Technologies in Statkraft, responsible for onshore and offshore wind power, district heating, innovation and small scale hydropower.

Holdings: –

Independence/dependence: Jon G Brandsar can be considered to be a dependent member of the Board of Directors in relation to Arise Windpower's major owners, given his services to and position in Statkraft AS, which holds 7.5 % of the shares in Arise Windpower. Jon G Brandsar is, however, independent in relation to Arise Windpower and its senior executives.

Joachim Gahm, born 1964

Joachim Gahm has been a Director since being appointed by the Annual General Meeting on 11 July 2007.

Other directorships and positions: Director of Kungsleden AB, Director of Förvaltnings AB Hanneborg and deputy Director of Sirocco Wind Holding AB. Joachim Gahm was previously CEO of E.Öhman J:or Investment AB and Vice CEO and a Director of E.Öhman J:or Fondkommission AB.

Education: M.Sc. in Business and Economics from Stockholm University (1990).

Holdings: 10,000 shares

Independence/dependence: Joachim Gahm is independent in relation to Arise Windpower, its senior executives and major shareholders.

Birger von Hall, born 1948

Birger von Hall has been a Director since being appointed by the Annual General Meeting on 11 July 2007.

Other directorships and positions: Director of The Royal Bachelors Club Residence Aktiebolag, Director and Chairman of the Board of Aktiebolaget Club Avancez, Director of A och B von Hall AB, Director of Chalmers Innovation Affiliate Fund AB (publ), Chairman of the Board of Stiftelsen Göteborgs Maritima Centrum, Director of The Local Firm Sweden AB and Director of Emils Kårhus AB.

Education: M.Sc. in Engineering from Chalmers University of Technology (1974).

Holdings, own and via company: 40,000 shares

Independence/dependence: Birger von Hall is independent in relation to Arise Windpower, its senior executives and major shareholders.



Peter Nygren, born 1958

Peter Nygren has been a Director since being appointed by the Annual General Meeting on 27 April 2011.

Other directorships and positions: Chairman of the Board of Arise Elnät AB, Chairman of the Board of Arise Service AB, Chairman of the Board of Arise Kran AB, Chairman of the Board of Arise Wind Farm 1 AB and in other Arise Wind Farm companies which are subsidiaries of Arise Windpower, Chairman of the Board of Arise Wind HoldCo 1 AB and in other Arise Wind HoldCo companies which are subsidiaries of Arise Windpower, Chairman of the Board of Sirocco Wind Holding AB, Chairman of the Board of JVAB Holding AB, Chairman of the Board of Jädraås Vindkraft AB, Chairman of the Board of HKAB Holding AB, Director of Hälleåsen Kraft AB, Director of PLU Energy Holding AB, deputy Director of Zinwin AB, Director of NyHolding i Motala AB and NyHolding AS.

Education: MBA studies at Uppsala University (2001).

Holdings with family and company: 1,343,589 shares and 17,000 share warrants (entitling to subscription of 17,000 shares)

Independence/dependence: Peter Nygren is independent in relation to Arise Windpower's major shareholders but is dependent in relation to Arise Wind power and its senior executives through his employment as a senior executive of Arise Windpower.

Maud Olofsson, born 1955

Maud Olofsson has been a Director since being appointed by the Annual General Meeting on 25 April 2012.

Other directorships and positions: Director of Diös Fastigheter AB, Director of LKAB, Director of Creades and Director of RO-MO Norr AB. Previously leader of the Swedish Centre Party, Sweden's Minister for Enterprise and Energy 2006-2011 and Deputy Prime Minister 2006-2010.

Holdings, own and via company: 0 shares.

Independence/dependence: Maud Olofsson is independent in relation to Arise Windpower, its senior executives and major shareholders.

The information concerning share holdings and warrants refers to the situation as of 31 December 2012.

Arise Windpower's Group Management

Peter Nygren, born 1958

CEO since 2007. Peter has extensive experience from major energy projects, notably as head of energy issues in the SCA Group, Vice President Project Financing at NCC, Key Customer Manager at Vattenfall and Project Manager at Calor Industrier.

Holdings with family and company: 1,343,589 shares and 17,000 share warrants (entitling to subscription of 17,000 shares).

Lars Fröding, born 1963

Deputy CEO since July 2012. Lars coordinates much of the day-to-day work undertaken in the Company. He is also responsible for the development of our projects from the signing of the lease to the commissioning of the turbines. Lars has extensive experience of public administration and, therefore, handles a large portion of our external contacts, not least with public authorities.

Holdings: 1,000 shares and 20,000 share warrants (entitling to subscription of 20,000 shares).

Leif Jansson, born 1954

Leif is responsible for leases, the development of new land areas for the establishment of wind farms and, since February 2011, also for investor relations. Leif has extensive business development experience and has previously held several leading positions, including CEO.

Holdings with family and company: 1,293,909 shares.

Thomas Johansson, born 1963

CFO since 2008. Thomas has a broad base of experiences, including the role of CEO, Director of Finance and Administration, CFO and authorised public accountant.

Holdings: 60,000 shares and 20,000 share warrants (entitling to subscription of 20,000 shares).

Gary Ericson, born 1952

Head of Marketing since March 2011. Gary has many years' experience from the energy industry. Before joining Arise Windpower, he worked for Halmstads Energi och Miljö AB.

Holdings: 20,000 share warrants (entitling to subscription of 20,000 shares).

Linus Hägg, born 1976

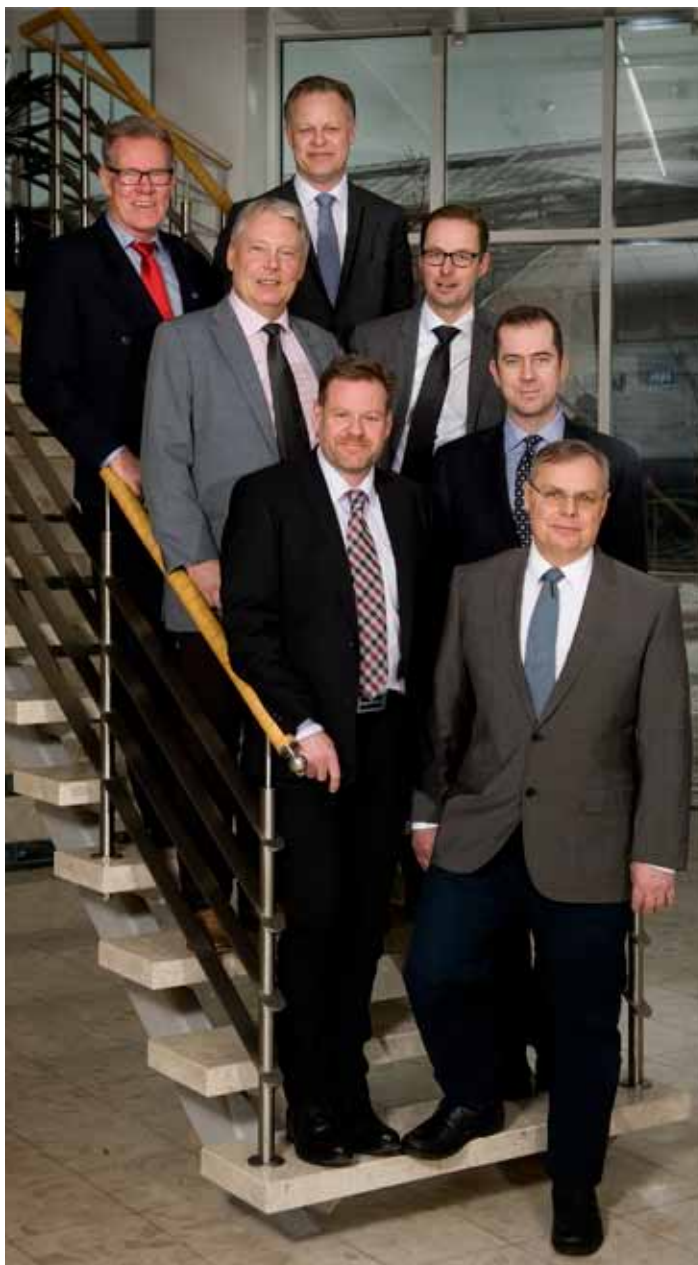
Head of Corporate Finance since October 2011. Linus has extensive experience working in capital markets, as well as mergers and acquisitions. Before joining Arise Windpower, he worked at ABG Sundal Collier.

Holdings: 10,000 shares and 20,000 share warrants (entitling to subscription of 20,000 shares).

Per-Erik Eriksson, born 1963

CEO of subsidiary Arise JV AB since October 2012. Per-Erik has extensive experience within the energy industry, including project management for large projects and market-related matters. Before joining Arise Windpower, he worked for the SCA Group, where he was Global Head of Energy.

Holdings: 4,700 shares.



The information concerning share holdings and warrants refers to the situation as of 31 December 2012.

Annual General Meeting and 2013 Calendar

Annual General Meeting

Shareholders are invited to attend Arise Windpower's Annual General Meeting to be held at Scandic Hallandia, Halmstad, Sweden on Thursday, 2 May 2013, at 11 a.m. Light refreshments and beverages will be served before the AGM.

Registration

Shareholders wishing to attend the Annual General Meeting must be registered in the register of shareholders maintained by Euroclear Sweden AB (formerly VPC AB) on Thursday 25 April 2013 and register their attendance along with that of any assistants no later than Thursday 25 April 2013, preferably before 4 p.m. and by e-mail to info@arisewindpower.se. It is also possible to register for the Annual General Meeting by telephone, +46 (0) 35 20 20 900, per fax +46 (0) 35 22 78 00, or by post to Arise Windpower AB (publ), Bolagsstämman, Box 808, 301 18 Halmstad, Sweden.

Shareholders registering their attendance are required to state their name, address, telephone number, personal ID or Corporate Identity Number, registered shareholding and details of any representative. The attendance and details of any proxies and representatives are registered with Arise Windpower for the purpose of drawing up the electoral roll. Shareholders wishing to be represented by a proxy are required to issue a signed and dated authorisation to their proxy. If the authorisation is issued by a legal entity, a certified copy of the certificate of registration or equivalent document for the legal entity must be presented. All authorisations must be made in writing and submitted no later than at the Annual General Meeting, although a copy should be sent in advance, if possible. The proxy shall be valid for a maximum of five years if this is specified. If no validity is specified, the proxy is valid for a maximum of one year. Authorisation forms will be available at www.arisewindpower.se and from the head office in Halmstad, Kristian IV:s väg 3, or sent to any shareholder who so wishes and provides their address.

Shareholders whose shares are registered with a nominee through the trust department of a bank or individual stockbroker are required to have their shares temporarily registered in their own name in order to be entitled to participate in the Annual General Meeting. Such temporary registration of ownership must be completed no later than Thursday 25 April 2013. This means that shareholders need to notify their nominee or bank in good time before the meeting to request temporary registration of ownership (known also as "registration of voting rights").

Accounting documents and full versions of proposals

Accounting documents, the Audit Report, the auditor's statement in accordance with Chapter 8, Section 54, of the Companies Act, and the Board's proposed appropriation of profits will be sent to shareholders requesting this, and will also be available at www.arisewindpower.se and from the head office in Halmstad. The full versions of other proposals will be available no later than Thursday, 11 April 2013 at www.arisewindpower.se and from the head office. Copies of the documents will be sent on request to shareholders stating their address.

Calendar of financial information

All financial information is published at www.arisewindpower.se as soon as it has been released. In 2013, financial information will be published as follows:

- First quarter: 2 May
- Second quarter: 19 July
- Third quarter: 13 November
- Fourth quarter: 14 February 2014

Annual Report

The Annual Report is sent by post to shareholders who have notified the company that they wish to receive a copy. It is also available at www.arisewindpower.se. The annual report for 2012 is expected to be available at the end of March 2013.

IR contact

Peter Nygren, CEO, and Thomas Johansson, CFO, are responsible for Arise Windpower's financial information. Leif Jansson is responsible for Investor Relations.

Peter Nygren, CEO Tel. +46 (0) 706-300 680
Thomas Johansson, CFO Tel. +46 (0) 768-211 115
Leif Jansson, IR Tel. +46 (0) 707-340 554

FINANCIAL INFORMATION IN SUMMARY

Financial information in summary					
MSEK	2012	2011	2010	2009	
Income Statements (summary)					
Net sales	210	180	67	27	
Operating profit before depreciation (EBITDA)	177	177	35	2	
Operating profit (EBIT)	54	104	-2	-11	
Profit/loss before tax	-22	65	-24	-11	
Net profit/loss for the year	-16	47	-18	-8	
Balance Sheets (summary)					
Total fixed assets	2,753	2,615	1,734	918	
Cash and cash equivalents	341	137	520	341	
Equity	1,152	1,243	1,195	680	
Total assets	3,207	2,869	2,075	1,348	
Interest-bearing net liabilities	1,265	1,192	-536	-259	
Cash Flows (summary)					
Cash flow from operating activities	170	211	32	-120	
Cash flow from investing activities	-176	-822	-812	-568	
Cash flow from financing activities	210	498	688	620	
Key ratios					
Operational capacity at period end, MW	139	136	47	34	
Electricity production during period, GWh	326	247	89	36	
Earnings per share before dilution, SEK	neg	1.46	neg	neg	
Earnings per share after dilution, SEK	neg	1.46	neg	neg	
EBITDA margin, %	84.0%	98.1%	52.6%	6.4%	
Return on capital employed, %	7.2%	8.7%	2.8%	0.3%	
Return on equity, %	neg	3.9%	neg	neg	
Equity/assets ratio, %	35.9%	43.3%	57.6%	50.5%	
No. of employees at end of period	44	35	27	21	

OWN WIND POWER OPERATIONS

														Nominal capacity, MW	Expected production during a normal year, GWh ¹	Full capacity hours, MWh/year	Capacity factor, %	Price area	Commissioned, year	Initial investment, MSEK	Investment cost per year, SEK/ production during a normal year, KWh	Investment cost, MSEK/MW	Manufacturer	Model	Municipality	Country							
Own wind power operations																																	
Oxhult	24.0	62	2,583	29 %	IV	2009	415	6.7	17.3	Vestas	V 90	Laholm	Sweden																				
Råbelöv	10.0	26	2,600	30 %	IV	2010	139	5.3	13.9	Vestas	V 90	Kristianstad	Sweden																				
Brunsmo	12.5	30	2,400	27 %	IV	2010	197	6.6	15.8	GE	2.5 XL	Karlskrona	Sweden																				
Kåphult	17.5	47	2,686	31 %	IV	2010/11	252	5.4	14.4	GE	2.5 XL	Laholm	Sweden																				
Frösilda	22.5	56	2,489	28 %	IV	2011	327	5.8	14.5	GE	2.5 XL	Hylte	Sweden																				
Idhult	16.0	35	2,188	25 %	IV	2011	209	6.0	13.0	Vestas	V 90	Mönsterås	Sweden																				
Södra Kärra	10.8	34	3,148	36 %	III	2011/12	179	5.3	16.6	Vestas	V 100	Åskersund	Sweden																				
Blekhem	10.8	31	2,870	33 %	IV	2011/12	174	5.6	16.1	Vestas	V 100	Västervik	Sweden																				
Gettnabo	12.0	29	2,417	28 %	IV	2011	150	5.2	12.5	Vestas	V 90	Torsås	Sweden																				
Skäppentorp	3.1	8	2,699	31 %	IV	2012	43	5.2	14.0	Vestas	V 112	Mönsterås	Sweden																				
Total	139.2	358	2,574	29 %			2,085	5.8	15.0																								
Own wind power operations under construction ²																																	
Bohult	12.8	46.3	3,617	41 %	IV	2013	214	4.6	16.7	GE	1.6-100	Halmstad	Sweden																				
Skogaby	7.2	24.2	3,361	38 %	IV	2013	115	4.7	15.9	Vestas	V 100	Laholm	Sweden																				
Stjärnarp	5.4	16.3	3,019	34 %	IV	2013	78	4.8	14.5	Vestas	V 100	Halmstad	Sweden																				
Total	25.4	87	3,417	39 %			407	4.7	16.0																								
Total Own wind power operations														164.6	445.1	2,705	31 %																
Co-owned wind power operations																																	
Jädraås ³	101.5	285	2,809	32 %	III	2012/13	1,148	5.1	14.3	Vestas	V 112	Ockelbo	Sweden																				
Total	266.1	730.1	2,744	31 %			3,940	5.4	14.8																								
1) Expected production +/- 5% in a normal wind year.																																	
2) Estimated investment cost.																																	
3) Corresponds to Arise's share of 50%. The investment is net of development fees and blocked funds.																																	







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