Annual Report 2015

arise


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A plan for efficient management

Arise is one of Sweden's leading operators of onshore wind power. Arise is also one of few companies in the sector with control over the entire value chain, from prospecting and concession management to financing, construction and long-term management of the Company's own wind farms and on behalf of others. With our industrial approach, we are contributing to a rapid and cost-effective transition to a long-term energy system.

In 2015, our portfolio of wind farms in operation and under management was approximately 490 MW, with total production (including Co-owned production) amounting to 774 GWh. This represents just over 8 % of Sweden's installed capacity. We have developed an efficient management model that increases our attractiveness as a partner. The model takes the form of a comprehensive concept, under which we assume the responsibility for operation, maintenance, technology, environmental reporting, finance and administration, and provides our partners with experienced and dedicated employees working with advanced systems for monitoring operations and service.

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Calendar

ARISE ANNUAL GENERAL MEETING 2016 ■ The Annual General Meeting will be held on 3 May in Halmstad ■ **FINANCIAL INFORMATION 2016** ■ 3 May – Annual General Meeting • 3 May – First Quarter Interim Report • 19 July – Second Quarter Interim Report • 11 November – Third Quarter Interim Report • 17 February 2017 – Fourth Quarter Interim Report ■ **DISTRIBUTION OF THE ANNUAL REPORT 2015** ■ The Annual Report is available on our website *www.arise.se*. The report will be sent by mail to shareholders who have expressed an interest in receiving a copy. Interested? Order by filling in the form on our website or call our switchboard on +46 (0)35 20 20 900.

System for analysis and monitoring

Thanks to our extensive experience of wind power development and proven systems for analysis and monitoring, we can combine a high level of electricity production with low costs, both in our own wind farms and in those we manage on behalf of others. Using the same systematic processes is A to Z in our work with safeguarding the technical lifetime of individual turbines.

Our experienced Operations Managers supervise everything that happens in the wind farms and take any actions they deem necessary. Our Event Management System gives both operative personnel and owners full insight into all significant events and actions.

Optimal support for operation and maintenance

As an electricity producer, we are naturally eager for the wind turbines to be in operation when wind conditions are ideal. In order to optimise operations, we have developed a cost-effective working method using the best possible systems support, meaning that we can simultaneously manage a large number of turbines. Each turbine is continuously monitored in terms of performance and availability. All errors/warnings are followed up, categorised and remedied in order of priority.

For maintenance, we try to keep our own service personnel on hand to the greatest extent possible. Our experience has taught us that their work gives us better availability and provides significant cost savings.

A strong chain that safeguards lifetime

Under normal circumstances, a modern wind turbine should be functional and generate renewable electrical energy for 20 to 25 years. This assumes that the turbine has been constructed and maintained according to all applicable regulations and standards.

We control the entire value chain and leave nothing to chance. With thorough planning at all levels, from wind measurements and farm layout to construction and operation with the right supplier contacts and maintenance efforts, we guarantee that each turbine benefits from an optimised lifetime.

Photo courtesy by Vestas.


A modern gearbox develops up to 5,000 horse power and weighs 28 tonnes.
The nacelle on new turbines, including rotor and blades, weighs a total of around 200 tonnes.
They are designed to tolerate gusts of 60–70 m/s.

The year in brief

During the year, the Mombyåsen project (33 MW) was sold to Allianz Capital Partners, the Skogaby project (7.2 MW) to Allianz Global Investors and the Ryssbol project (12 MW) to KumBro Vind AB: a total of 52 MW. The previously sold Brotorp project (46.2 MW) was also completed and handed over to BlackRock in December 2015. As a result, Arise is currently managing almost 490 MW, which corresponds to just over 8 % of Sweden's entire wind power capacity for 2015.

The sale of three wind farms in 2015 further consolidated Arise's position on the Swedish wind power market and proves that the company's project portfolio, as well as its construction and operation management competence, represent an attractive platform for investors interested in renewable energies in the Nordic region. The company's business model is more balanced as a result when faced with the prevailing challenging market conditions. We remain convinced that steady income from management tasks and long-term income from our Own and Co-owned wind farms – combined with direct profit from the sale of projects – create considerable value for our shareholders.

Total power production during the year amounted to 774 GWh, an increase of 19 % compared to the previous year. Production was better than expected in almost all wind farms due to unexpectedly high winds.

Total income amounted to MSEK 508 (288) (excluding Co-owned wind power operations which, according to applicable accounting rules, are reported as a portion of the company's operating profit).

Average income from Own wind power operations amounted to SEK 340 per MWh for electricity and SEK 165 per MWh for electricity certificates. The corresponding figures for Co-owned wind power operations were SEK 322 per MWh and SEK 179 per MWh respectively.

A decision was made during the year to write down the company's assets related to Own and Co-owned wind power operations, as well as Wind power development, by MSEK -190, of which MSEK -39 had an impact on the operating profit before depreciation (EBITDA). There were an additional MSEK -23 in non-recurring items, bringing total non-recurring items affecting earnings for the year to MSEK -213.

Operating profit before depreciation (EBITDA) amounted to MSEK 255 (199) before non-recurring items and MSEK 193 (197) after non-recurring items. As a result, net profit for the year was MSEK 49 (-21) before and MSEK -164 (-24) after non-recurring items.

Throughout the year, a total of 52 MW was sold, of which 45 MW represents construction projects on behalf of external investors and 7.2 MW represents already operating projects. Management contracts also increased by 82 MW, as the company signed a management agreement for 30 MW which was not related to the sale of projects. The Brotorp farm was handed over to BlackRock in December 2015 after being completed ahead of schedule and under budget. The final settlement for Brotorp is expected to take place during the first quarter of 2016.

The company has also continued to reduce net debt via the sale of construction-ready and operational projects. At the end of the year, net interest-bearing debt amounted to MSEK 1,248 (1,449) at the same time as the underlying production capacity only decreased by 24.2 GWh. This means that the company continues to adapt its loan financing to the prevailing market conditions.

QUARTER 1

- Total power production was 228 GWh, with 106 GWh comprising production from the company's Co-owned wind farms.
- Net sales[1] amounted to MSEK 78 (87) and average income from Own wind power operations amounted to SEK 562 per MWh, with SEK 408 per MWh for electricity and SEK 154 per MWh for electricity certificates.
- Operating profit before depreciation (EBITDA) amounted to MSEK 70 (70).

[1] *Adjustments have been made for development and management income included in net sales.*

QUARTER 2

- Total power production was 178 GWh, with 72 GWh comprising production from the company's Co-owned wind farms.
- Net sales [1] amounted to MSEK 60 (37) and average income from Own wind power operations amounted to SEK 469 per MWh, with SEK 307 per MWh for electricity and SEK 162 per MWh for electricity certificates.
- Operating profit before depreciation (EBITDA) amounted to MSEK 45 (14).
- A conditional agreement for the sale of Ryssbol (12 MW) to KumBro Vind was concluded and the acquisition of Mombyåsen from E.ON Vind Sweden was finalised.

[1] *Adjustments have been made for development and management income included in net sales.*

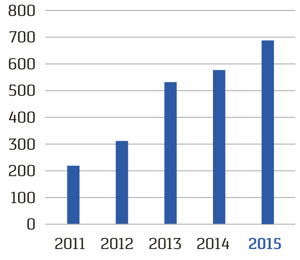
QUARTER 3

- Total power production was 141 GWh, with 51 GWh comprising production from the company's Co-owned wind farms.
- Net sales amounted to MSEK 198 (49) and average income from Own wind power operations amounted to SEK 454 per MWh, with SEK 287 per MWh for electricity and SEK 166 per MWh for electricity certificates.
- A decision was made to write down the company's assets related to Own and Co-owned wind power operations, as well as Wind power development, by MSEK -190. The impact on consolidated earnings of these impairments amounted to MSEK -159, with MSEK -7 as part of operating profit before depreciation (EBITDA). There were an additional MSEK -16 in non-recurring items, bringing total non-recurring items affecting earnings for the quarter to MSEK -174.
- Operating profit before depreciation (EBITDA) amounted to MSEK 52 (28) before non-recurring items and MSEK 29 (28) after non-recurring items.
- Two wind farms with a total of just over 40 MW were sold during the quarter. They were an operational 7.2 MW farm sold to Allianz Global Investors and a 33 MW construction-ready farm sold to Allianz Capital Partners.

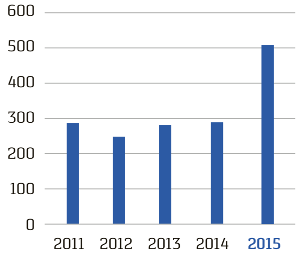
QUARTER 4

- Total power production was 228 GWh, with 103 GWh comprising production from the company's Co-owned wind farms.
- Net sales amounted to MSEK 151 (84) and average income from Own wind power operations amounted to SEK 518 per MWh, with SEK 340 per MWh for electricity and SEK 178 per MWh for electricity certificates.
- Operating profit before depreciation (EBITDA) amounted to MSEK 85 (88) before non-recurring items and MSEK 48 (86) after non-recurring items. Non-recurring items amounted to MSEK -37, of which MSEK -32 refers to impairment in associates in the third quarter that was fully recognised in the consolidated financial statements only in the fourth quarter with a further MSEK -5 attributable to decommissioning expenses in connection with a reorganisation in the fourth quarter.
- The Brotorp wind farm was completed for BlackRock with the final settlement taking place in the first quarter of 2016.
- The terms and conditions for the sale of the Ryssbol wind farm to KumBro Vind AB were met and construction began.

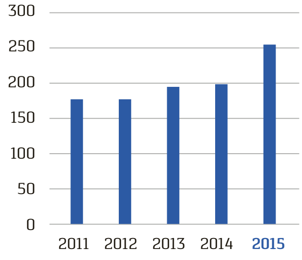
PRODUCTION, GWh



TOTAL INCOME, MSEK



EBITDA, OPERATING PROFIT BEFORE DEPRECIATION, MSEK

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Arise is one of the leading operators on the Nordic wind power market. Since the beginning of 2007, the company has constructed or is currently involved in the construction of around 460 MW of onshore wind power, of which 253 MW remains in its ownership. In addition, the company has a comprehensive project portfolio of approximately 600 MW at various locations across Sweden and is currently evaluating a number of projects in Norway. In Scotland, planning work is underway for a project of approximately 150 MW, for which the company has signed lease agreements.

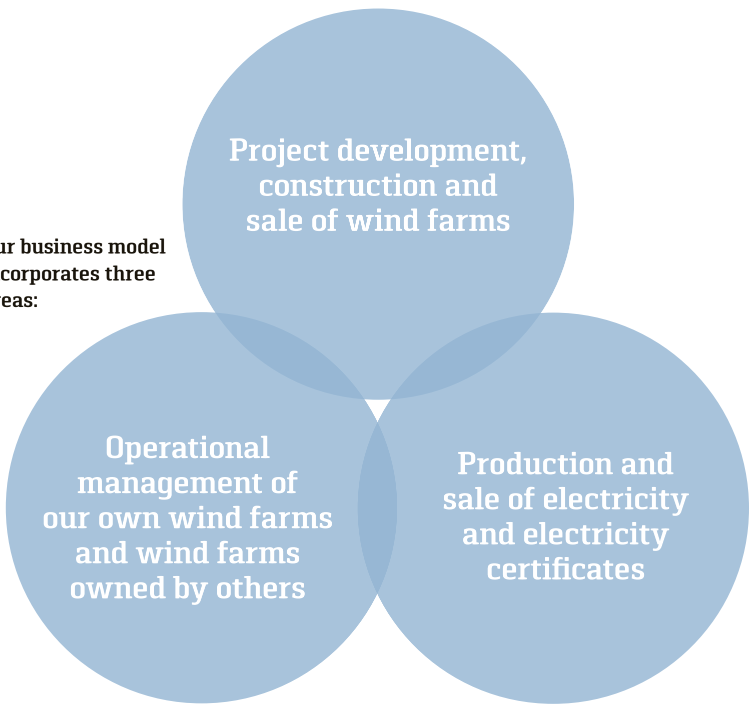
Arise's operations are fully integrated, which means that the company has control over the entire value chain – from prospecting and concession management to the construction and operation of the turbines and the sale of renewable energy. In addition, Arise handles construction and management of wind farms on behalf of external investors. Systems for analysis and follow-up, systematic processes and the company's extensive experience in wind power

Arise in brief

development allow us to ensure high quality, availability and electricity production in both our own wind farms and those which we manage on behalf of external investors. Our industrial approach is contributing to a rapid and cost-effective transition to a long-term energy system. The overall goal is to provide shareholders a good return over time in the form of dividends and capital growth through efficient financing, management, operations and project development in the field of renewable energy.

Our strategy for creating capital growth entails that our short-term focus is on cash flow rather than on growth in our own production capacity and involves, among other things, the sale of operational assets. Capital freed-up will primarily be used to reduce the company's net debt and interest expenses

Our business model incorporates three areas:

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and, by doing so, strengthen its financial position and cash flows. Furthermore, we intend to generate further income by regularly selling construction-ready projects, including construction management and operational management, to investors.

We remain steadfast in our belief that the ownership of wind power assets represents a smart and profitable strategy, and our long-term ambition is, therefore, to increase our in-house production capacity. We will accomplish this by means of investments in new, fully-owned – as well as co-owned – projects where Arise will supply efficient construction and operational management. The equity investment required for continued, long-term expansion will be financed through the company's own cash flows.

We believe that an effective means of creating positive short and long-term cash flow and capital growth is to generate income from a combination of sources including project development, management and the sale of in-house produced electricity.

Due to falling electricity and electricity certificate prices, the company decided to report impairments which led to a negative return on capital employed in 2015. The company's project sales business was successful with three sales taking place during the year. Furthermore, the company has continued to reduce fixed costs while decreasing net debt.

The aim, therefore, is to continue with the aforementioned strategy to raise the company returns and cash flow in the coming year, even though the prevailing electricity and electricity certificate prices are challenging, from a power production perspective.

VISION

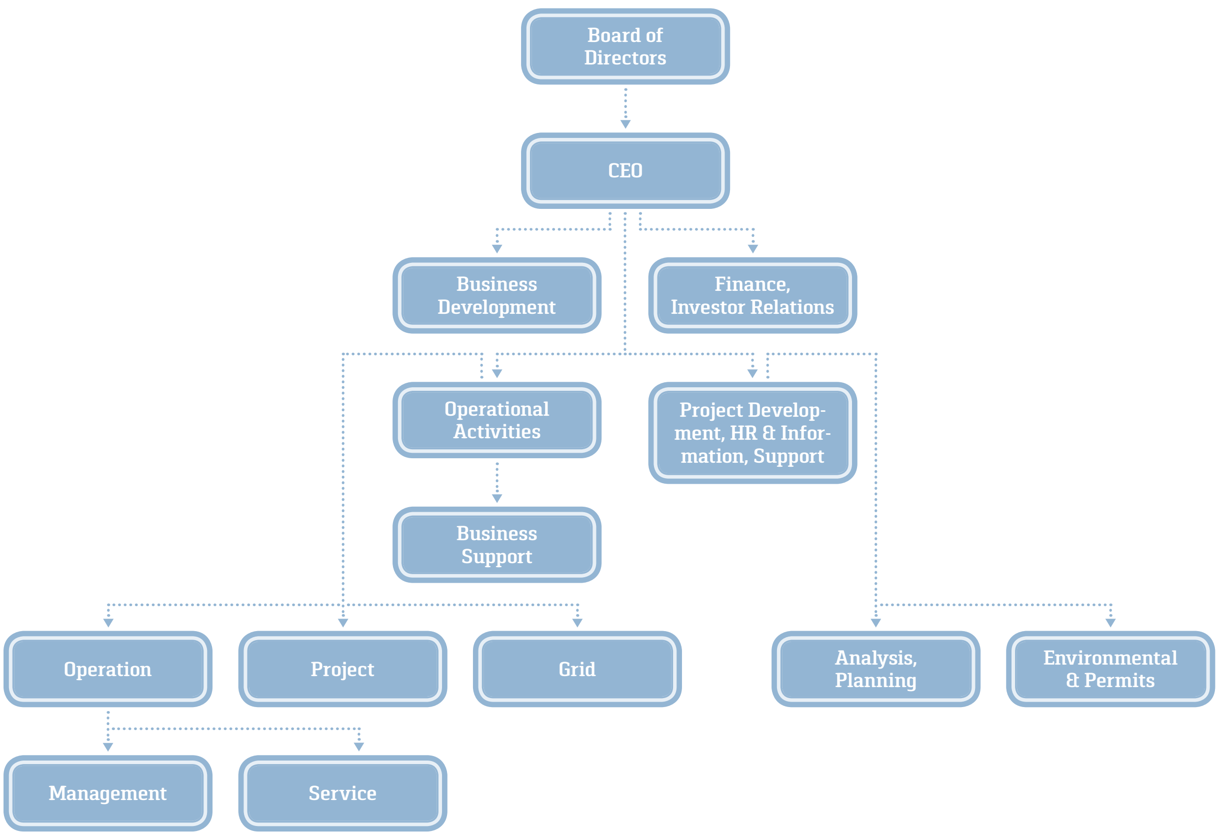
Arise is to be one of Sweden's leading land-based wind power companies in terms of both size and competence, and shall in this manner contribute to the global shift towards a more sustainable society. The company will actively contribute to the development and consolidation of the emerging wind power market in Sweden, Norway and other selected markets.

GOAL

The company's overall goal is to provide its shareholders with a good return in the form of dividends and capital growth through efficient financing, management, operations and project development in the field of renewable energy.

BUSINESS CONCEPT

Arise's business concept is to sell electricity produced in its own and co-owned onshore wind farms, to sell wind power projects – both operational projects and those ready for construction – and to manage these projects. The company has control over the entire value chain from prospecting and concession management to financing, construction and operation and long-term ownership, as well as the sale of renewable energy.



Message from the CEO

The year was marked by good winds and good business, but also by low electricity and electricity certificate prices.

- In terms of wind, 2015 was 12 % better than a so-called 'normal' year. This resulted in electricity production of around 774 GWh, a 19 % increase on the previous year;
- Interest in Swedish wind power remained high, and three projects with a total of 52 MW were sold:

  Skogaby (7.2 MW) – customer: Allianz Global Investors

  Mombyåsen (33 MW) – customer: Allianz Capital Partners

  Ryssbol (12 MW) – customer: KumBro Vind AB
- Construction on the Brotorp wind farm (46.2 MW) was completed and the project was handed over to the customer BlackRock in December, on schedule and under budget;
- There has been a downward revision of the value of our wind farms by MSEK 190 to reflect the current market value based on last year's low electricity and electricity certificate prices.

During the year, both Sweden and Norway decided to increase the so-called certificate quotas from 1 January 2016 onwards which should result in a considerable rise in the consumption of electricity certificates. The surplus in electricity certificates which built up and the resultant low prices will now be eliminated rapidly, which should result in a positive change in electricity certificate prices. Likewise, the decision to close down ageing Swedish nuclear power plants earlier than planned is positive. The close down affects two reactor blocks in Oskarshamn and two in Ringhals with a combined operating capacity of 2,800 MW. A cable to the Baltic region (700 MW) was commissioned this year. Increased export possibilities in conjunction with the decommissioning of the nuclear power plants will lead to a better balance between electricity supply and demand in Sweden.

The sale, construction and management of wind farms on behalf of external customers is running smoothly and we are an attractive partner for both Swedish and international investors. The company currently manages around 490 MW of onshore wind farms – just over 8 % of Sweden's total capacity – and around half of that is for external investors. During the year, we have reduced our fixed costs, streamlined our organisation and fine-tuned our routines. Our already effective management and construction work have been further sharpened, and we have the capacity to construct and manage even more wind farms without having to expand the current team. New management and construction contracts generally take the form of sales from our project portfolio which consists of approximately 600 MW in wind farms with concessions. All show good potential for wind and attractive investment costs per kilowatt hour produced. In addition, our project portfolio in Scotland consists of a further 150 MW currently under development.

The year's cash flow was positive. The positive amount has mainly been used to reduce the company's loan to value ratio and amounted, thereafter, to MSEK 46. Our strategy is to use freed up capital in conjunction with the sale of project and cash flow from the co-owned Jädraås project to reduce this ratio even further. The company's liquidity is also in good stead at around MSEK 203 at year end.

On balance, the company is in good shape. We are well-organised, and our team is both experienced and highly-skilled – as proven by the fact that just 30 people are in charge of 8 % of Sweden's total wind energy apparatus and yet can also construct and sell a large number of new MW. We are convinced that our mix of own electricity production and the management, sale and construction of new projects for others will prove itself successful over time.

We have had some very exciting years since 2007 with both successes and setbacks. Not everything has gone entirely as planned, but I still believe we have navigated the difficult market conditions with great skill. The company is built on a stable basis and a business model which has proven effective. For this reason, it is with great happiness that I hand over the company to our new CEO, Daniel Johansson. I should also like to take this opportunity to thank our shareholders, Board and colleagues for their confidence and help in building up one of Sweden's leading independent energy companies in the wind power sector.

Halmstad, March 2016
Peter Nygren
CEO Arise 2007–2015

A message from our new CEO

Firstly, thank you to Peter for his fantastic work in building up and establishing Arise as one of the leading wind power companies in Sweden. I would also like to express my thanks to the Board for the confidence they have shown in me by naming me the new CEO. I accept this task of leading Arise with great excitement and enthusiasm.

Possibly the greatest and most important trend in the world right now is how sustainability issues are growing in significance. Both the financial market and companies are increasing the focus on environmental and sustainability issues. This has a daily effect on business decisions and processes employed across different companies. Companies are actively moving away from the use of fossil resources towards renewable energies. Politicians have a clear environmental agenda and the average consumer makes environmentally-conscious decisions on a daily basis. Our society is undergoing a fundamental shift.

In the middle of this changing landscape, Arise stands out as a developer and installer of new, renewable energies and a long-term owner in wind power and we are part of the current shift. Yet this is by no means a guarantee that we will enjoy strong profit figures. It is actually a bit of a paradox that we are part of the ongoing change, but can still be hit negatively by the falling prices of oil and other fossil fuels. There are, of course, many explanations for this, such as the bursting of the so-called raw materials bubble or the fact that shale gas has become easier and cheaper to extract. This naturally affects overall electricity prices. The recent global climate agreement has not been followed up by the necessary economic policies required to achieve the climate goals set: it needs to become more expensive to continue releasing greenhouse gases.

Despite these circumstances, I am confident Arise has a clear role to play in contributing to providing ecologically sustainable energy at competitive prices. We are part of Europe's efforts towards reducing its dependence on external energy and are contributing towards achieving the EU goal of reducing environmental emissions by 40 % and ensuring 27 % of energy production is renewable by 2030. This is made possible thank to a common European electricity market and new interconnection projects between different parts of Europe such as the recent NordBalt line between south-east Sweden and the Baltic states.

I am very impressed by the skills that the employees here at Arise show. We have broad, long-term experience in developing and constructing wind power projects at competitive prices. It is satisfying to see that we repeatedly proved our ability to sell wind power projects developed, constructed and ultimately managed by us in 2015. I have confidence in that we will be able to turn our project portfolio into new business and I am satisfied with the financing we have managed to secure and the cash position of just over MSEK 200 we have built up. I look forward to doing my utmost and working alongside the company's employees so that we all achieve our full potential.

Halmstad, March 2016
Daniel Johansson, CEO Arise

Message from the Chairman of the Board

It is with great pleasure that I can state that Arise's shareholders have, for the first time in a long while, seen a positive price trend in 2015, with shares rising 13 %. It may be a modest rise, but that is still very positive – and I'm hoping that the winds have changed.

As for the company's business, the construction and sale of wind farms to external investors is proceeding well, however the electricity prices fell in 2015 to levels which we have not seen in some time. Despite that, and principally thanks to our external business, we still managed to turn these developments into underlying positive figures for the operating profit. Our extremely competent employees have made considerable achievements in sales and civil engineering. I don't want to miss this opportunity to stress the wide competence and commendable work the employees, but also the Board, stand for.

I am optimistic about the possibility of further developing our business of selling and constructing new wind farms from our renewable, sustainable energy project portfolio to both Swedish and international investors. With regard to price developments, we very much hope to see an improvement in electricity certificate prices on the back of the certain stabilisation we saw in 2015.

This last year, our long-term CEO Peter Nygren – who was also one of the company's original founders – decided to step down from the post to concentrate on steering Arise's future business development. After an intensive recruitment process, we were delighted to be able to announce Daniel as our new CEO. Daniel has already taken up the position and, under his leadership, we will continue to develop our business and strategy. I would like to thank Peter Nygren for his fantastic work establishing and making Arise successful.

The company is now in an excellent position to face all of the challenges ahead, and especially the low electricity and electricity certificate prices which have reached an all-time low. With strong cash flow, good cost management, a large project portfolio and a new CEO and skilled staff, we can look to the future with confidence.

Halmstad, March 2016
Joachim Gahm, Chairman, Arise

Market and external environment

MARKET ENVIRONMENT

Sweden and Norway have a common support system and common expansion targets for renewable power. The two countries also have, fundamentally, the same electricity prices. They are, however, divided into different electricity price zones where the price of electricity may differ on any given date. Sweden has four different price zones with electricity prices generally higher in the southern part of the country and lower in the north. The variation is due to greater consumption in the southern part of the country, while production is centred in the north. Norway is divided into six price zones where the price varies depending on the availability of hydro-electric power.

As both the support system and pricing is equal in the two countries, Arise has defined its domestic market as both Sweden and Norway. Wind power development is also underway in Scotland.

Although the income side is the same for a wind power project in Sweden or Norway, the two countries differ in terms of the other conditions to be considered in establishing wind farms. Generally speaking, the wind potential along the Norwegian west coast is good and, in many cases, better than in Swedish projects. On the other hand, access to the electrical grid is better in Sweden. A wind power project in either country is subject to additional property taxes: in Sweden, this tax rate is defined and determined from a central source, whereas in Norway it is determined locally and varies between municipalities. The Norwegian property tax rate is normally substantially higher than the Swedish rate.

Another difference is the cost of labour for service technicians and construction workers, whereby Norwegian projects generally incur higher construction and service costs.

Projects in the north, in both Sweden and Norway, can expect reduced availability due to ice build-up on the blades and equipment. Such problems rarely affect projects in southern Sweden or projects on the west coast of Norway where the Gulf Stream prevents ice formation.

The input cost of power also shows geographical variations: it is, generally, cheaper to input power at locations where there is a higher level of consumption, and more expensive at locations far from consumption centres.

In order to achieve the same returns in two similar projects in Sweden and Norway, it is therefore necessary that:

- the average wind levels in a project in northern Sweden are higher than in a corresponding project in the southern part of the country and
- a Norwegian project, as a rule, has higher average wind levels than a similar project in Sweden.

WIND POWER DEVELOPMENT IN SWEDEN

In 2015, Sweden's approximately 3,200 wind turbines produced approximately 16.6 TWh of electricity. This represents around 12 % of Sweden's total electricity consumption. Electricity generation from wind power grew almost 45 % on the previous year, most of which was the result of increased wind in 2015 and partially due to there being more wind farms in operation *(source: Swedish Energy Agency)*. In total, just over 600 MW or roughly 185 wind farms were installed throughout the year. In a normal year, all the turbines currently installed in Sweden generate approximately 11 % of Sweden's overall electricity requirements *(source: Swedish Wind Energy)*, compared with 39 % in Denmark or 27 % in Germany. In other words, the potential is there to substantially increase the number of wind turbines in Sweden. Wind power development has been rapid and helps to keep down electricity prices in Sweden, something that benefits both consumers and industry. Wind turbines are becoming more efficient and can now truly compete with all other new forms of power production. The expansion of wind power in Sweden slowed down in 2015, however, with only just over 600 new MW commissioned throughout the year – compare that to the just over 1,050 MW in 2014 *(source: Swedish Wind Energy)*, which Arise believes is mainly due to low electricity and electricity certificate prices.

An increase in the level of ambition to match German targets would imply that the number of turbines in Sweden would need to be as good as doubled. With a rate of expansion of 400 turbines per year, this would be achievable within a 10-year period. As wind power is now so cost-effective, this drive seems preferable, from both an environmental and economic perspective, than other alternatives.

In addition, Sweden and Norway have strong possibilities to balance increased wind power generation with good access to hydro-electric power.

In parallel to the growth of wind power, we are also seeing a drop in Swedish nuclear energy. Swedish nuclear power operators have made the decision to close four (of a total of 10) nuclear reactors by 2020, with one already having been decommissioned. *(Sources: OKG and Vattenfall)*

WIND POWER DEVELOPMENT IN NORWAY

As mentioned earlier, the wind potential on the west coast of Norway is high. The electrical grid is being reinforced and the number of wind farms with concessions is increasing. Earlier indications that the Norwegian market was beginning to pick up now seem to indicate the approval and commencement of several projects.

WIND POWER DEVELOPMENT IN SCOTLAND

The wind conditions along the west coast of Scotland are excellent, often surpassing even the best Norwegian projects. This last year has seen changes in the British system – which includes Scotland – and now involves applying an auction-based support scheme for renewable energy generation. First and foremost this support has been aimed at offshore wind power, with onshore production being left out. The main reason for this has been to limit construction of onshore wind farms in the more heavily populated areas of the British Isles. It is likely therefore that any future onshore construction will take place primarily in sparsely populated regions and the Arise projects in Scotland is, in that respect, well-placed. Our opinion is that the available wind resources for our projects will make it a worthwhile investment even if only based on the so-called UK Base Price which is currently around the £42 per MWh level – approximately 30 % above the current income from electricity and electricity certificates in Sweden.

WORK ON WIND POWER MARKETS IN OTHER COUNTRIES

During the years, Arise has also scrutinised a number of markets beyond Norway, Sweden and Scotland, including the markets in Poland, Finland, Turkey, the Baltic countries, Romania, Italy and Spain. In the majority of these countries, the level of political and/or regulatory uncertainty is unacceptably high. In Finland, the ambition for renewable energies has been reduced. Arise continuously evaluates any development potential in the aforementioned and other European countries and compares them against profitability levels in its own project portfolio.

OPERATORS ON THE SWEDISH MARKET

The Swedish wind power market has undergone some changes in its appearance in recent years. The number of companies developing and constructing wind farms has now decreased, while new, long-term owners have come in to the larger wind farms in the form of Swedish and foreign pension capital. The reason for this is that alternative investments in, for instance, fixed income instruments and government bonds yield a comparatively lower return compared with wind power investments, in which a relatively high return can be achieved on new projects, even with the current low levels of income. An investment that currently yields a total return of about 6 % after tax may well prove to be an excellent investment should the prices of electricity and electricity certificates improve. This development is not unlikely given the phasing out of nuclear power in the UK, Germany and Sweden, as well as the not too distant phasing out of coal-produced energy in Germany. Investments in large wind farms are also being made in co-operation with high energy consumers established in Sweden, such as Google or IKEA.

As regards individual turbines or small wind farms, investors are often Swedish municipalities which have adopted stated environmental goals and who have the ambition to fund the production of electricity locally, i.e. where it is also consumed.

The strategies of the large Nordic power companies (Fortum, E.ON, Statkraft and Vattenfall) do differ, however they all have in common the search for co-investors in slightly larger wind power ventures. E.ON has maintained a lower profile with regard to investments in wind power, whereas Statkraft is one of the most active investors on the market.

TECHNOLOGICAL DEVELOPMENT

Technological development has progressed very positively over recent years, with increasingly larger rotors, taller towers and generally more efficient turbines. This development, together with a lower EUR/SEK exchange rate and more efficient construction methods, has resulted in the investment cost per produced kWh decreasing by over 30 % in recent years. Technological development appears to have matured somewhat, and the current focus is on finding efficient projects with good wind potential, uncomplicated access to the electricity grid and, generally positive conditions for construction. It should be possible to further decrease the investment costs per produced kWh in some of our best-performing wind power projects but, for the majority of the projects, the cost has levelled out.

Arise focuses exclusively on the best projects in our wind power portfolio, meaning that we concentrate on 600 MW of our wind farms which have concessions and attractive wind potential. Our ambition is to expand our project portfolio in both Norway and Sweden through the acquisition of promising projects at an advanced stage of the permit process.

COST DEVELOPMENT OF NEW POWER

The cost of alternative means of producing electricity, such as nuclear power, has been clarified following the British government's decision to offer power companies approximately SEK 1,000 per MWh (SEK 1 per kWh) for the construction of new nuclear power plants. Compared with onshore wind power, this cost is very high indeed. Swedish onshore wind turbines can, at present, be constructed at a price that is around half the British, and probably also Swedish, cost of establishing new nuclear power plants.

DEVELOPMENT OF ELECTRICITY PRICES

The Nord Pool electricity price zone consists of the Nordic countries (DK, SWE, NO and FIN) and the Baltic countries. The system price in Nord Pool is calculated based on the prices in the various physical price areas in the system. There are four areas in Sweden, with lower prices in the north and higher prices in the south.

DEVELOPMENT OF ELECTRICITY CERTIFICATE PRICES

The expansion of renewable power in Sweden and Norway is supported by a cost-effective common electricity certificate system. The additional cost for Swedish electricity consumers is low, about SEK 0.03 to SEK 0.05 per kWh including VAT. In countries with state-supported systems, such as Italy and Germany, the cost for supporting the development of wind and solar power is eight to ten times higher *(source: Checkpoint 2015 for the electricity certificate market 2015).*

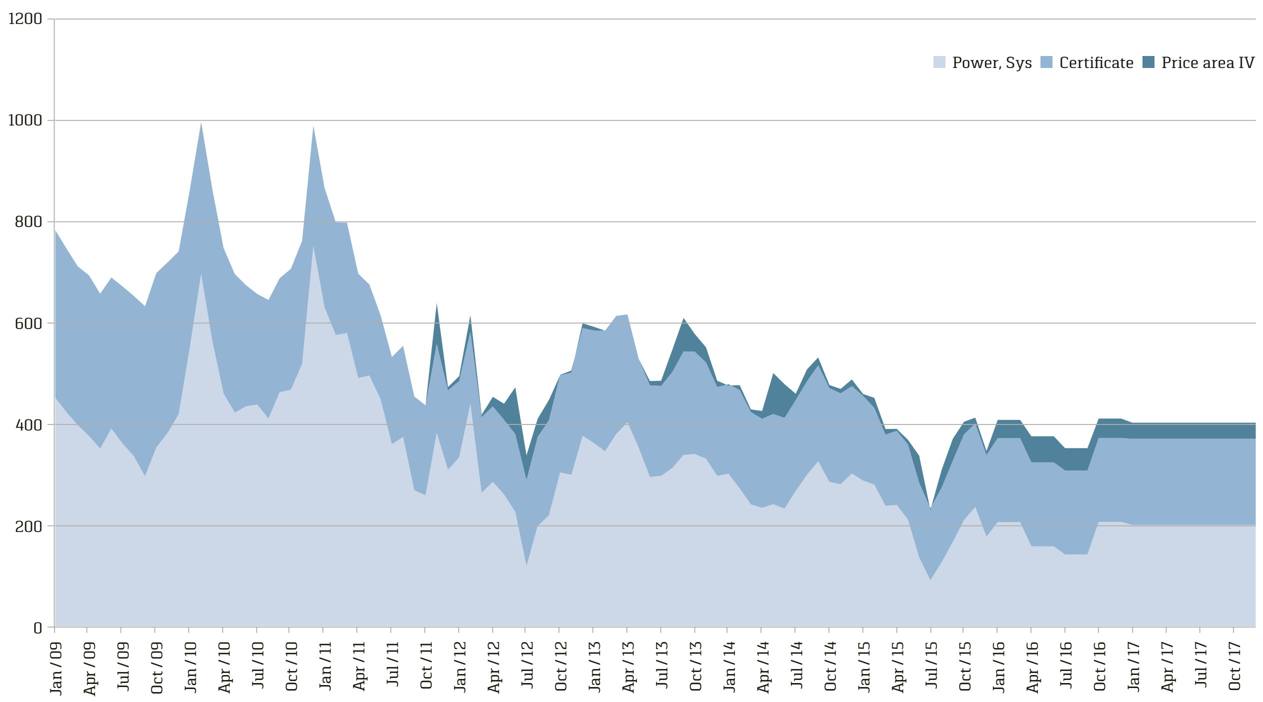
The electricity certificate system is designed to promote the countries' expansion targets for renewable energy. This is accomplished by means of the system governing demand for certificates through a so-called quota obligation: the quantity of certificates electricity consumers are required to purchase in relation to their annual electricity consumption. By changing the quota obligation, the authorities can control the price of certificates at checkpoints every five years. Electricity-intensive industries in Sweden are not subject to a quota obligation and are not, therefore, required to purchase electricity certificates. Industry can, instead, take advantage of low electricity prices arising as a result of the ongoing expansion of renewable energy. Many of these companies produce electricity certificates themselves, thereby providing an extra source of income.

As part of the 2015 checkpoint, Sweden and Norway decided to raise the so-called quota obligation considerably. The reason for this was that there has been a build-up in certificates which has led to downward price pressure and the rate of expansion slowing. This correction means that the balance between supply and demand will be re-established which therefore likely lead to higher electricity certificate prices and expansion speeding up once more.

ARISE'S PRICE HEDGES

Arise's view on prices is that the price of electricity will continue to be volatile, while the price of electricity certificates will probably rise from current levels. The overall market price of electricity and electricity certificates will, thereby, facilitate a profitable expansion of the best wind power projects. As the price cycles of electricity and electricity certificates do not correlate for various reasons, this

HISTORICAL DEVELOPMENT OF ELECTRICITY AND ELECTRICITY CERTIFICATES 2009–2015 AND FORWARD PRICES UP TO DECEMBER 2017



implies that a well-balanced hedging policy is crucial to ensuring good profitability. Since 2009, Arise has achieved average prices in excess of prevailing market prices. In 2015, Arise's realised prices for electricity and electricity certificates amounted, together, to SEK 505 per MWh, substantially higher than the market price for the same period which was approximately SEK 367 per MWh.

For the own wind power segment, Arise has hedged a substantial portion of production in the first half of 2016 but is more open after that. Production from the Jädraås project within the Co-owned wind power segment is hedged according to bank requirements on a rolling five-year basis.

A comparison between the company's total realised income during the period 2009–2015 and the prevailing market prices is presented to the right. As can be seen from the graph, the company's income has been higher than the market price in all quarters except the third quarter, which evidences the strength of the company's strategy and price hedging capabilities.

PRICE HEDGES AS OF 31 DEC 2015

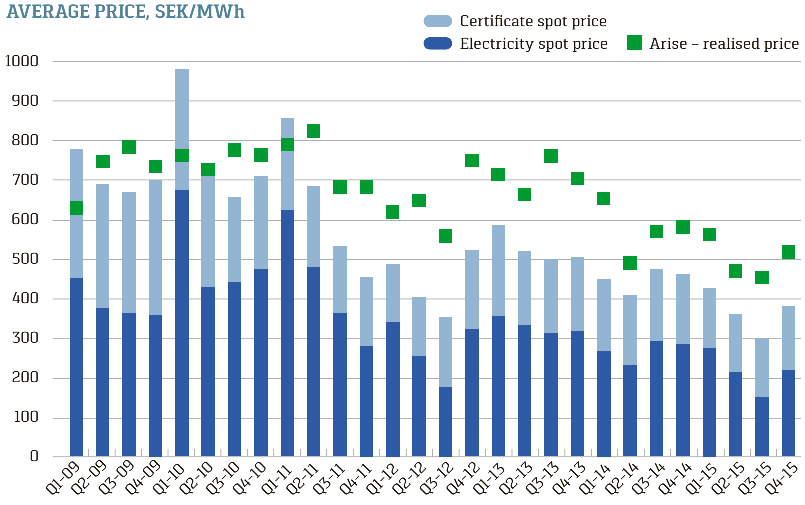
	2016	2017	2018
Own production, budget, GWh	388	388	388
Hedged electricity production, GWh [1]	223	48	18
Hedged electricity certificate production, GWh	70	125	85
Hedged electricity price, inc. CFD, SEK/MWh [1,2]	*334*	*252*	*208*
Hedged electricity certificate price, SEK/MWh	*212*	*187*	*156*
Co-owned production, budget, GWh	285	285	285
Hedged electricity production, GWh	177	177	178
Hedged electricity certificate production, GWh	243	255	118
Hedged electricity price, inc. CFD, SEK/MWh	*423*	*423*	*377*
Hedged electricity certificate price, SEK/MWh	*178*	*182*	*160*

Exchange rate applied: SEK 9.2 / EUR

[1] Includes wind farms leased out during the first half of 2016

[2] Includes CFD for the area hedged price, otherwise system price

AVERAGE PRICE, SEK/MWh



OTHER SOURCES OF INCOME

In addition to income from the sale of generated electricity and electricity certificates, Arise also has other sources of income which are described below.

Guarantee of origin

A proof of the origin of electricity – known as a "guarantee of origin" – is issued for all energy generated from renewable sources in Sweden. Each MWh produced provides one guarantee of origin (GoO) that can be sold to electricity consumers who would like to support the expansion of renewable energy in Sweden. One GoO has a value of a few SEK per MWh if it is sold to Swedish consumers, while the value is higher if it is exported. Arise has also registered all of its facilities in the English system and was therefore able to sell GoOs to English customers at a higher price for part of 2015.

Management fees

Generally an operation management agreement is signed in conjunction with the sale of a wind power project or part thereof. The agreement entails that the seller ensures that service, operation and maintenance are undertaken properly and that all other administration required for the wind farm is taken care of. Arise has now signed operation management agreements for a total of approx. 235 MW. Including its own production (approx. 254 MW), the company now manages some 490 MW, which represents just over 8 % of Sweden's installed wind power capacity in 2015. As well as providing fixed income streams, external operation management agreements increase economies of scale, implying that costs in the company's own farms are also reduced The company has well-developed systems and methods, such that we can, without requiring significant extra resources,

handle an increase in MW under management. Our ambition is to realise such an increase.

Development fees

So-called development fees are payable in conjunction with the sale of wind farms in operation, as well as farms in which construction is ready to begin. The Brotorp project was handed over to BlackRock back in December and the project is expected to be settled during the first quarter of 2016. At the moment, we have two construction projects under way: Ryssbol, 12 MW on behalf of KumBro Vind and Mombyåsen, 33 MW on behalf of Allianz Capital Partners. The development fees are recorded on a monthly basis after the project progresses. Both of these projects are set to be handed over to the customer in 2016. In addition, the Skogaby 7.2 MW farm which was already in operation was sold to Allianz Global Investors in 2015.

Project management

Upon the sale of a construction-ready wind farm, Arise assumes the responsibility for the project management of the construction – a further source of income.

INVESTMENT CLIMATE

Interest has been shown both within Sweden and abroad regarding long-term investments in Swedish wind power. The announcement concerning the revision of the electricity certificate system is positive, and means that conditions are in place for a further boost in the rate of expansion.

Operations & management

Worry-free ownership with operational management and operation of wind farms

Over the years, Arise has continued to develop its business model for operational monitoring and efficient management of both its own and externally owned farms.

We offer our customers integrated solutions and assume the responsibility for the operation, maintenance, in some cases service, technical management, environmental reporting, financial reporting and administration.

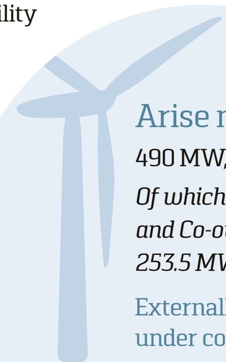
Our work is fully up-to-date with the best possible software support, meaning we can manage a large number of turbines in a cost-effective manner. Each individual turbine is continuously supervised for performance and availability. All errors/warnings are followed up, categorised and remedied in order of priority.

Structured planning and the use of an EMS (Event Management System) mean that both operating personnel and the owner have complete transparency regarding all material events/measures – both planned and unplanned – on their respective farms.

We have a standardised reporting format in which we, among other things, apply production-based availability monitoring. The generation of reports is almost fully automated and we review performance, availability and most frequent error/warning, and the subsequent effect on production at turbine level on a monthly basis.

Arise uses its own service personnel at several farms which has led to both considerable cost savings and improved skills in servicing and maintenance. This is a great advantage as it means we can improve control of our suppliers.

The challenging market climate means that improving profitability is becoming increasingly important. Arise has been focusing on production optimisation for several years now, and we calculate that we have achieved a 2–4% improvement in production each year.



Arise manages;

490 MW, 188 turbines

Of which Arise's Own and Co-owned farms: 253.5 MW, 106 turbines.

Externally operating/ under construction:

235.3 MW, 82 turbines.

Own wind power operations

Good to know

ENERGY IN KILOWATT HOURS
1 MWh = 1,000 KWh
1 GWh = 1,000,000 KWh

OUTPUT WATT
1 MW = 1,000,000 W
1 GW = 1,000,000,000 W

The Own wind power operations segment includes 11 wind farms totalling 152 MW. Production during a normal year from these wind farms is estimated to total around 388 GWh. All of the wind farms are situated in southern Sweden, located on both the east and west coasts.

In 2015, Arise's wholly-owned wind farms generated 442 GWh (401 GWh). This was approximately 9 % above budget, after adjustment for the sale of Skogaby. From a wind energy point of view, 2015 was better than an average year. Farms acting as collateral for the company's green secured bonds produced 379 GWh. At the beginning of the year we had approx. 159 MW and at the end of the year around 152 MW in operation. The difference can be explained by the Skogaby farm (around 7.2 MW) which was sold in September 2015. The average price for the sale of electricity and electricity certificates was SEK 505 per MWh, a decrease on the previous year (SEK 611 per MWh) resulting from a decline in market prices. As a result of the low market prices, the decision was made to write down assets in the segment in 2015. In combination with a retroactive property tax payment, the segment faced non-recurring expenses totalling MSEK -127 (0) in 2015. Thanks to increased production and operational efficiency, the specific operating expense was, however, lower than in the previous year at SEK 118 (135) per MWh, a decrease of 13 per cent. As a result, earnings before tax were MSEK 1 (27) before and MSEK -126 (27) after non-recurring items.

There are currently no projects under construction in the Own wind power operations segment. New wind farms may be constructed and wind farms may be sold in the coming years.

Arise is responsible for the administrative management of all of our wind farms. Arise's personnel execute all service measures and are responsible for monitoring the Oxhult, Råbelöv, Blekhem, Gettnabo and Idhult farms. The farms are divided between two service teams, one based in southeast Sweden and one based in southwest Sweden. For these wind farms, it has proved a more cost-effective solution for Arise's own service teams to execute the work rather than contracted service technicians. The service responsibility for other projects is currently handled by the respective wind power supplier, as this is a cheaper solution.

Own wind power operations in figures, MSEK	2015	2014
Net sales	223	245
Income	225	260
Operating expenses	-52	-54
Operating profit before depreciation (EBITDA)	173	206
Operating profit (EBIT)	-41	113
Earnings before tax	-126	27
Income, SEK per MWh	505	611
Expenses, SEK per MWh	118	135
Average capital employed	2,076	2,111
Return on capital employed (EBIT)	neg.	5.4%
Return on adjusted capital employed (EBITDA)	8.3%	9.8%

- Overall, Own wind power operations generated a total income of MSEK 225 (260) and an EBITDA of MSEK 173 (206), which means that income decreased by 13 per cent while the EBITDA was down by 16 per cent on 2014. The sale of Stjärnarp was included in the total income for last year. Profit from project sales are charged to profit/loss in Wind power development from 2015 onwards. The remaining drop in income can be explained by the lower average price despite the fact production was higher in 2015 than in 2014. EBITDA includes provisions of MSEK -7 (0) related to an increase in property tax.
- Thanks to increased production and operational efficiency, the specific operating expense was lower than in the previous year at SEK 118 (135) per MWh, a decrease of 13 per cent.
- Depreciation amounted to MSEK -94 (-93). The company also recognised an impairment loss on assets in the segment of MSEK -120 (0) due to low electricity and certificate prices. The net financial expense was MSEK -85 (-86).
- Adjusted for impairment losses and non-recurring provisions, earnings before tax were MSEK 1 (27). Essentially, the deterioration was due to lower average prices. Net profit/loss amounted to MSEK -126 (27).

Co-owned wind power operations

The Co-owned wind power operations segment includes the Jädraås project, which Arise co-owns 50 % together with Platina Partners LLP. The project comprises 66 wind turbines with an output of 3.1 MW each, totalling 203 MW. The estimated normal production over a full year of operation amounts to 572 GWh.

Electricity production in 2015 amounted to 664 (518) GWh, of which Arise's share was 332 (249) GWh. The pronounced increase in production can be traced back to a combination of unusually high wind levels in 2015 and unusually low levels in 2014. We still expect to achieve the anticipated normal yearly production in the long term.

As a result of the low market prices, the decision was made to write down assets in the segment in 2015. In addition, retroactive property tax payments from 2014 resulted in non-recurring costs for the segment being as high as MSEK -44 (0) in 2015.

As a result, earnings before tax were MSEK 16 (-8) before, and MSEK -28 (-8) after non-recurring items.

Arise is responsible for operational management of the project. We analyse different possible optimisation measures to increase production. The turbine supplier Vestas is responsible for service, and has a service team on-site at all times.

Co-owned wind power operations in figures, MSEK	2015	2014
Income	166	137
Operating expenses	-42	-36
Operating profit before depreciation (EBITDA)	124	101
Operating profit (EBIT)	21	38
Earnings before tax	-28	-8
Income, SEK per MWh	501	550
Expenses, SEK per MWh	128	145
Average capital employed	1,418	1,447
Return on capital employed (EBIT)	1.5 %	2.6 %
Return on adjusted capital employed (EBITDA)	8.7 %	7.0 %

- All figures in the segment reporting on Co-owned wind power operations refer to Arise's share of 50 % in the Jädraås project. Arise reports its share of profits in the Jädraås project after tax.
- Co-owned wind power operations generated a total income of MSEK 166 (137) and an EBITDA of MSEK 124 (101). The increases in both income and EBITDA are due to high production as a consequence of the strong wind year. Specific operating expenses dropped to SEK 128 (145) per MWh despite the retroactive increase in property taxes. This can be explained by the greater production volume over fixed costs in 2015.
- Depreciation was MSEK -64 (-63). In addition, the company recognised an impairment loss of MSEK -39 (0) on its investment in Jädraås as a result of low electricity and certificate prices. Net financial expenses amounted to MSEK -48 (-46).
- Adjusted for impairment losses and non-recurring provisions, earnings before tax were MSEK 16 (-8). Net profit/loss amounted to MSEK -28 (-8).

Projects

Projects in operation

SÖDRA KÄRRA
Manufact. model: Vestas V100
Number of turbines: 6
Yearly production(GWh): 37.4
Commissioned year: 2011/2012

FRÖSLIDA
Manufact. model: GE 2,5XL
Number of turbines: 9
Yearly production(GWh): 55.4
Commissioned year: 2011

BOHULT
Manufact. model: GE 1,6-100
Number of turbines: 8
Yearly production (GWh): 46.3
Commissioned year: 2014

OXHULT
Manufact. model: Vestas V90
Number of turbines: 12
Yearly production(GWh): 56.8
Commissioned year: 2009

KÅPHULT
Manufact. model: GE 2,5XL
Number of turbines: 7
Yearly production(GWh): 40.6
Commissioned year: 2010/2011

RÅBELÖV
Manufact. model: Vestas V90
Number of turbines: 5
Yearly production(GWh): 22.8
Commissioned year: 2010

JÄDRAÅS*
Manufact. model: Vestas V112
Number of turbines: 66
Yearly production(GWh): 572
Commissioned year: 2012/2013

BLEKHEM
Manufact. model: Vestas V100
Number of turbines: 6
Yearly production(GWh): 30.1
Commissioned year: 2011/2012

IDHULT
Manufact. model: Vestas V90
Number of turbines: 8
Yearly production(GWh): 36.2
Commissioned year: 2011

SKÄPPENTORP
Manufact. model: Vestas V112
Number of turbines: 1
Yearly production(GWh): 8.5
Commissioned year: 2012

GETTNABO
Manufact. model: Vestas V90
Number of turbines: 6
Yearly production(GWh): 30.3
Commissioned year: 2011

BRUNSMO
Manufact. model: GE 2,5XL
Number of turbines: 5
Yearly production(GWh): 24.5
Commissioned year: 2010

* Co-owned wind power operations (50%).

Management

STORRUN, KROKOM MUNICIPALITY
Manufacturer model: Nordex N90
Number of turbines:12
Commissioned year: 2009
Owner: Primer Super Ltd. Pty.

JÄDRAÅS, OCKELBO MUNICIPALITY
Manufacturer model: Vestas V112
Number of turbines: 66
Commissioned year: 2012/2013
Owner: Arise AB/Platina Partners

STJÄRNARP, HALMSTAD MUNICIP.
Manufacturer model: Vestas V100
Number of turbines: 3
Commissioned year: 2013
Owner: KumBro Vind AB

SKOGABY, LAHOLM MUNICIPALITY
Manufacturer model: Vestas V100
Number of turbines: 4
Commissioned year: 2013
Owner: Allianz Global Investors

MOMBYÅSEN, SANDVIKEN MUNICIP.
Manufacturer model: Vestas V126
Number of turbines: 10
Commissioning year: 2016
Owner: Allianz Capital Partners

RYSSBOL, HYLTE MUNICIPALITY
Manufacturer model: Vestas V110
Number of turbines: 6
Commissioning year: 2016
Owner: KumBro Vind AB

BROTORP, MÖNSTERÅS MUNICIPALITY
Manufacturer model: Vestas V126
Number of turbines: 14
Commissioned year: 2015
Owner: BlackRock

Under construction

MOMBYÅSEN, SANDVIKEN MUNICIPALITY
Manufacturer model: Vestas V126
Number of turbines: 10
Commissioning year: 2016
Owner: Allianz Capital Partners

RYSSBOL, HYLTE MUNICIPALITY
Manufacturer model: Vestas V110
Number of turbines: 6
Commissioning year: 2016
Owner: KumBro Vind AB

Wind power development

Wind power development in figures, MSEK	2015	2014
Income	294	36
Operating expenses & capitalised work on own account	-239	-44
Operating profit before depreciation (EBITDA)	55	-8
Operating profit (EBIT)	18	-21
Earnings before tax	-4	-50

- Wind power development generated a total income of MSEK 294 (36) in 2015. The increase is attributable to higher profits from project sales during the period and to the recognition of sales of operational and permitted projects on a gross basis in net sales. The sale of the company's crane also provided additional income.
- Operating expenses amounted to MSEK -249 (-57) of which MSEK -174 is attributable to recognition on a gross basis and MSEK -75 is comparable with operating expenses of MSEK -57 in the previous year. The figure of MSEK -75 includes non-recurring items in the form of a provision of MSEK -6 (-2) related to accounts receivable and restructuring expenses of MSEK -5 (0). The segment also incurred incentive-based personnel costs of MSEK -5 (0). Capitalised work on own account amounted to MSEK 10 (13), meaning that EBITDA increased from MSEK -8 to MSEK 55.
- Depreciation amounted to MSEK -6 (-12). The company's project portfolio has been written down by MSEK -31 (-1), as it is deemed that fewer projects can be realised given current market prices of electricity and electricity certificates. Net financial expenses improved to MSEK -22 (-30) due to reduced interest expenses.
- Adjusted for impairment losses and non-recurring provisions, earnings before tax for the period were MSEK 39 (-48). Net profit/loss amounted to MSEK -4 (-50).

Wind power development covers all aspects of project development work from the signing of leases, wind measurements, applying for concessions and designing the wind farm to procuring the required manpower and components required and raising the necessary financing. Operations also include the construction, construction management and commissioning of wind turbines, as well as the sale of wind farms ready for construction and already in operation.

Our project portfolio of over 600 MW consists of a number of projects in southern Sweden and some larger projects in mid and northern Sweden. The advantage of locating projects in the south includes access to a robust grid, lower input costs, lower transport costs, the ability to build year round and fewer production problems with snow and ice. In the north of Sweden, however, economies of scale in large projects provide good economic conditions – along with a greater opportunity to build tall turbines and thus to reach the greater wind speeds offered at higher altitudes. A broad geographic spread reduces wind risk, as at any given point in time it will always be windy somewhere in Sweden.

During the year, we have continued to successfully focus on realising our strategy of selling construction-ready and operational wind farms. A total of 52 MW were sold to investors, of which just over 45 MW were construction-ready and 7.2 MW were operational projects.

In January 2015, we signed a management agreement with Whitehelm to manage the operational Storrun plant of 30 MW.

In June, we signed a conditional agreement for the sale and construction of Ryssbol 12 MW to KumBro Vind AB. The conditions were fulfilled in November 2015 after which construction could commence. We calculate Ryssbol will be completed and handed over to the customer at the end of 2016. Arise is responsible for the construction and will also take on the technical management of the farm once it is built. We are pleased to announce that Ryssbol is the second project we have worked on in conjunction with KumBro Vind.

In August, we sold the 33 MW Mombyåsen project to Allianz Capital Partners. A management agreement was also signed for the construction and operation of the farm. Arise is also providing civil construction for roads, foundations and the internal electricity grid. To do so, it has procured sub-contractors to complete the tasks. The project is expected to be completed at the end of 2016.

In September 2015, we sold the operational 7.2 MW Skogaby farm to Allianz Global Investors at the same time as taking on the operational management for the farm. Finally, the Brotorp 46.2 MW project was handed over to BlackRock in December 2015 with the final settlement due to take place in the first quarter of 2016.

In total, we manage just under 490 MW, of which 235 MW is on behalf of external investors. It is promising to see that our customers consist of both international asset management companies as well as municipal companies, which is evidence of our attractiveness to different types of customer.

The company's crane was sold to Mammoet Wind A/S in 2015. The crane had been purchased in 2009 to ensure capacity and reduce lead times, however the internal need for capacity has been reduced and so has been passed on to others such as Mammoet Wind with whom we also signed a cooperation agreement.

Throughout the year, work continued on developing the company's project portfolio. Among the projects, Solberg 75 MW is now ready for construction and was sold to Fortum during the first quarter of 2016. The company has also worked intensively on the Kölvallen and Skaftåsen projects, a total of some 300 MW. Arise has acquired the right to buy these projects. The projects have been granted concessions, but are not yet finalised. The company has also worked on its broader project portfolio and has continued to evaluate new projects. No new project rights have been secured except for Mombyåsen which was finally acquired from E.ON Wind and then sold on to Allianz Capital Partners in 2015.

The focus remains to plan in detail projects with concessions granted that the company has access to and to acquire new project rights. In the shorter term, the aim is to sell projects to external investors, as Arise's main areas of interest are project construction and management. The company understands, however, that fewer projects will be possible given the current market prices for electricity and electricity certificates, so it has decided to write down its project portfolio to the tune of MSEK -31.

With regard to the projects in Scotland, there is still some uncertainty around income, however Arise still believes the projects can be carried out – despite current market prices – given the strong wind resources the projects has at its disposal. The projects are not yet ready for construction, which is estimated to start around 2018–2019. Activities in Norway have been limited.

Sustainability
Energies of the future

Wind power in Sweden in 2015 made up 12 % of the country's electricity consumption – a considerable contribution to Swedish electricity generation. The year also saw the announcement that four of Sweden's 10 nuclear power reactors were to be decommissioned, and society as a whole is focusing more and more on shifting towards more long-term sustainable energy generation. The fact that world leaders came together to sign a binding agreement at the UN conference on climate change in Paris in 2015 just goes to show the global willingness to find sustainable alternatives. Sun, wind and water are just some of the renewable alternatives which have seen growth over the last few years. Wind power combined with other forms of renewable energy will be part of a more sustainable society for future generations.

ECONOMIC SUSTAINABILITY

Large actors on the financial market, as well as entities in other Swedish and international spheres of business, are actively choosing not to invest in fossil fuels and other unsustainable assets due to their inherent large risks, and are consciously steering investments towards more sustainable technologies and types of energy. With our business model and our focus on renewable energy, we are well-positioned to benefit from the business opportunities that this development creates, and the associated possibilities of value creation for our shareholders. Wind power involves no harmful emissions to the environment in terms of greenhouse gases, toxins or other pollution. The risk of high decommissioning costs is extremely limited, and negligible in comparison with many other energy sources. The cost of decommissioning can be calculated easily and provisions for this work are often established in consultation with the County Administrative Board. For many other energy sources, this is not the case: for example, decommissioning costs for nuclear power are often both unknown and substantial.

FINANCIAL INCENTIVES FOR RENEWABLE ELECTRICITY PRODUCTION

The certificate system provides extra income to producers of energy from renewable sources. Our view is that this income – in conjunction with income from electricity – over time creates good profitability and returns for shareholders, provided that investments and operations are undertaken efficiently, something which is assured by the Arise business model.

GEOGRAPHICAL RISK SPREAD

As our wind farms are located at sites spread over different parts of the country, we enjoy a good geographical diversification of risks.

SOCIAL SUSTAINABILITY

ARISE'S PLACE IN SOCIETY

New wind farms provide a positive injection of renewable energy, however there is still no form of energy which does not in some way affect its surroundings. We undertake extensive and continuous discussions with both municipalities and citizens in those areas where new wind farms are planned and this dialogue continues even after the wind farm has been constructed – we believe in constructive communication with our neighbours. Where applicable, we carry out studies on the impact of noise pollution, blade shadows and the effect on birds and bats, etc. Our findings are then passed on to the local regulator where they become a matter for public hearings where anyone can get involved. Environmental reports are produced annually on operations in the different wind farms and a second review is sent to municipalities and County Administrative Boards.

IMPLICATIONS FOR THE SURROUNDING AREA

When we build wind farms, we not only create employment opportunities from the project itself, but also generate increased activity and positive effects for local businesses such as transport companies, shops, hotels, petrol stations, etc. People in the area get involved and interest from local village committees and associations grows. In some wind farms, a yearly rural development grant is distributed among local projects aimed at improving the area. In others, the lease is split between the landowners so that they receive an extra source of income over and above, for example, forestry grants. In fact, forestry and wind power are an excellent combination, as electricity and income can be produced while waiting until the trees are ready for felling. When new farms are built, road conditions are also improved as a result and so facilitate forestry and reduce the appearance of damage caused by vehicles in the surrounded wooded area.

AN EMPLOYER AT THE FOREFRONT

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

Equality: Our Equality Policy and Code of Conduct state unequivocally that we do not discriminate on the basis of gender, age, ethnicity, religion, disability, sexual orientation or any other factor. Our guidelines ensure that we afford the same opportunities to all employees with regard to skills development, work/home balance and that we do not accept harassment of any nature, sexual or otherwise. There is currently somewhat of an imbalance regarding gender, age and ethnicity which we are striving to even out. We are always on the lookout for the most talented employees, with competence being the decisive factor, and we believe that with this approach we will gradually reduce this imbalance.

Human rights: Our land and construction contractors are mainly located in Sweden, but these companies sometimes employ sub-contractors from other countries. Our wind turbines are manufactured on a global market, meaning that the different parts can come from all over the world. We have had the opportunity to visit a handful of production sites abroad, however as we do not have the resources to control the entire supply chain, we have chosen to work exclusively with large, well-known and established brands and companies that have been active for a long period on the Swedish and international markets. Our 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 who can also provide a comparison with other companies. Employee development dialogues are conducted at least once annually according to established templates. Employee benefits include a wellness program in the form of employer contributions towards the purchase of health benefits such as gym membership or participation in other physical activities.

Health and Safety: Contractors may not commence work without a work environment officer on site, and they must also have an established safety plan and quality plan. A certain number of our own construction managers, project managers and service technicians are on site during operations, and the same strict rules apply to these individuals. Special rules apply to physical work on the turbines themselves: as our service technicians are working in hazardous conditions, we place significant emphasis on their receiving the correct training and have rules in place ensuring they always work in teams on the turbines.

Ethics and morals: Maintaining a high standard of business ethics is as important as conducting business in compliance

with legislation and regulations, as highlighted in our Code of Conduct. We require honesty and integrity in all of the group's operations and expect the same from our customers, suppliers and partners. Strict restrictions are enforced regarding gifts and rewards, and bribery is not accepted. 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

ENVIRONMENTAL IMPACT OF WIND POWER

The mining and extraction of coal implies a pervasive encroachment on nature and entails a risk of major environmental impact. The burning of coal forms ash, heavy metals and greenhouse gases. Nuclear energy generates hazardous waste which requires thousands of years of secure storage. The decommissioning of a nuclear power station takes decades and several well-known accidents have occurred, with almost immeasurable negative consequences – for example in Japan. Wind power is not associated with any of 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 which can be categorised into five main areas:

Noise: The noise from wind turbines blades and the generator can be considered a nuisance. As a result, there are clear rules governing the loudest permitted noise the turbine may make. We carry out regular measurements of noise pollution levels around our wind farms to ensure that we do not exceed these limits. The readings are taken using standardised methods and are available for inspection by regulators and other interested parties.

Shade: Shade from the turbines can also cause nuisance to those living nearby. We have a standard limit of a maximum of eight hours per year at the nearest place of residence in all our wind farms. As a result, we always calculate the possible effects of shade on houses close by when building a new wind farm. Where necessary, turbines can be equipped with so-called shade regulation whereby the turbine stops functioning if there is the risk of it affecting a house nearby.

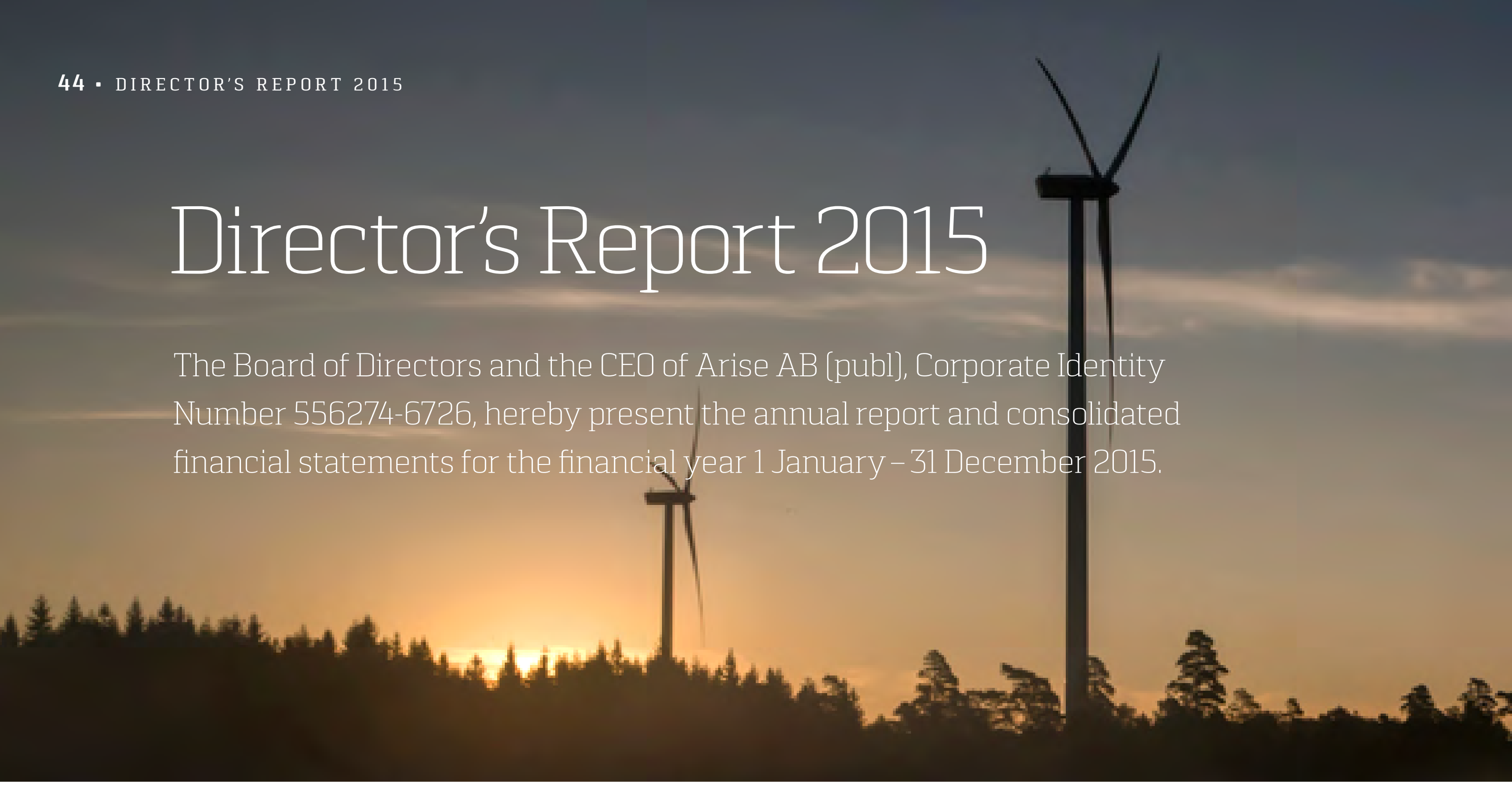
Landscape: Wind turbines can be visible from very long distances out in the open countryside, so we avoid as far as possible locating wind farms in sensitive areas. Our own wind farms are located in active forestry or agricultural areas only.

Flora and fauna: The placement of a wind turbine requires careful planning in order to ensure minimal disruption to animal and natural plant life. We have carried out a large number of bird, bat and plant life inventories before placing wind turbines, and in some cases wind farm projects have even been terminated where it is clear the environmental

impact would be too great. Some established wind farms have also been the subject of studies of their effect on birds and bats.

Cultural heritage and archaeology: Before deciding on the location of a future wind farm, we carry out archaeological studies in the surrounding area. We constantly strive to minimise the effects on ancient remains, and planned turbines have on occasion had to be relocated in order to avoid affecting cultural heritage.

We are always seeking new solutions in order to drive effectiveness in both our products and processes. How to extract more production from the turbines already in operation, more effective construction processes, standardisation of our working model and the creation of added value for our customers are just a few of the issues we have focused on over the last few years. Technical development and effective use of energy and raw materials are two areas that are very close to our hearts. We are keen to discover what works in the future and aim to be an active participant in the shift towards a more sustainable society.



Director's Report 2015

The Board of Directors and the CEO of Arise AB (publ), Corporate Identity Number 556274-6726, hereby present the annual report and consolidated financial statements for the financial year 1 January – 31 December 2015.

THE GROUP

Operations

Arise AB is the Parent Company of the Arise Group, which includes, largely, a number of wholly-owned subsidiaries usually named "Arise Wind Farm" followed by a number. These companies own and manage the farms where the wind turbines are located, details of which are provided on page 107. Arise Elnät AB, Arise Drift och Förvaltning AB, Arise JV AB and Arise Kran AB were established in earlier years. The latter three companies will be discontinued over time, as these no longer engage in any operations. In addition, the Group comprise the associated company Sirocco Wind Holding AB, which Arise AB co-owns with Sydvästanvind AB, which is, in turn, controlled by the English company, Platina Partners LLP. Sirocco Wind Holding AB owns the Jädraåsen wind power project, comprised of a total of 66 turbines each with an output of 3.1 MW, which are formally operated by Jädraås Vindkraft AB and Hällåsen Kraft AB.

The Parent Company undertakes the main aspects of project development work (projecting suitable wind locations, signing leases, preparing impact assessments, designing detailed land-use plans and applying for the necessary permits and licences), sells projects to external investors, constructs new projects, manages projects both internal and external (technical and financial) and manages the Group's trading activities with regard to electricity and electricity certificates.

The subsidiary Arise Elnät AB is fully devoted to consulting on grid related issues with responsibility for electrical contracts relating to the Group's wind power construction work. This responsibility includes, amongst other things, the management of applications for concessions to build transmission networks used to transmit electricity produced in the wind farms to the overlying electricity networks.

All of the Group's operations are conducted in Sweden.

Summary of events

A management agreement was signed with Whitehelm Capital in January for the Storrun wind farm, totalling 30 MW. In June a conditional agreement was signed for the sale and construction of Ryssbol 12 MW to KumBro Vind AB. The conditions for the transaction were fulfilled in November 2015 after which construction commenced. It is estimated that Ryssbol will be completed and handed over to the customer at the end of 2016. Arise is responsible for the construction and will also take on the technical management of the farm once it is commissioned. In August, we sold the 33 MW Mombyåsen project to Allianz Capital Partners. A management agreement was also signed for the construction and operation of the farm, with Arise also being responsible for civil construction of roads, foundations and the internal electricity grid. The project is expected to be completed at the end of 2016. In September 2015, the operational 7.2 MW Skogaby farm was sold to Allianz Global Investors and an asset management agreement was also signed for the farm. The Brotorp 46.2 MW project was handed over to BlackRock in December 2015 with the final settlement due to take place in the first quarter of 2016.

Production in the company's Own and Co-owned wind farms increased to 774 GWh during the year due to better than average winds.

Due to the low electricity and electricity certificate prices, the decision was made to write down the company's own wind farms in operation in an amount of MSEK –120, and the company's participating interests in associated companies in an amount of MSEK –39. In addition, the company's project portfolio was written down in an amount of MSEK –31.

Furthermore, the company instituted certain re-organisational measures and appointed a new CEO, meaning that the management group decreased to four people and that the organisation in general was slightly reduced.

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. During the year, several wind farms were leased out and the rental income pertaining to this production is also included in net sales. When calculating average income for electricity and electricity certificates, rental income is included and is reported as a hedge of electricity and electricity certificates income. Net sales also include sales income from sold projects, which is recognised at gross value within net sales. The wind energy content during the year was good. Production from Own (including leased out capacity) and Co-owned wind power operations during the year amounted to 774 GWh (650), an increase of 19 %, of which the production from Own wind power operations amounted to 442 GWh (401). Arise has continued to successfully divest operational and construction-ready projects and to expand its managements operations. In total, agreements regarding the sale of 52 MW and agreements regarding the management of 82 MW were signed. Due to the low electricity prices, the decision has been made to record impairment losses totalling MSEK –190, including both commissioned assets and the company's project portfolio. Furthermore, certain organisational rearrangements have been implemented entailing a streamlining of Group management and certain personnel reductions in other parts of the organisation. Daniel Johansson was appointed as the company's new CEO in 2015 and began in his new role in January 2016.

Net sales amounted to MSEK 487 (258). The increase is due to higher profits from project sales and the fact that these sales have been recognised gross within net sales. Other operating income amounted to MSEK 21 (30). This implies that total income amounted to MSEK 508 (288). Capitalised work on own account decreased to MSEK 10 (13). The company's share of associated companies' profit amounted to MSEK –25 (–1) after impairment losses of MSEK –39 and charges of MSEK –5 and refers to the company's 50 % participating interest in the Sirocco Group, as well as financial income on the capital stake in the associated company. Operating expenses increased to MSEK –301 (–104), of which MSEK –174 is comparable to operating expenses during the previous year. Operating expenses increased to MSEK –301 (–104), of which MSEK –174 is attributable to the gross reporting of sales and MSEK –127 is comparable to MSEK –104 in operating expenses during the previous year. This implied that operating profit before depreciation (EBITDA) was MSEK 193 (197), including impairment losses of MSEK –39 and other non-recurring items of MSEK –23. Adjusted for non-recurring items, EBITDA increased to MSEK 255 (199) and is attributable to a larger contribution from project sales within the Wind power development segment and a stronger underlying performance in Co-owned wind power.

Operating profit (EBIT) was MSEK –58 (91), including depreciation of MSEK –99 (–105) and impairment of MSEK –151 (–1). Net financial income improved to MSEK –106 (–115), entailing that earnings before tax amounted to MSEK –164 (–24). Adjusted for non-recurring items, earnings before tax increased to MSEK 49 (–21). The loss after tax was MSEK –156 (–25), corresponding to earnings per share of SEK –4.67 (–0.75), both basic and diluted.

Investments

Investments in property, plant and equipment during the year amounted to MSEK 28 (118), and sales reduced property, plant and equipment by MSEK 145 (97).

Cash flow

Cash flow from operating activities before changes in working capital amounted to MSEK 218 (185). Changes in working capital decreased cash flow by MSEK -48 (-23), resulting in cash flow from operating activities of MSEK 170 (162). Investments in, and sales of, property, plant and equipment amounted to MSEK 116 (-22), as a result of which cash flow after investments amounted to MSEK 287 (140). The net amount of current and non-current interest-bearing liabilities decreased the cash flow by MSEK -156 (-101). Interest of MSEK -92 (-181) has been paid and interest of MSEK 7 (43) has been received. Net payments from blocked accounts totalled MSEK 1 (65), after which cash flow for the year amounted to MSEK 46 (-34).

Financing and liquidity

Net interest-bearing debt amounted to MSEK 1,248 (1,449). At the end of the period, the equity/assets ratio was 39.4 % (39.7). Cash and cash equivalents amounted to MSEK 203 (157) and unutilised credit amounted to MSEK 18 (112). In addition, the company repurchased its own issued bonds in 2014 and 2015 for MSEK 32 and MSEK 18, respectively, totalling MSEK 50.

Taxes

Due to the fact that Arise has only Swedish subsidiaries, tax has been calculated according to the Swedish tax rate of 22.0 %.

Given the Group's loss carry forwards and assessed capacity for fiscal depreciation, no tax is expected to be reported as paid during the coming years.

Employees

During the year, the average number of employees in the Group amounted to 31 (31). The total number of employees at year-end was 31 (33). Additional information on the number of employees and salaries, remuneration and terms of employment is provided in Note 4 to the Group's financial statements.

PARENT COMPANY

The Parent Company undertakes the main aspects of project development work (projecting suitable wind locations, signing leases, preparing impact assessments, designing detailed land-use plans and applying for the necessary permits and licences), sells projects to external investors, constructs new projects, manages projects both internal and external (technical and financial) and manages the Group's trading activities with regard to electricity and electricity certificates.

The Parent Company manages the Group's production plans and electricity hedges in accordance with the established financial policy. The electricity producing subsidiaries sell their generated electricity to clients according to contractual terms and any surplus electricity to Arise at spot price. Arise then resells this electricity on the spot market. This intra-Group trading arrangement is recognised at gross value in the income statement. The Parent Company's operations also include the leasing out of production facilities. Wind turbines are rented from subsidiaries for leasing to third parties.

The Parent Company's total income during the year amounted to MSEK 369 (321). Purchasing costs for electricity and electricity certificates, rental of wind power facilities, personnel costs and other external costs, capitalised work on own account and depreciation/amortisation and impairment of non-current assets totalled MSEK -447 (-352), whereby operating profit (EBIT) amounted to MSEK -78 (-31). Net financial income of MSEK -364 (-5), including impairment losses, together with a Group contribution of MSEK 138 (66) meant that the loss after tax amounted to MSEK -304 (23).

ENVIRONMENTAL IMPACT

The Group's core business is to produce electricity without releasing CO_2, dust or other emissions into the air, water or ground. Operations include building and construction work, in conjunction with the production of new wind farms and related electrical systems, complying with the regulations for such operations.

The Group's handling of oils, chemicals and fuels is limited to oils used for lubricating the mechanical parts of the wind turbines, for necessary usage by external contractors for ground and construction work and also for providing fuel to suppliers and the vehicles owned by the Group. The operations of the wind farms result in a direct impact on the environment in the form of noise, shadows and changes to the landscape.

Legal requirements

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

RISKS AND UNCERTAINTIES

Arise classifies risks as external risks (political, economic cycle, 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, insurance and other risk management).

External risks

According to Arise's assessment, there will be demand for wind produced electricity for the foreseeable future.

The Swedish Government's climate and energy policy has a stated target that, by the year 2020, a minimum of 50 % of total energy consumption in Sweden is to be generated from renewable energy sources. In order to achieve this target, a national planning framework for wind power has been implemented, implying output of 30 TWh by the year 2020, of which 20 TWh will be generated by onshore wind farms and 10 TWh will be generated by offshore turbines. The total output from wind power in Sweden for 2015 was approximately 16.6 TWh (11.5), which constitutes 12 % of Sweden's total electricity consumption (*according to www.svenskenergi.se*).

Sensitivity to market fluctuations is associated with the price of raw materials and the prices of electricity and electricity certificates. In addition, the possibility of finding access to equity and debt financing also has an effect, where a weaker financial market may complicate the raising of capital.

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

Furthermore, Arise's income is dependent on the possibility of divesting operational and construction-ready projects to external investors. Through its comprehensive project portfolio and its platform for construction and operational management, Arise is, in terms of its competitive advantages, one of few players in the market able to provide landowners and investors with a complete concept of wind farm construction, including project rights, network connections and large-scale procurement of turbines. An industrial perspective, combined with the company's own control over the expansion of the operations, are some of the most important prerequisites for the Group's future competitiveness.

Financial risks

Energy price risk arises due to fluctuations in the price of electricity quoted on the Nord Pool market place. The Group manages this risk by hedging a certain portion of planned production. The electricity certificate risks are handled in a similar manner. The prevailing market prices of electricity and electricity certificates during 2015 resulted in the company resolving to record impairment losses. There remains uncertainty as to the future price development and, should the prices of electricity and electricity certificates decrease, this may constitute an indication of the risk of value deterioration in existing investments.

The agreement reached between Sweden and Norway regarding a revision of the electricity certificate system will, according to the Swedish Energy Agency, have a positive effect on electricity certificate prices.

Currency risk in the Group primarily arises due to purchases of turbines and sale of electricity on the Nord Pool, both usually priced in EUR. The hedging of wind power investments in foreign currencies takes the form of forward cover entered into in conjunction with the investment decision or through the purchase of currency which is deposited in an account. The interest rate risk has been managed by binding the interest rates of raised loans, to a large extent, to fixed interest rates through swap interest rate agreements.

Liquidity risk refers to the risk that Arise will be unable to meet its financial commitments as a result of insufficient liquidity and/or difficulties in raising new loans. Arise 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.

For more information, please refer to Note 11 in the consolidated financial statements, on pages 71–77.

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 deemed to be low. This is partly due to the farms' geographical spread and is also due to the fact that different manufacturers have been used. The risk is reduced as the company continues to expand its production capacity in additional locations. The company has implemented 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's assessment, there are no disputes with a potentially significant impact on the Group's financial position. The Group's insurance cover includes business interruption insurance, liability insurance, product insurance, wealth insurance and limited coverage for environmental damage.

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

THE WORK OF THE BOARD/ CORPORATE GOVERNANCE REPORT

Information regarding corporate governance and the work undertaken by the Board during the year is provided in the Corporate Governance Report on pages 96–99. This report and other information regarding corporate governance in Arise are available on Arise's website, *www.arise.se*.

The Articles of Association do not include any provisions regarding the appointment or dismissal of Board members or regarding changes to the Articles of Association.

DISCLOSURE REGARDING THE COMPANY'S SHARES

Total number of shares, votes, dividends and new shares

On 30 December 2015, 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 entitle the holder to equal dividends.

As of 31 December 2015, one warrant programme was outstanding (series 7) which, as of the same date, entitles the right to subscribe to an equivalent of 6,000 shares which, when fully exercised, would result in a dilution of 0.0%. The warrant programme entitling the right to subscribe to 6,000 shares expired on 11 March 2016 with no shares being subscribed to, see Note 17.

The company holds 54,194 own shares with a quotient value of SEK 0.08 per share, at a remuneration of SEK 27.56 per share.

Authorisation

At the Annual General Meeting held on 5 May 2015, resolutions were passed to amend the articles of association in order to enable the issuance of preference shares, the establishment of a warrant programme and authorisation for the Board to resolve on issues of ordinary shares, preference shares and convertibles, repurchases of the company's own shares and transfers of such shares.

There are no restrictions regarding the transfer of shares stipulated in the Articles of Association or applicable legislation. Furthermore, the company is not aware of any agreements between shareholders that would restrict the transfer of shares.

Shareholders

Information on the company's shareholders is provided on page 100. The company has one shareholder with a direct or indirect participation representing more than 10% of the votes, which is Claesson & Anderzén with company.

AGREEMENTS WITH CLAUSES CONCERNING CHANGES IN OWNERSHIP

With a change in ownership implying a "Change of Control" or if Arise is de-listed from Nasdaq OMX Stockholm, a clause in both Bond Agreements apply, which implies that the bond holder has the right to claim redemption of the bonds including accrued interest.

Except for these agreements, the Group has no other 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 regulating compensation 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 strives to conduct operations in compliance 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 complied with 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 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 in the interests of political candidates.

The Code of Conduct also governs 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, as well as minimising waste and residual products beyond the product's useful lifetime.

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

GUIDELINES REGARDING REMUNERATION TO SENIOR EXECUTIVES

The company's guidelines regarding remuneration to senior executives were adopted at the Annual General Meeting held on 5 May 2015, and apply until the next Annual General Meeting. Salaries and other employment conditions are to be at such a level that the Group can always attract and retain competent senior executives.

Fixed salary

Senior executives shall be offered a fixed, market-based salary, based on the individual's responsibilities and performance. Salaries are to be determined on a calendar year basis, with a salary review to take place on 1 January each year.

Variable remuneration

Each senior executive can, from time to time, be offered variable remuneration. Such variable remuneration is to be specified in the employment agreement for the respective senior executive. The company's maximum costs for variable remuneration to senior executives, including social security contributions, are reported at the company's Annual General Meeting. Variable remuneration is to be mainly based on the company's financial performance. Senior executives have, during 2015, been entitled to receive variable remuneration at a maximum amount equivalent to four monthly salaries, thanks to an improvement in underlying financial performance. The Remuneration Committee proposes and evaluates the variable goals for senior executives each financial year. The Remuneration Committee's evaluation is reported to the Board of Directors.

Certain senior executives may be offered the opportunity to be included in share-based warrant programmes in Arise, which are described in the annual report, with the complete proposals being reported at the Annual General Meeting. Each year, the Remuneration Committee and the Board of Directors are to evaluate whether share-based warrant programmes are to be proposed to the Annual General Meeting.

Pensions

In addition to the pension arrangements agreed upon on the basis of collective agreements or other agreements, senior executives can be entitled to individually arranged pension solutions. Senior executives are able to refrain from salaries and variable remuneration in exchange for increased pension savings, provided there is no change in the cost incurred by the company over time.

Termination of employment and severance pay

For senior executives, the notice period of termination of employment is six months when initiated by the employee and a maximum of twelve months when initiated by the company, except for one senior executive who has a 24 month notice period when termination of employment is initiated by the company, of which the last twelve months can be settled against other employment. Other than the payment of the executive's normal salary during the termination period, no severance pay is applicable.

For 2016, largely similar guidelines regarding remuneration to senior executives are proposed. A further description of the guidelines is found on the company's website under Corporate Governance.

EVENTS AFTER BALANCE SHEET DATE

Arise has entered into an agreement with Fortum Generation AB regarding the sale of the construction-ready project Solberg 75 MW. In addition, Arise will provide project management services during the construction phase of the project. The ground-breaking is conditional on a final investment decision by Fortum. Arise originally acquired the project from Ownpower Projects AB in 2011. The project has subsequently been developed in partnership with Ownpower Projects AB pursuant to a profit sharing agreement. The purchase consideration for the project will therefore be divided between Arise and Ownpower Projects AB. In addition to expected profits, Arise has been compensated for expenses accrued in connection with the conclusion of the transaction.

PROPOSED APPROPRIATION OF PROFITS

The following profits are at the disposal of the Annual General Meeting:

Parent Company	**kSEK**
Accumulated deficit from previous years	-78,052
Share premium reserve, non-restricted equity	1,367,021
Net loss for the year	-304,215
Total unappropriated earnings	**984,754**

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

To be carried forward	**984,754**

For more information regarding the results and financial position of the Group and the Parent Company, refer to the income statements, balance sheets, cash flow statements and supplementary notes below.

Consolidated income statement

Amounts to the nearest MSEK	NOTE	2015	2014
Net sales		487	258
Other operating income		21	30
Total income	**2**	**508**	**288**
Capitalised work on own account	2	10	13
Personnel costs	4	-51	-39
Other external expenses	5	-250	-64
Share of associated companies' profit/loss	10	-25	-1
Operating profit before depreciation (EBITDA)		**193**	**197**
Depreciation and impairment of property, plant and equipment	9	-250	-106
Operating profit/loss (EBIT)		**-58**	**91**
Financial income	6	1	1
Financial expenses	6	-107	-117
Profit/loss before tax		**-164**	**-24**
Income tax	7	8	-1
Net profit/loss for the year		**-156**	**-25**
Earnings per share (SEK)			
Basic		-4.67	-0.75
Diluted		-4.67	-0.75
Number of shares at the beginning of the year		33,428,070	33,428,070
Number of shares at year-end		33,428,070	33,428,070

Basic earnings per share are calculated by dividing net profit/loss for the year by the number of shares. The average number of outstanding shares applied in calculating basic earnings per share amounted to 33,373,876 shares (2014: 33,373,876 shares). The company has issued warrants that could result in dilution, but no dilution is recognised as the average listed share price for the year is less than the average subscription price of the warrants.

Consolidated statement of comprehensive income

Amounts to the nearest MSEK	2015	2014
Net profit/loss for the year	**-156**	**-25**
Other comprehensive income		
Items which can be reclassified in the income statement		
Cash flow hedges	37	-70
Translation differences	-5	18
Share of associated companies' other comprehensive income	57	2
Income tax attributable to components of other comprehensive income	-21	12
Other comprehensive income for the year, net after tax	**69**	**-38**
Total comprehensive income for the year	-87	-63

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

Consolidated balance sheet

Amounts to the nearest MSEK	NOTE	2015	2014
ASSETS			
Fixed assets			
Property, plant and equipment	9	1,836	2,209
Participating interests in associated companies	10	–	–
Receivables from associated companies	22	445	415
Deferred tax assets	7	41	53
Other financial assets	12	23	24
Total fixed assets		**2,345**	**2,701**
Current assets			
Inventories	13	62	20
Accounts receivable	15	15	3
Receivables from associated companies	22	–	27
Other current receivables	11, 14	37	28
Derivative assets	11	16	0
Prepaid expenses and accrued income	16	89	30
Cash and cash equivalents		203	157
Total current assets		**422**	**266**
TOTAL ASSETS		**2,767**	**2,967**
EQUITY			
Share capital	17	3	3
Other contributed capital		1,320	1,320
Hedging reserve		-74	-145
Retained earnings/accumulated deficit		-158	-1
Total equity		**1,090**	**1,178**
LIABILITIES			
Non-current liabilities			
Non-current interest-bearing liabilities	18	1,415	1,557
Provisions	19	22	24
Total non-current liabilities		**1,437**	**1,581**
Current liabilities			
Current interest-bearing liabilities	18	58	72
Advance payments from customers		41	–
Accounts payable		31	19
Derivative liabilities	11	59	76
Other liabilities	11	1	2
Accrued expenses and deferred income	20	49	39
Total current liabilities		**240**	**208**
TOTAL EQUITY AND LIABILITIES		**2,767**	**2,967**
Pledged assets	21	2,282	2,846
Contingent liabilities	21	None	None

Consolidated cash flow statement

Amounts to the nearest MSEK	NOTE	2015	2014
Operating activities			
Operating profit (EBIT)		-58	91
Adjustment for non-cash items	8	277	94
Tax paid		-2	-1
Cash flow from operating activities before changes in working capital		**218**	**185**
Cash flow from changes in working capital			
Increase (–) / decrease (+) in inventories		-35	6
Increase (–) / decrease (+) in operating receivables		-77	101
Increase (+) / decrease (–) in operating liabilities		65	-130
Cash flow from operating activities		**170**	**162**
Investing activities			
Investments in property, plant and equipment		-28	-118
Sales of property, plant and equipment		145	97
Cash flow from investing activities		**116**	**-22**
Financing activities			
Increase in interest-bearing liabilities		-156	-101
Receipts/deposits, blocked accounts		1	65
Interest paid		-92	-181
Interest received		7	43
Cash flow from financing activities		**-241**	**-174**
Cash flow for the year		**46**	**-34**
Cash and cash equivalents at beginning of year		157	191
Cash and cash equivalents at year-end		203	157
Interest-bearing liabilities at year-end		1,474	1,629
Blocked cash and cash equivalents at year-end		-22	-23
Net debt		**1,248**	**1,449**

Statement of changes in equity for the Group

Amounts to the nearest MSEK	Share capital	Other contributed capital	Hedging reserve	Retained earnings/accumulated deficit	Total equity
Opening balance as of 1 Jan 2014	**3**	**1,320**	**-107**	**24**	**1,240**
Net profit/loss for the year				-25	-25
Other comprehensive income for the year			-38		-38
Closing balance as of 31 Dec 2014	**3**	**1,320**	**-145**	**-1**	**1,178**
Opening balance as of 1 Jan 2015	**3**	**1,320**	**-145**	**-1**	**1,178**
Net profit/loss for the year				-156	-156
Other comprehensive income for the year			69		69
Closing balance as of 31 Dec 2015	**3**	**1,320**	**-76**	**-157**	**1,090**

DEFINITIONS, KEY PERFORMANCE INDICATORS

EBITDA margin
Operating profit before depreciation (EBITDA) as a percentage of total income.

Operating margin
Operating profit (EBIT) as a percentage of total income.

Return on capital employed
Rolling 12-month operating profit before depreciation (EBIT) relative to quarterly average capital employed for the period. In the segment reporting, this KPI is calculated as an average of the corresponding values at the beginning and end of the period.

Return on adjusted capital employed
Rolling 12-month operating profit before depreciation (EBITDA) relative to quarterly average capital employed for the period. In the segment reporting, this KPI is calculated as an average of the corresponding values at the beginning and end of the period

Return on equity
Rolling 12-month net profit/loss relative to quarterly average equity for the period.

Equity per share
Shareholders' equity divided by the average number of shares.

Interest-bearing net liabilities
Interest-bearing liabilities less cash and blocked accounts.

Interest coverage ratio
Profit/loss 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
Shareholders' 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 AB (publ), Corporate Identity Number 556274-6726, is a limited liability company registered in Sweden, and its shares are listed on the Nasdaq OMX Stockholm. The company's registered office is located in Halmstad. The company's and its subsidiaries' primary operations are described in the administration report in this annual report. The consolidated financial statements for the financial year ending on 31 December 2015 were approved by the Board of Directors on 22 March 2016, and will be presented to the Annual General Meeting for adoption on 3 May 2016.

2. Summary of important accounting principles

The most important accounting principles applied in the preparation of these consolidated financial statements are presented below. These principles have been applied consistently for all years presented in the accounts, unless stated otherwise.

Basis of preparation of the financial statements

Arise prepares 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 preparation of financial statements in accordance with IFRS requires the application of various important estimations and assumptions for accounting purposes. The management is also required to make assessments regarding the application of the Group's accounting principles. The areas that involve a high degree of assessment, which are complex, or in which estimations and assumptions are of material importance for the consolidated financial statements, are described in Note 1, Point 3.

The Group's presentation currency and the Parent Company's functional currency is the Swedish krona (SEK). Unless otherwise stated, all amounts are stated in millions of SEK (MSEK). In the consolidated financial statements, items have been valued at cost, adjusted for depreciation/amortisation and impairment, with the exception of financial instruments, which have been valued at fair value. The applied accounting principles deemed significant to the Group are described below.

New and amended standards applied by the Group

The following standards have been applied by the Group for the first time for the financial year commencing 1 January 2015:

- Annual improvements of IFRS standards, Cycle 2011–2013
- IFRIC 21 Levies

Annual improvements of IFRS standards provide clarifications solely for existing requirements, and the application of these amendments has not had any impact on the Group's accounting principles or disclosures for the financial year, nor for the previous financial year, and is not expected to have any impact.

New standards and interpretations not yet adopted by the Group

A number of new standards and changes in interpretations and current standards came into effect for financial years beginning on or after 1 January 2015, and have not been applied in the preparation of these financial statements. None of these standards or interpretations is expected to have any material effect on the consolidated financial statements, with the exception of the following:

IFRS 9 "Financial instruments" addresses the classification, valuation and recognition of financial assets and liabilities and introduces new hedging regulations. The complete version of IFRS 9 was issued in July 2014 and replaces those parts of IAS 39 addressing the classification and valuation of financial instruments and introduces a new impairment model. Following the amendments adopted by the IASB in July 2014, the Group does not anticipate any impact on the classification, valuation or recognition of the Group's financial assets and liabilities.

The Group's recognition of financial liabilities will not change, as the new requirements refer only to the recognition of financial liabilities at fair value through profit or loss and the Group has no assets of this type. The new hedge accounting regulations in IFRS 9 are more consistent with the company's risk management, in practice. Generally speaking, it will now be simpler to apply hedge accounting, as the standard introduces a more principle-based approach to hedge accounting. The new standard also introduces increased disclosure requirements and changes to presentation. The new model for calculating the credit loss reserve is based on expected credit losses, which may imply an earlier recognition of credit losses. The Group has not yet evaluated the impact of the new regulations on hedge accounting and the recognition of credit losses.

The principles are effective from 1 January 2018. The transition rules in the complete version of IFRS 9 state that early adoption in stages was permitted for financial years beginning before 1 February 2015. After this date, the regulations must be applied in full.

IFRS 15 "Revenue from contracts with customers" is the new standard for revenue recognition. IFRS 15 supersedes IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 builds on the principle that income is recognized when the customer gains control of the sold good or service – replacing the previous principle that income is recognized when the risks and benefits have been transferred to the purchaser. A company can choose between "full retroactive application" or future application with additional disclosures. At present, the Group is unable to estimate the impact of the new regulations on the financial statements. The Group will undertake a detailed evaluation during the coming year. IFRS 15 is effective from 1 January 2018. In January 2016, IASB published a new leasing standard, IFRS 16, which will supersede IAS 17 Leases and the associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities attributable to all leases, with few exceptions, are to be recognised in the balance sheet. This recognition is based on the viewpoint that the lessee is entitled to use an asset for a specific period of time while concurrently recognising a commitment to pay for this entitlement. Recognition for lessors will remain unchanged in all material aspects. At present, the Group is unable to estimate the impact of the new regulations on the financial statements. The Group will undertake a detailed evaluation during the coming year and has thus not yet evaluated the effects of IFRS 16. The Group expects to apply the principles from 1 January 2018.

None of the other IFRS or IFRIC interpretations yet to enter into force are expected to have any impact on the Group's financial statements.

Consolidated financial statements

Subsidiaries

Subsidiaries are all companies in which the Group exercises control. Control is deemed to exist when the Group is exposed to or is entitled to variable returns on the basis of its participation in the company and is able to impact this return through its influence in the company. Subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Group and are excluded from the financial statements from 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 valued at fair value as of the acquisition date. Any surplus, comprised of 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 cost is less than the fair value of the acquired subsidiary's net assets, the difference is recognised 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. Gains and losses arising from intra-Group transactions, recognised as assets, are also eliminated. Accounting principles for subsidiaries have, if appropriate, been changed in order to guarantee a consistent application of the Group's principles.

Sales of subsidiaries

When the Group no longer exercises control, any remaining participation in the company is recognised at fair value as per the date on which control is relinquished. The change in the carrying amount is recognised in the income statement. The fair value is utilised as the initial carrying amount and forms the basis for the continued reporting of the remaining participation as an associated company, joint venture or financial asset. All amounts related to the divested entity which were previously recognised in Other comprehensive income are recognised as if the Group had directly sold the attributable assets or liabilities. This treatment may entail that amounts which were previously recognised in Other comprehensive income are reclassified to the income statement.

Associated companies

Associated companies are those companies in which the Group has a significant influence but does not exercise control, which, in principle, applies to a holding amounting to between 20 % and 50 % of the votes. Participations in associated companies are reported according to this method. In accordance with the equity method, investments are initially valued at cost, after which the carrying amount is increased or decreased to reflect the Group's share of the associated company's profits or losses after acquisition date. The carrying amounts of participations in associated companies recognised by the Group also include any goodwill and other surplus values identified in the acquisition.

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

The Group's share of the profit arising after the acquisition is recognised in the income statement, and its share of the changes in Other comprehensive income after acquisition is recognised in Other comprehensive income, with a corresponding change in the participation's carrying amount. When the Group's share in the losses of an associated company amounts to, or exceeds, its participation in the associated company, including any receivables without collateral, the Group does not report further losses unless it has assumed legal or informal obligations, or has 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 cases, the Group calculates the impairment as the difference between the recoverable amount of the associated company and the carrying amount, and reports the amount in Share of associated companies' profit in the income statement.

Gains and losses from "upstream" and "downstream" transactions between the Group and its associated companies are recognised in the consolidated financial statements only to the extent that they mirror non-associated companies' participations in the associated company. Unrealised losses are eliminated, unless the transaction constitutes an indication of an impairment requirement in the transferred asset. The applied accounting principles in associated companies have been amended, where applicable, to ensure consistency with the Group's principles.

Gains and losses on the dilution of shares in associated companies are recognised in the income statement.

Lease agreements

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

Financial lease agreements

As of 1 July 2015, the Group no longer has any financial agreements following the divestiture of the crane. See Note 9.

Operating lease agreements

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 agreements are expensed systematically over the term of the lease. The Group has entered into agreements regarding the leasing out of wind farms under which the Group is lessee, and these rental agreements are also classified as operating leases. The tenors of the agreements concerning leases of wind farms are short-term, running for one year at a time. All leasing income is variable and is based on the turbine's production. The lease payment is, therefore, recognised as income in pace with actual production.

Transactions and balance sheet items in foreign currencies

Items included in the financial statements of the various entities in the Group are valued in the currency used in the economic environment in which the respective companies engage in their main operations (functional currency). The consolidated financial statements are presented in Swedish krona (SEK), which is the presentation currency of the Group.

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 or the date on which the items are revalued. Monetary assets and liabilities in foreign currencies are translated at the closing rate, and the exchange rate differences arising are included in profit/loss for the period. Exchange rate differences on operating receivables and operating liabilities are recognised in operating profit, whilst exchange rate differences on financial receivables and liabilities are recognised in net financial income.

Realised gains and losses on derivative contract entered into for hedging purposes are reported in the income statement items in which the hedged transactions are recognised.

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 recognised if it is likely that the economic benefits will not accrue to the Group. Income is recognised at the fair value of the amount 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, as well as income from leased production facilities. Net sales also include development income from sold projects. In order to better reflect the company's operations, certain reclassifications have taken place during 2015 from other income to net sales for the following items:

- Sales of projects;
- Management income; and
- Other remuneration from leasing activities.

These sources of income comprise aspects of the company's ordinary business activities and thereby constitute a portion of the company's net sales. The corresponding comparative figures have been recalculated accordingly and are presented according to the new accounting principles. See Note 2 for further details. Furthermore, sales of projects are considered to constitute sales of inventory assets. See Note 2 for further details. Thus, such sales are recognised at gross value in the consolidated financial statements, whereby the carrying amount of the non-current asset is recorded as the cost of goods sold, with the equivalent income amount being recognised gross as net sales.

Capital gains/losses are thereby recorded at the equivalent amount as though the company had recognised the profit on the sale at net value. The corresponding comparative figures have been recalculated accordingly and are presented according to the new accounting principles.

When calculating average prices, development income, management income and sales of projects are excluded.

Other operating income comprises income from crane leasing, sales of property, plant and equipment, and other minor items, see Note 2.

Income from sales of generated electricity is recognised during the period in which the delivery was made at the spot price applying, forward price or other contractually agreed upon price.

Income relating to electricity certificates is recognised at the applicable spot price, forward price or other contractually agreed upon price for the period in which the electricity certificate is earned, which is the period in which the electricity is produced. Income from electricity and electricity certificates is recognised in net sales for the segment Wind power operations, from the date of commissioning. Income from the rental of wind power facilities is recognised in the period in which the electricity is produced. When calculating the average income for electricity and electricity certificates, rental income is included and reported as a hedge of income for electricity and certificates.

Electricity certificates are reported under 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.

Income from sales of projects is recognised in pace with the risks associated with the project being transferred from Arise to the purchaser.

Employee benefits

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

Premiums are paid regularly during the year by each Group company, to independent 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 profit at the same time as the benefits are earned, which normally coincides with the time at which the premiums are paid. Regarding benefits to senior executives, please refer to the administration report on page 49.

Share-based payment

As of 31 December 2015, the Group has one share-based payment plan, in which settlement is provided in the form of shares. Outstanding warrants derive from one issued series. The acquisition price of warrants issued to employees (series 7) is based on the estimated market price on the subscription date according to the Black & Scholes valuation model. When the warrants are exercised, the company issues new shares. Payments received, after deductions for any directly-attributable transaction costs, are credited to share capital (quotient value) and other contributed capital.

In addition to the aforementioned warrants, the Board of Directors resolved on 1 January 2014 and at the annual general meeting in May 2014 to introduce an incentive programme with synthetic warrants for employees and senior executives in Arise, to a maximum of 278,000 synthetic warrants. Each warrant entitles the holder to a cash payment from Arise corresponding to the difference between, on one hand, the market value of the Arise share as of the redemption date and, on the other hand, the predetermined value of SEK 25. This difference may not exceed SEK 40 (ceiling). The premium paid by employees is the equivalent of the warrant's market value according to the Black & Scholes model and accepted assumptions.

The difference between the fair value of the warrants on each reporting date and the premium paid is recognised as a liability and expensed, although at a maximum value of SEK 40/warrant. Refer to Note 4. The social security contributions attributable to the allocation of share warrants are considered integral to the allocation, and the expense is treated as a share-based payment settled in cash.

Current and deferred tax

Tax expenses or tax income for the period comprises current tax and deferred tax. Tax is recognised in the income statement, with the exception of tax attributable to items reported in Other comprehensive income or directly in equity. For such items, the tax is also reported in Other comprehensive income or directly in equity. Current tax is based on the year's taxable income. The year's taxable income varies from the year's reported profit as an adjustment has been made 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 amounts 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 balance sheet date.

Deferred tax assets attributable to fiscal losses and deductible temporary differences are recognised only to the extent that it is likely that future fiscal surpluses will be available, against which temporary differences and loss carry-forwards can be offset.

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

Deferred tax assets and tax liabilities are offset when they refer to income tax levied by the same tax authority, or when the Group intends to settle the tax as a net amount.

Property, plant and equipment

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

In conjunction with the granting of permits for the construction of wind turbines, the Group commits to restore land to its original condition after the end of the turbines' useful life. The estimated expense for this restoration is provided for in the Group's financial statements and is included in the cost for the wind turbines.

Subsequent expenditure increases the asset's carrying amount or is reported as a separate component only when it is likely that the future economic benefits associated with the asset will accrue to the Group, and the cost of the asset can be reliably estimated. All other forms of repair and maintenance are recognised 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. The value of wind turbines is depreciated on a straight-line basis down to a maximum of the turbine's estimated residual value and during the asset's expected useful life. The Group applies component depreciation, implying that the components' estimated useful lives form the basis for the straight-line depreciation. 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 and foundations 10–30 years
– Other equipment 3–5 years

Impairment

At each reporting date, the Group's assets' useful lives are reviewed and are tested for impairment. 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 present 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 amount, the asset is impaired to its recoverable amount.

A previous impairment is reversed when a change has occurred in the assumptions applied in determining the asset's recoverable amount when the impairment was undertaken, and when such change implies that the impairment is no longer deemed to be necessary. Reversals of previous impairments are assessed individually and recognised in the income statement.

Financial assets and liabilities

Classification

Financial assets can be categorised in the following categories: financial assets at fair value through profit or loss, loans and receivables, investments held to maturity and available-for-sale financial assets. The classification depends on the purpose 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. These items are included in current assets, with the exception of items maturing later than 12 months after balance sheet date, which are classified as non-current assets. The Group's loans and receivables comprise "Receivables from associated companies", "Accounts receivable", "Other receivables" and "Cash and cash equivalents" in the balance sheet.

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

A financial asset or a financial liability is recognised in the balance sheet when Arise 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 otherwise extinguished. Acquisitions and sales of financial assets are recognised 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, in which case settlement accounting is applied. On each reporting date, Arise assesses whether there are objective indications that a financial asset or a group of financial assets needs to be impaired.

A financial asset or group of financial assets is deemed to be in need of impairment, and is impaired, only when objective evidence of an impairment requirement is identified as a result of one or several events occurring after the initial recognition of the asset (a "loss event"), and when this event (or events) impacts the estimated future cash flows for the financial asset or group of financial assets to an extent that can be reliably estimated.

Objective evidence of an impairment requirement includes, among other things, indications that a debtor or group of debtors are experiencing significant financial difficulties, that payments of interest or capital are not received or are delayed, that it is probable that a debtor or group of debtors will enter into bankruptcy or undergo some other form of financial reconstruction, or that there is observable data showing a measurable reduction in expected future cash flows, such as changes in mature liabilities or other financial circumstances correlating to credit losses.

For the loans and receivables category, impairment is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows (excluding future credit losses which are yet to be confirmed), discounted to the financial asset's original compound rate of interest. The asset's carrying amount is impaired, with the amount of impairment being recognised in the consolidated income statement.

In the event that an impairment requirement is no longer deemed to be necessary in a subsequent period, and the reduction in value can be attributed to an event occurring after the impairment was recognised (for example, an improvement in a debtor's credit rating), the reversal of the impairment is recognised in the consolidated income statement.

Calculation of the fair value of financial instruments

Official market prices as at balance sheet date are applied in determining the fair value of long-term derivatives. The market values of other financial assets and financial liabilities are calculated through generally accepted methods, such as the discounting of future cash flows, on the basis of the listed market rates for each maturity. Amounts are translated to SEK at the quoted exchange rate on balance sheet date.

Set-off 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 at a net amount or to simultaneously realise the asset and settle the liability.

Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, which are valued at fair value.

Derivatives and hedging

Derivative instruments are recognised in the balance sheet on the contract date and are recognised at fair value, both upon initial recognition and in subsequent revaluations. The method for reporting the gain or loss arising in conjunction with a revaluation is dependent on whether the derivative is identified as a hedging instrument and, if this is the case, the nature of the item being hedged. The Group identifies certain derivatives as one of the following:
(a) hedging of fair value regarding a recognised asset or liability, or a binding commitment (fair value hedge),
(b) hedging of a particular risk associated with a recognised asset or liability, or a transaction which is forecasted as highly likely to take place (cash flow hedge), or *(c)* hedging of a net investment in operations outside Sweden (hedging of net investments).

The valuation of hedging instruments for electricity prices, currencies and interest rates is based on observable data. For derivatives where hedge accounting is not applied and for derivatives included in a fair value hedge, any changes in value are recognised in the income statement. In cash flow hedging, changes in value are recognised in Other comprehensive income and are recognised separately in specific categories within equity until the hedged item is recognised in the income statement. Any gains or losses on hedging instruments attributable to the effective portion of hedging are recognised in Other comprehensive income and are recognised separately in equity under Hedging reserve. Any gains or losses attributable to the ineffective portions of hedging are recognised in the income statement; electricity and currencies in operating profit and interest derivatives in net financial income.

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

Hedges of net investments in operations with a functional currency different from the Group's are reported in the same manner as cash flow hedges. The portion of the gain or loss on a hedging instrument which is deemed to be an effective hedge is recognised in Other comprehensive income. The gain or loss attributable to the ineffective portion of the hedge is recognised in the income statement. Accumulated gains or losses in equity are recognised in the income statement when the operations are divested, either in part or in full.

Information on the fair value of various derivatives utilised for hedging purposes can be found in Note 11.

Borrowing

Liabilities to credit institutions and credit facilities are categorised as "Other financial liabilities" and are initially recognised at fair value, net after transaction costs. Borrowings are, thereafter, recognised 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 one year whilst current liabilities have a maturity shorter than one year.

Borrowing expenses

The Group capitalises borrowing expenses directly attributable to the purchase, construction or production of an asset taking a significant time to finalise for use, as part of the cost of the asset, see Note 9.

Accounts payable

Accounts payable are obligations to pay for products or services which have been acquired from suppliers in the course of the operations. 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 valued 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 is equivalent to another value, should another form of contract have 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 provided to the CEO, which for Arise means Own wind power operations, Co-owned wind power operations and Wind power development.

Provisions

Provisions for restoration, restructuring costs and legal requirements are reported when the Group has a legal or informal obligation as a result of events which have occurred, when it is probable that an outflow of resources will be required to settle the obligation, and when the amount has been reliably estimated. Provisions for restructuring include expenses for the cancellation of lease agreements and for compensation for withdrawals from agreements. No provision is made for future operating losses.

If a number of similar obligations exist, the probability of whether an outflow of resources will be required is assessed for the group of obligations as a whole. A provision is recognised even if the probability that an outflow of resources will be required for an individual item in such a group is deemed to be negligible.

Provisions are valued at the present value of the amount expected to be required to settle the obligation. In calculating the present value, a discount rate before tax is applied which reflects an actual market assessment of the time value of money and the risks associated with the provision. The increase in the provision which is attributable to the passage of time is recognised as an interest expense.

Share capital

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

Transaction costs which can be directly attributed to the issuance of new ordinary shares or bonds are recognised, 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 retained earnings, 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 recognised in retained earnings.

3. Significant estimates and assumptions

In preparing financial statements in accordance with IFRS and generally accepted accounting principles, estimates and assumptions are made about the future, which affect balance sheet and income statement items. These judgments 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 amounts of assets and liabilities on the basis of information from other sources, the valuations are based on such estimates and assessments. If other assumptions are made or other conditions arise, the actual outcome may differ from these assessments.

Critical accounting estimates and assumptions

The Group undertakes estimations and makes assumptions regarding future developments. The resulting accounting estimates will, by definition, seldom correspond to the actual results. A summary of the estimates and judgments implying a considerable risk of significant adjustments in the carrying amounts of assets and liabilities during the coming financial year is presented below:

Impairment testing for property, plant and equipment

The Group has significant values recognised in the balance sheet relating to property, plant and equipment in the form of wind farms and wind power projects. The book values of these are tested for impairment in accordance with the accounting principles described in Note 1, Accounting Principles. The recoverable amounts of wind farms and wind power projects, which are deemed to comprise cash generating units, have been determined by calculating the value in use for wind farms in operation or expected value in use for the project portfolio. These calculations require the use of estimates of future cash flows and assumptions regarding the required return and choice of discount rate. A discount rate of 7.4 % (7.0) was applied in 2015.

A continued decline in the price development of electricity and electricity certificates was noted in 2015, which the Board of Directors and company management deemed to give rise to an impairment requirement of MSEK –120 in the company's own wind farms in operations and of MSEK –39 in property, plant and equipment in the company's participating interest in associated companies. The Board of Directors' and company management's assumption regarding the future price development of electricity and electricity certificates is based on price forecasts produced by external experts. Future price assumptions relating to electricity and electricity certificates and the discount rate are the factors with the most influence in a sensitivity analysis. The price development is dependent on, among other things, the development of prices for certificates, and the development of electricity prices in general, as well as the impact of the Group's price hedging. The discount rate depends on the underlying interest rate levels, risk factors and the availability of financing. Should the price levels of electricity and electricity certificates sink further, or should the anticipated future price development not be realised, while, at the same time, the chosen discount rate remains unchanged, then the estimated value in use will also decrease. This could have a significant impact on Arise's results and financial position.

Valuation of loss carry-forwards

Deferred tax assets attributable to loss carry-forwards recognised in the Group amount to MSEK 30 (24), see Note 7. The carrying amount of these tax assets has been assessed at year-end and it has been deemed likely that these losses will be offset against any surpluses in future taxation. The tax assets refer to Swedish loss carry forwards, which can be utilised for an indefinite period. It is expected that it will possible to offset the loss carry forwards against taxable profits within the foreseeable future.

Useful lives of wind turbines

The useful life of a wind turbine has been estimated to amount to an average of 25 years, and this is the figure applied in the investment calculation.

Framework agreements with suppliers – cancellation fees

The company has concluded framework agreements for the purchase of wind turbines, which include clauses on cancellation fees to apply under certain circumstances. On the basis of current purchase plans and forecasts, company management assesses that cancellations may be made. Furthermore, company management also assesses that any cancellation fees will not constitute the maximum amount, see Note 21.

Significant assessments made in the application of the company's accounting principles

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 the restoring of the land around wind turbines have been estimated at MSEK 22 (24) for turbines in operation, for which a provision has been made in the financial statements, see Note 19, and included in the depreciable amount.

Participating interest in the associated company, Sirocco Wind Holding AB

The Group has a 50 % ownership share in Sirocco Wind Holding AB. Company management has analysed the degree of influence which the Group exercises over Sirocco Wind Holding AB and has determined that a significant influence exists. Consequently, the investment is classified as an associated company. This assessment has been reached on the basis of the contractual terms and conditions of the investment and the presence of representation on the Board.

NOTE 2 • INCOME

Net sales include the sale of generated electricity, earned and sold electricity certificates, as well as gains and losses from electricity and currency derivatives attributable to the hedged production. In addition, net sales includes income from leased production, whereby the portions attributable to electricity and certificates have been included in the calculation of Key Performance Indicators, amounting to MSEK 85 (88) for income from electricity and MSEK 54 (51) for income from electricity certificates. Net sales also include development income from sold projects, management income and other remuneration from leasing activities. Sales of projects are considered to constitute sales of inventory assets. Thus, such sales are recognised at gross value in the consolidated financial statements, whereby the carrying amount of the non-current asset is recorded as the cost of goods sold, with the equivalent income amount being recognised gross as net sales. Capital gains/losses are thereby recorded at the equivalent amount as though the company had recognised the profit on the sale at net value.

	2015	2014
Electricity	66	71
Electricity certificates	18	35
Rental income	139	139
Development and management income	264	13
Net sales	**487**	**258**

As stated above, certain income has been reclassified during 2015, meaning that some items previously recognised under other income are now recognised in net sales.

Net sales for 2014 as reported in the annual report for 2014 amounted to MSEK 254 and other income amounted to MSEK 34, meaning that MSEK 4 has been reclassified between other income and net sales in the comparative figures for 2014.

Realised gains and losses on derivatives have affected net sales positively by MSEK 6 (8).

Electricity production in Own wind power operations (including leased operations) amounted to 442.1 GWh (401.4) during the year. Average income for electricity was SEK 340 (396) per MWh and for electricity certificates it was SEK 165 (215) per MWh, i.e. an average income per produced MWh of SEK 505 (611) per MWh.

The following items are included in Other operating income;

	2015	2014
Income from crane leasing	7	9
Gains on sales of non-current assets	11	12
Other items	4	9
Other operating income	**21**	**30**

Capitalised work on own account refers to internal work capitalised on the Group's wind power projects.

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, constituting the segment Own wind power operations, and the Group's other operations consisting of the development and sale of wind farms, which constitute the segment Wind power development. Associated companies, which, for accounting purposes, are not consolidated and currently only consist of Sirocco Wind Holding AB, the Jädraås project, are illustrated in the segment Co-owned wind power operations as if these operations were consolidated. Internal prices between the various segments of the Group are determined on the basis of the "arm's length" principle, that is, between parties who are independent, well informed and who have an interest in the transactions being undertaken. 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	
(Amounts to the nearest MSEK)		**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Net sales, external		223	245	166	137	264	13	-166	-137	487	258
Net sales, internal		–	–	–	–	10	7	-10	-7	–	–
Other operating income	Note a	1	15	–	–	20	16	–	–	21	30
Total income		**225**	**260**	**166**	**137**	**294**	**36**	**-176**	**-144**	**508**	**288**
Capitalised work on own account		–	–	–	–	10	13	–	–	10	13
Operating expenses		-52	-54	-42	-36	-249	-57	42	43	-301	-104
Share of associated companies' profit		–	–	–	–	–	–	-25	-1	-25	-1
Operating profit before depreciation (EBITDA)		**173**	**206**	**124**	**101**	**55**	**-8**	**-159**	**-102**	**193**	**197**
Depreciation		-94	-93	-64	-63	-6	-12	64	63	-99	-105
Impairments		-120	–	-39	–	-31	-1	39	–	-152	-1
Operating profit (EBIT)		**-41**	**113**	**21**	**38**	**18**	**-21**	**-55**	**-39**	**-58**	**91**
Net financial income	Note b	-85	-86	-48	-46	-22	-30	48	46	-106	-115
Profit/loss before tax (EBT)		**-126**	**27**	**-28**	**-8**	**-4**	**-50**	**-7**	**8**	**-164**	**-24**
Assets		**2,055**	**2,288**	**1,518**	**1,611**	**267**	**264**	**-1,073**	**-1,196**	**2,767**	**2,967**
– of which receivables from associated companies		–	–	–	–	445	442	–	–	445	442
– of which purchases of fixed assets [1]		1	6	–	–	26	105	–	1	27	112

[1] Purchases of fixed assets other than financial instruments and deferred tax assets.

	Own wind power operations		Co-owned wind power operations		Wind power development		Eliminations		Group	
(Amounts to the nearest MSEK)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Note a – Other operating income										
Income from crane leasing	–	–	–	–	7	9	–	–	7	9
Gains on sales of fixed assets	–	12	–	–	11	–	–	–	11	12
Other items	1	2	–	–	2	7	–	–	3	9
	1	**15**	**–**	**–**	**20**	**16**	**–**	**–**	**21**	**30**
Note b – Net financial income										
Total net financial income	-87	-93	-74	-73	-19	-22	74	73	-106	-115
Less interest expenses on shareholder loans	3	8	26	26	-3	-8	-26	-26	-	-
Net financial income excl. shareholder loans	**-85**	**-86**	**-48**	**-46**	**-22**	**-30**	**48**	**46**	**-106**	**-115**

The segments Own and Co-owned wind power operations are reported less internal interest expenses on shareholder loans. The corresponding item has been eliminated from the segment Wind power development.

All operations are conducted in Sweden. The eliminations consist of sale of leaseholds for developed land areas, rent for measuring equipment, consultancy services mainly consisting of permit and prospecting work as well as administration charges passed on.

NOTE 4 • PERSONNEL

Average number of employees	2015			2014		
	Women	Men	Total	Women	Men	Total
Parent Company	6	22	28	5	11	16
Subsidiaries	0	3	3	1	14	15
Group total	**6**	**25**	**31**	**6**	**25**	**31**

Salaries and other remuneration	Board and CEO	of which variable remuneration	Other employees	Board and CEO	of which variable remuneration	Other employees
Parent Company	4.7	0.6	25.0	4.0	–	10.5
Subsidiaries [1]	1.4	0.2	1.6	3.4	–	7.1
Group total	**6.1**	**0.8**	**26.6**	**7.4**	**–**	**17.6**

Salaries and other remuneration	Salaries and remuneration	Social security contributions	of which pension costs	Salaries and remuneration	Social security contributions	of which pension costs
Parent Company	27.8	16.3	6.2	12.7	9.2	4.0
Subsidiaries	3.0	2.3	1.0	10.4	5.6	1.9
Group total	**30.8**	**18.6**	**7.2**	**23.1**	**14.8**	**5.9**

[1] In addition to the reported salaries and remuneration, consulting fees of MSEK 0 (0.1) has been paid to three Board members in subsidiaries.

2015

Remuneration to the Board of Directors, CEO and senior executives

	Directors' fee	Salary	Variable remuneration	Other benefits	Pension Costs
Joachim Gahm, Chairman	0.8				
Maud Olofsson	0.3				
Peter Gyllenhammar	0.3				
Jon G Brandsar	–				
Total remuneration to the Board of Directors	**1.4**				
Peter Nygren, CEO		2.2	0.6	0.1	0.6
Other senior executives (6 individuals)		7.9	1.5	0.3	2.3
Total remuneration to CEO and senior executives		**10.1**	**2.1**	**0.4**	**2.9**

2014

Remuneration to the Board of Directors, CEO and senior executives

	Directors' fee	Salary	Variable re-muneration	Other benefits	Pension Costs
Joachim Gahm, Chairman	0.8				
Maud Olofsson	0.3				
Peter Gyllenhammar	0.3				
Jon G Brandsar	–				
Total remuneration to the Board of Directors	**1.4**				
Peter Nygren, CEO		2.2	–	0.1	0.6
Other senior executives (6 individuals)		8.5	–	0.3	2.1
Total remuneration to CEO and senior executives		**10.7**	**–**	**0.4**	**2.7**

Basic salary/Directors' fees

The Chairman and Members of the Board are paid a Directors' fee in accordance with the resolution of the Annual General Meeting. 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 six individuals who, together with the CEO, formed the Group management in 2015.

Variable remuneration

All employees are covered by a common remuneration programme which is linked to the quantitative objectives set out within the Group. This programme has been supplemented with individual remuneration programmes based on individual goals. Goal attainment for 2015 was achieved to various degrees and variable remuneration has thus been paid, amounting to MSEK 3.5 (0.0 in the previous year).
No other payments or remunerations with a dilution effect have been made.

Synthetic warrants

In addition to warrants, Arise's Board of Directors resolved in January 2014 to introduce an incentive programme with synthetic options for employees in Arise, up to a maximum of 278,000 synthetic options. Each warrant entitles the holder to a cash payment from Arise on 10 January 2017, corresponding to the difference between, on one hand, the market value of the Arise share as of the redemption date and, on the other hand, the predetermined value of SEK 25. This difference may not exceed SEK 40 (ceiling). The total cost arising from this offer could amount to a maximum of MSEK 9.4, calculated on the basis of maximum payment of SEK 40 per warrant.

The value of SEK 25 is equivalent to 125% of the average, volume-weighted closing price for shares of the company on the Nasdaq OMX Stockholm official list of rates for the period 16 December 2013 to 3 January 2014. The premium amounted to SEK 3.04 per warrant and represented the warrant's market value according to the Black & Scholes model and accepted assumptions.

Important input data in the model were the weighted-average share price of SEK 20.12 at the allocation date, the aforementioned redemption price, volatility of 33 %, expected dividend of 0 %, expected maturity of the warrants of 3 years, and an annual risk-free rate of interest of 1.12 %. Volatility, measured as the standard deviation of expected return on the share price, is based on a statistical analysis of daily share prices over the last 3 years. The total cost recognised in the income statement for the synthetic warrants allocated to Members of the Board and employees amounts to MSEK 0.7.

In total, 235,000 synthetic warrants have been issued to employees, of which 140,000 warrants have been issued to senior executives. For senior executives (7 individuals), the warrant programme was conditional on the approval of the Annual General Meeting in May 2014.

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 2015, the pension premium averaged 27 % (27) of the base salary. Variable remuneration is not pensionable for either the CEO nor for the senior executives. All pensions are vested, meaning that they are not conditional upon future employment.

Financial instruments

Refer to Note 17 for information regarding the warrant programme for employees.

Severance pay

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

Preparatory work and decision-making process

During the year, the Remuneration Committee provided the Board of Directors with recommendations on principles for remuneration to senior executives. The recommendations included the scale of any salary increases and the criteria for evaluation of variable remuneration. The Board discussed the Committee's proposals and made a recommendation on the remuneration policy, which was also adopted by the Annual General Meeting.

Remuneration to the CEO for the financial year 2015 was determined by the Chairman of the Board in accordance with the recommendations of the Remuneration Committee, and the remuneration policy adopted 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.

During the year, the Remuneration Committee included Joachim Gahm, (Chairman), Maud Olofsson, Peter Gyllenhammar and Jon Brandsar. The CEO usually participates in the Committee's meetings, but abstains from matters in which his own salary or other benefits are addressed. 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, the proposal for the remuneration and conditions for the senior executives who report directly to the CEO. Furthermore, the Committee establishes principles for determining the salaries and terms of employment for senior executives, with these proposals being submitted to the Annual General Meeting 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 two occasions in 2015.

Gender distribution among senior executives

	2015				2014			
	Women		Men		Women		Men	
	No. of	%	No. of	%	Antal	%	No. of	%
Board of Directors	1	20	4	80	1	20	4	80
Group Management	0	0	7	100	0	0	7	100

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

NOTE 5 • EXTERNAL EXPENSES

Auditing fees	2015	2014
Öhrlings PricewaterhouseCoopers		
Audit assignment	0.8	0.8
Audit activities other than the audit assignment	0.2	0.2
Tax consultancy services	0.1	0.1
Other services	0.2	0.1
Total	**1.3**	**1.2**

NOTE 6 • FINANCIAL INCOME AND EXPENSES

	2015	2014
Interest income	1	1
Foreign exchange gains	0	0
Total financial income	**1**	**1**
Interest expenses	-100	-116
Foreign exchange losses	-7	-1
Total financial expenses	**-107**	**-117**

NOTE 7 • TAXES

Tax on recognised profit/loss	2015	2014
Deferred tax	8	-1
Recognised tax	**8**	**-1**

Deferred tax	2015	2014
Attributable to unutilised loss carry forwards [1]	30	24
Derivatives at fair value	10	42
Fixed assets	2	-13
Total recognised deferred tax	**41**	**53**

Reconciliation of reported tax in the Group	2015	2014
Earnings before tax	-164	-24
Tax, 22%	36	5
Tax effect of:		
Associated companies' profit, already taxed	-2	-6
Impairment of associated companies	-9	–
Loss carry forwards	-33	–
Other additional and outgoing items	16	0
Recognised tax on profit for the year	**8**	**-1**

Change in deferred tax	2015	2014
Opening value, net	53	43
Recognised deferred tax on profit/loss for the year	8	-1
Tax items recognised directly in equity [2]	-21	11
Closing value, net	**41**	**53**

[1] The Group's total loss carry forwards are MSEK 288 (109), of which MSEK 66 is blocked from utilisation until the tax assessment year 2018. Of the deductible tax losses, a total of MSEK 151 is not expected to be utilisable against future taxable profits. The remaining MSEK 137 is expected to be utilisable against future taxable profits, primarily arising from operating surpluses, but also from gains on sales of wind farms. In addition, the fiscal deficit is expected to be offset against the dissolution of accelerated depreciation on property, plant and equipment. Loss carry forwards are subject to no time limits on use.

[2] Tax items that are recognised directly in other comprehensive income refer to the Group's hedging reserve for interest, electricity and forward exchange agreements.

Change in deferred tax 2015	Referring to:				
	Loss carry forwards	**Fixed assets**	**Accrued expenses/income**	**Cash flow hedges**	**Total**
Opening value, net	24	5	0	25	53
Recognised deferred tax on profit/loss for the year	6	-3	0	6	8
Tax items recognised directly in equity				-21	-21
Closing value, net	**30**	**2**	**0**	**10**	**41**

NOTE 8 • ADDITIONAL DISCLOSURES TO THE CASH FLOW STATEMENT

Cash and cash equivalents consist of cash and bank balances.

Adjustments for non-cash items	2015	2014
Depreciation and impairment of property, plant and equipment	250	106
Items attributable to participating interests in associated companies	25	1
Capital gains/losses on sales of non-current assets	2	-12
Total	**277**	**94**

NOTE 9 • PROPERTY, PLANT AND EQUIPMENT

	Land and buildings [1]		Wind power, foundations and electrical installations		Equipment, tools, fixtures and fittings		Advances and construction in progress		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Opening cost	2	3	2,427	2,111	82	85	137	501	2,648	2,700
Purchases/investments	–	0	1	99	–	7	26	6	27	112
Sales/disposals	-1	-1	-106	-73	-66	-10	-13	-80	-186	-164
Reclassifications	–	–	-2	290	–	–	-6	-290	-8	0
Closing cost	**1**	**2**	**2,321**	**2,427**	**15**	**82**	**144**	**137**	**2,481**	**2,648**
Opening accumulated depreciation and impairment	0	0	-367	-274	-46	-41	-26	-25	-439	-340
Depreciation during the year	0	0	-96	-95	-3	-9	–	–	-99	-105
Impairment during the year [3]	–	–	-120	–	–	–	-31	-1	-152	-1
Sales/disposals	0	0	8	2	36	4		0	43	6
Closing accumulated depreciation and impairment	**0**	**0**	**-574**	**-367**	**-13**	**-46**	**-57**	**-26**	**-645**	**-440**
Closing residual value according to plan [2]	**1**	**2**	**1,747**	**2,060**	**2**	**36**	**87**	**111**	**1,836**	**2,209**

[1] Land and buildings includes land with a carrying amount of MSEK 0 (1). The tax assessment value of the Group's properties totalled MSEK 0 (1), of which MSEK 0 (0) is the tax assessment value of the land.

[2] Of the property, plant and equipment referred to above, leased wind farms constitute MSEK 1,705 (1,706) of the cost and MSEK -420 (-285) of the accumulated depreciation and impairment. Depreciation and impairment losses for the year on leased wind farms amounts to MSEK 135 (66).

[3] Information on impairment and the calculation of recoverable amounts can be found in Note 1, point 3.

Financial lease agreements

In 2015, the Group leased a crane and a truck under non-cancellable leases, with lease terms of 8 years. This crane and truck were sold in 2015 and the lease was settled. In addition, company cars are leased under cancellable leases with a term of 3 years. The residual value according to plan includes financial leases of MSEK 0 (30).

Operating leases

The Company has entered into operating leases, primarily leaseholds for land in connection with the construction of wind turbines with minimum lease payments as described below. Operating lease costs for the year were MSEK 12 (18), of which variable fees amounted to MSEK 8 (14) and minimum lease payments to MSEK 4 (4).

	2015	2014
Within 1 year	4	4
Within 2 to 5 years	14	14
Within 6 to 20 years	36	39
Total	**54**	**57**

The cost of land leaseholds has been based on minimum lease payments for wind turbines in operation or under construction, as well as on contracts in which all necessary permits for the construction of wind turbines have been obtained. The minimum lease payments are subsequently indexed and adjusted in arrears according to the actual changes to the CPI, can imply either an increase or a decrease in the payments. The amounts stated in the table assume an unchanged index in the future. In addition, there are variable fees dependent on the income from electricity produced.

The Company has also entered into operating leases as lessor for the leasing out of wind farms. All of these agreements have respective terms of a maximum of 12 months, and the entire lease payment is variable and based on the turbine's actual production. There are no minimum lease payments stated in the contracts. The lease payment is recognised as income in line with actual production.

NOTE 10 • PARTICIPATIONS IN ASSOCIATED COMPANIES

	2015	2014
Opening carrying amount	0	6
Share of associated companies' profits	-11	-27
Impairment	-31	–
Exchange rate differences	–	5
Derivative items [1]	43	16
Closing carrying amount	**0**	**0**

Associated companies' profits		
Share of associated companies' profits (Net after tax 22%)	-11	-27
Impairment	-31	–
Financial income from associated companies (gross before tax)	26	26
Impairment of receivable	-8	–
Total	**-25**	**-1**

[1] Items attributable to other comprehensive income.

Financial income from associated companies is attributable to granted shareholder loans, which are treated as long-term investments in associated companies and are therefore deemed to have the same characteristics as contributed capital.

The Group's participating interests in associated companiess that are recognised according to the equity method comprise the 50% holding in Sirocco Wind Holding AB see Note 9 on Page 91. This associated company's share capital consists entirely of ordinary shares which are owned directly by the Group. Sirocco Wind Holding AB's operations are conducted in Sweden. Sirocco Wind Holding AB is a private company and no quoted prices are available for its shares.

Condensed financial information on associated companies

Condensed financial information for Sirocco Wind Holding AB is presented below, recognised according to the equity method. The information reflects the amounts reported in the associated company's annual financial statements (not Arise AB's share of these amounts) adjusted for discrepancies between the accounting principles of the Group and the associated company. Amounts have been translated at the closing rate of SEK/EUR 9.1828 (9.4160) and the average rate of SEK/EUR 9.3365 (9.1076), and the amounts are presented in MSEK.

Condensed information from the balance sheet	2015	2014
Fixed assets	2,836	3,062
Current assets	217	127
Total assets	**3,053**	**3,189**
Non-current liabilities [1]	2,974	3,041
Current liabilities	79	148
Total liabilities	**3,053**	**3,189**
Net assets	**0**	**0**
[1] Of which shareholder loans	905	883

Condensed information from the income statement and statement of comprehensive income	2015	2014
Total income	332	274
Total loss for the year	-84	-54
Other comprehensive income	84	-111
Total comprehensive income	**0**	**-165**
Dividends received from associated companies	–	–

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 rate 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 in 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.

Electricity price risk

The most significant risk and the risk that has the largest impact on the Group's profit or loss is the electricity price risk. This risk arises in cases in which prices for sold electricity have not been hedged, which means that changes in prices in the energy 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 energy market fluctuate over time, and the Group strives to ensure that the price of delivered electricity is, at the time of delivery, hedged to some extent. In 2012, there was a review of the financial policy and a division was 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 within a falling five-year limit to a maximum of 60 %. Hedging of price risk can, therefore, take place up to 5 years before the delivery of the same amount of electricity takes place. No lower limit has been established, as the Company has determined that it should not be forced to undertake a low level of, and unfavourable, hedging as regards this portfolio.

For portfolio B, hedging must 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 interval. 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 purchasing electricity derivatives on the Nordic power exchange (Nord Pool), through banks, or through other counterparties trading in financial hedges (e.g. Axpo, Statkraft or others). Since 2013, price hedging has also taken place through the leasing out of wind farms.

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 electricity prices from facilities that have yet to be put into operation; on the first hand, through bilateral contracts, which limits the volume risk; on the second hand, through financial hedging on Nord Pool, provided that this results in higher income. However, financial hedging of electricity prices from facilities that have yet to be put 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 meeting the requirements for hedge accounting according to IFRS 9. Derivatives are recognised at market value in the balance sheet and in Other comprehensive income 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 the result from the hedged position.

Price hedging via Nord Pool is generally undertaken in the Nordic price area, at the so-called system price, as compared with actual production and delivery, which are conducted in the areas in which the wind farms are actually located. 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 energy 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 the joint storage of electricity with Scandem's other customers, a lower balancing energy cost is generally achieved than if Arise itself were to handle this.

Electricity certificate price risk

Electricity certificates differ from electricity prices, primarily because certificates can be saved and stored. The certificates are recognised in conjunction with the production of the corresponding electricity and are obtained physically from the Swedish Energy Agency in the month following the calendar month in which they are earned. This means that the physical delivery of electricity certificates must take place at a date later than both the earning date and certificate date. Electricity certificate price risk arises in cases where certificate 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. The majority of the deliveries of the certificates are usually 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 runs, therefore, from April to March. A certain proportion of certificates must be retained to build up a "contingency stock" of certificates, ensuring delivery in accordance with the hedging agreements in place until March of the following calendar year. Sales can only be made of certificates held beyond this "contingency stock". Since 2013, price hedging has also been carried out in the form of the leasing out of wind farms.

In 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 Kraftmäkling) 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 sale 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. Wind turbine investments in foreign currencies are hedged by entering into forward exchange agreements at the time of the investment decision or by purchasing currency deposited on an account. In some cases, the Group also enters into contracts for sales of projects, for which reason currency exposure may arise over the period until the project is completed.

Transaction exposure

Currency exposure on sales arises when electricity is sold in EUR on Nord Pool or via a bank or other counterparty. Sales of electricity and electricity certificates and bilateral sales contracts signed directly with the end users of electrical energy 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.

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, sales of electricity that are hedged financially in EUR should also be price-hedged in SEK. Hedging can be undertaken as a monthly or quarterly hedged amount. The Company's policy is, therefore, that spot sales of electricity 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 EUR flow can be achieved. Any excess liquidity in EUR shall continuously be sold. For projects sold in EUR, the Group strives to hedge these flows.

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

Translation exposure

Financial and other operating assets and liabilities denominated in foreign currencies arise almost exclusively in conjunction with the purchase of wind turbines and other electrical installations, which are normally hedged using forward exchange agreements. Currency exposure arose in conjunction with the investment in the Jädraås project, as the presentation currency of the associated company is EUR. This exposure has been partly addressed as the new farms that have been built during 2013 were financed through bank loans in EUR. Other items are not significant and are not currency hedged.

Interest rate risk

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

Sensitivity Analysis

A change in any of the variables below has an impact on profit/loss before tax for 2015 (in MSEK) as follows:

Variable	Change	Impact on profit/loss before tax
Production	10%	+/-19
Electricity price	10%	+/-1
Electricity certificate price	10%	+/-6
Interest expense	1 pp	+/-10
Investment expense	10%	+/-1
EUR/SEK	10%	+/-8

Please note that the impact on profit before tax is based on the hedges reported by the Group for 2015.

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

	2015			2014		
	Interest-bearing		Non-interest-bearing	Interest-bearing		Non-interest-bearing
	Fixed rate	Variable rate		Fixed rate	Variable rate	
Non-current receivables	445	–	–	415	–	–
Blocked accounts	–	22	–	–	23	–
Current receivables	0	–	69	27	–	31
Cash and cash equivalents	–	203	–	–	157	–
Non-current liabilities	-1,129	-304	17	-1,521	-60	24
Current liabilities	-58	–	-132	-66	-6	-97
Total	**-742**	**-78**	**-46**	**-1,145**	**114**	**-42**

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 stakeholders, and to ensure that the capital structure is optimal with respect to the cost of capital. Examples of measures that the Group can take to adjust the capital structure include the issuance of new shares, the issuance of corporate bonds or the sale of assets. See also information about the dividend policy and the target equity/assets ratio on page 100. The Group's target equity/assets ratio is 25 %, whereas the outcome at 31 December 2015 was 39.4 % (39.7).

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's goal is to always have more than one lender who is willing to offer financing on market terms. However, the Group is dependent on its ability to refinance outstanding borrowings from time to time. The Group's policy states that liquidity, including unutilised credit, amounting to MSEK 100 is to always be available.

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 through the careful monitoring of track records on payments and customers' financial reports, as well as through good communication. The Group's total credit risk is distributed across a small number of customers, which account for a relatively large share of the Group's accounts receivable. All customers have a high level of transparency, including the Nord Pool marketplace.

In periods during which the Company temporarily has surplus liquidity, a certain portion of this liquidity may be invested in order to obtain a higher return. Surplus 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 amount, the fair value is disclosed in the associated note. All of the financial instruments valued 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).

The measurement at fair value of forward exchange agreements is based on published forward rates in an active market. The measurement of interest rate swaps is based on forward interest rates derived from observable yield curves. The measurement of electricity futures is based on observable futures prices.

Hedging reserve

The hedging reserve consists of interest, electricity and currency futures, as well as net investments in operations outside Sweden. 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 outstanding derivative contracts as of 31 December.

	2015	2014
Electricity futures	9	-5
Currency futures, SEK/EUR	0	–
Interest rate swaps	-52	-62
Outstanding derivative contracts	**-43**	**-67**

Netting of derivatives 31 Dec 2015	**Assets**	**Liabilities**
Gross amount	32	-75
Nettable amount	-16	16
Net amount	**16**	**-59**

Derivative contracts are recognised exclusive of participating interests in associated companies' derivatives. The values for 2014 have been adjusted accordingly.

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, project 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, recognised in the income statement, constitutes MSEK -1 (0).

Electricity future contracts

The nominal amount of electricity futures outstanding, including half of the electricity futures for Jädraås, totals MSEK 214 (380). The hedged, very probable forecast transactions of electricity sales are expected to take place at varying points in time in the next three years. Gains and losses from electricity futures which are recognised in Other comprehensive income, and which are included in equity, are recognised in income statement in the period, or periods, in which the hedged transaction affects profit or loss.

Forward exchange agreements

The nominal amount of outstanding forward exchange agreements totals MSEK -17 (0). The hedged, very probable forecast transactions in foreign currencies are expected to take place at different points in time in the following two years. Gains and losses from forward exchange agreements which are recognised in Other comprehensive income, and which are included in equity, are recognised in the income statement in the period, or periods, in which the hedged transaction affects profit or loss.

Interest rate swaps

The nominal amount of interest rate swaps outstanding, including half of the interest rate swaps for Jädraås, totals MSEK 1,926 (2,433). The fixed interest rates fluctuate between 4.4 % and 6.0 % (4.2 and 8.1). The most significant variable interest rates are Stibor and Euribor. Gains and losses from interest rate swaps which are recognised in Other comprehensive income, and which are included in equity, are continuously transferred to financial expenses in the income statement, until the loans have been repaid.

PRICE HEDGES AS OF 31 DEC 2015

	2016	2017	2018
Own production, budget, GWh	388	388	388
Hedged electricity production, GWh [1]	223	48	18
Hedged electricity certificate production, GWh	70	125	85
Hedged electricity price, inc. CFD, SEK/MWh [1,2]	*334*	*252*	*208*
Hedged electricity certificate price, SEK/MWh	*212*	*187*	*156*
Co-owned production, budget, GWh	285	285	285
Hedged electricity production, GWh	177	177	178
Hedged electricity certificate production, GWh	243	255	118
Hedged electricity price, inc. CFD, SEK/MWh	*423*	*423*	*377*
Hedged electricity certificate price, SEK/MWh	*178*	*182*	*160*

Exchange rate applied: SEK 9.2/EUR

[1] Includes wind farms leased out during the first half of 2016

[2] Includes CFD for the area hedged price, otherwise system price

CLASSIFICATION OF FINANCIAL INSTRUMENTS

The tables below illustrate the classification of the financial instruments in the balance sheet in 2015 and 2014.

2015

Assets

	Derivatives valued at fair value	Loans receivable and accounts receivable	Total
Receivables from associated companies	–	445	445
Blocked accounts	–	22	22
Current assets			
Receivables from associated companies	–	0	0
Accounts receivable	–	15	15
Derivative assets	16	–	16
Other receivables	–	31	31
Cash and cash equivalents	–	203	203
Total current assets	16	249	266
Total assets	**16**	**717**	**734**

Liabilities	Derivatives valued at fair value	Other financial liabilities	Total
Non-current interest-bearing liabilities	–	1,415	1,415
Current liabilities			
Current interest-bearing liabilities	–	58	58
Advance payments from customers	–	41	41
Accounts payable	–	31	31
Derivative liabilities	59	–	59
Other liabilities	–	1	1
Total current liabilities	59	131	191
Total liabilities	**59**	**1,546**	**1,606**

2014

Assets

	Derivatives valued at fair value	Loans receivable and accounts receivable	Total
Receivables from associated companies	–	415	415
Blocked accounts	–	23	23
Current assets			
Receivables from associated companies	–	27	27
Accounts receivable	–	3	3
Derivative assets	1	–	1
Other receivables	–	24	24
Cash and cash equivalents	–	157	157
Total current assets	1	211	212
Total assets	**1**	**649**	**650**

Liabilities	Derivatives valued at fair value	Other financial liabilities	Total
Non-current interest-bearing liabilities	–	1,557	1,557
Current liabilities			
Current interest-bearing liabilities	–	72	72
Accounts payable	–	19	19
Derivative liabilities	76	–	76
Other liabilities	–	2	2
Total current liabilities	76	93	169
Total liabilities	**76**	**1,650**	**1,726**

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, have contractual maturities of 1–60 days.

Capital management

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 the issuance of shares, preference shares, corporate bonds, convertible instruments, sales of wind turbines or farms, repayments of capital to shareholders or other measures. The objective is to maintain an optimal capital structure. Consequently, a trade-off constantly needs to be made between the cost of capital, financial risk, expected return and cash flow in the Company's investments.
The capital is assessed based on the equity/assets ratio, calculated as shareholders' equity divided by total assets. An equity/assets ratio exceeding 25 % is the target, and the equity/assets ratio as of 31 December 2015 amounted to 39.4 % (39.7 % as of 31 December 2014).

NOTE 12 • OTHER FINANCIAL FIXED ASSETS

	2015	2014
Blocked cash accounts	22	23
Other receivables	1	1
Total	**23**	**24**

NOTE 13 • INVENTORIES

	2015	2014
Electricity certificates	19	17
Spare parts	3	3
Constructions in progress	40	–
Total	**62**	**20**

Inventories are reported according to the principles described in Note 1.

NOTE 14 • OTHER CURRENT RECEIVABLES

	2015	2014
Current tax assets	6	4
Other receivables	31	24
Total	**37**	**28**

NOTE 15 • ACCOUNTS RECEIVABLE AND OTHER CURRENT RECEIVABLES

	2015	2014
Accounts receivable	23	5
Impairment of accounts receivable	-8	-2
Accounts receivable – net	15	3
Receivables from related parties (Note 22)	445	442
Other receivables (Note 12)	1	1
Other receivables (Note 14)	37	28
Less non-current portion	-445	-415
Current portion	**53**	**59**

As of the balance sheet date, MSEK 9 (5) referred to accounts receivable which were overdue, and a provision for bad debt losses of MSEK 8 (2) has been made. Of this amount, MSEK 9 (1) remains unpaid due to the fact that one of Arise's sub-contractors has entered into a composition situation. A maturity analysis of these receivables is provided below.

	2015	2014
Less than 3 months	14	3
3–6 months	2	2
6–12 months	7	–
Total	**23**	**5**

NOTE 16 • PREPAID EXPENSES AND ACCRUED INCOME

	2015	2014
Accrued electricity and certificate income	7	5
Accrued development income	57	9
Other prepaid expenses	25	16
Total	**89**	**30**

NOTE 17 • SHARE CAPITAL

Number of registered shares in the Parent Company	2015	2014
Issued as per 1 January	33,428,070	33,428,070
Issued as per 31 December	**33,428,070**	**33,428,070**

All shares have been fully paid up. All shares entitle the holder to an equal right to the assets and profits of the Company. The share's quotient value is SEK 0.08.

Warrants

Scope

In 2008 and 2013, warrants were issued for shares in Arise AB directed towards employees and external stakeholders, such as landowners and advisers. As of 31 December 2015, one programme directed towards employees remains.

	Employees Serie 7	Total
Warrants 2013	6,000	6,000
Entitling subscription to the following numbers of shares	6,000	6,000
Issue price (SEK)	30	

Valuation

There are two different series of outstanding warrant programmes. The purchase price of the share warrants to employees (series 7) was based on the estimated market price at the time of each subscription by applying the Black & Scholes valuation model. Warrants to external stakeholders (series 5) have been allocated free of charge. Upon issuance, the warrants were valued using the Black & Scholes model and have been reported as part of the acquisition cost of the project portfolio. At the end of 2015, only series 7 remained, as the subscription period for Series 5 expired with no subscription of shares occurring.

Terms and conditions of subscription

A warrant entitles the holder to, in specified periods, subscribe for one share in Arise 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. No subscription of shares has been made during the subscription period.
- The subscription period for series 7 is 29 Feb – 11 Mar during 2016.

Dilution

Warrant series 5 has not been exercised as of the maturity date 28 February 2015 which implies that a full exercise of the allotted warrants (series 7, 6,000 warrants) would result in a dilution effect of 0.0% in both share capital and voting rights.

NOTE 18 • INTEREST-BEARING LIABILITIES

The Group has signed credit agreements with banks and issued bond loans. The agreements include so-called negative clauses which provide the lender with the right to cancel the loans as a result of changes in Arise's financial KPIs. These clauses, called covenants, reflect the require-

ments typical of the industry regarding solvency, a specified required relationship between earnings and interest paid, plus amortisation and specific provisions to be made into a so-called debt reserve account. No covenants have been breached during the year.

The Group's credit lines totalled MSEK 1,491 (1,629) as of 31 December 2015, of which MSEK 18 (112) is unutilised. Credit lines are primarily used to fund the operations in the form of bank and bond loans. Interest payments are hedged through interest rate swaps. At present, a number of contracts are in place with an average fixed interest rate term of 3.6 (2.9) years are in place. The financing cost is based on the agreed fixed interest rate and agreed margin. The Group's average effective interest rate during the year amounted to 5.5 % (6.1).

Interest-bearing liabilities	2015	2014
Non-current portion	1,474	1,629
Current portion	–58	–72
Total	**1,415**	**1,557**

Fair value of liabilities

The reported amounts and fair values of long-term borrowings are as follows:

	Book value		Fair value	
	2015	2014	2015	2014
Bank loans	141	208	139	209
Bond loans	1,350	1,400	1,343	1,403
Financial leasing liabilities	–	28	–	28
Total	**1,491**	**1,636**	**1,482**	**1,641**

The fair value of short-term borrowings correspond to the carrying amount, as the discount effect is insignificant. The fair value is based on discounted cash flows incurring an interest rate based on the loan interest of between 3.3 % and 6.3 %, (2014: 2.1 to 6.1 %), implying Level 2 in the fair value hierarchy.

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

Amounts to the nearest MSEK	Within 3 Months	3 Months –1 year	2–3 years	4–5 years	After 5 years	Total contracted cash flow
Bank loans *	1	13	23	21	80	137
Bond loans	45	88	525	938	31	1,627
Accounts payable	72	–	–	–	–	72
Total	**117**	**100**	**548**	**960**	**110**	**1,836**

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

The secured bond loan is listed on the Nasdaq OMX Stockholm. The loan has a nominal value of MSEK 1,100, of which MSEK 1,050 (1,100) is outstanding, and incurs a variable interest rate of STIBOR (3 months) + 3.00 percentage points. The bond loan matures in April 2019.

The unsecured bond loan is listed on the Nasdaq OMX Stockholm, has a nominal value of MSEK 350, of which MSEK 50 has been repurchased, and incurs a variable interest of STIBOR (3 months) + 6.00 percentage points. The bond loan matures in September 2017.

NOTE 19 • PROVISIONS

The item relates to a provision for restoration costs for wind turbines in operation amounting to MSEK 22 (24). The provision corresponds to the useful life of the wind farm.

NOTE 20 • ACCRUED EXPENSES AND DEFERRED INCOME

	2015	2014
Accrued financial expenses	11	20
Accrued personnel-related expenses	18	9
Accrued property tax	13	5
Other accrued expenses	7	6
Total	**49**	**39**

NOTE 21 • PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets	2015	2014
Pledged shares in subsidiaries	533	741
Collateral transfer of wind turbines, land leases and operating agreements	1,749	2,075
Financial lease agreements	0	30
Total	**2,282**	**2,846**
Contingent liabilities	None	None

The Company has concluded framework agreements for the purchase of wind turbines, which include clauses on cancellation fees to apply under certain circumstances. On the basis of current purchase plans and forecasts, Company management assesses that cancellations may be made at a potential cancellation charge in 2016 of MSEK 21. Should a cancellation be necessary in 2016, it is management's assessment that the total will be lower than this maximum amount.

The company has entered into a construction contract in connection with the Mombyåsen project, committing to undertake a certain amount of construction work on roads, foundations and the internal grid.

NOTE 22 • RELATED-PARTY TRANSACTIONS

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

Sirocco Wind Holding AB owns 100% of the holding company JVAB Holding AB, which, in turn, owns 100% of Jädraås Vindkraft AB. Sirocco Wind Holding AB also owns 100% of the holding company HKAB Holding AB, which in turn owns 100% of Hällåsen Kraft AB. Together, this group of companies forms the so-called "Jädraås project", which consists of 66 turbines totalling 203 MW in Jädraås outside of Gävle.

The following transactions with related parties have taken place	2015	2014
Project management and administrative services	3	3
Total	**3**	**3**

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

Loans to related parties	2015	2014
Loans to associated companies:		
At the beginning of the year	442	406
Interest accrued from previous years	26	51
Exchange rate differences	-11	26
Impairment	-8	–
Loans paid during the year	-4	-41
At year-end	**445**	**442**
Of which non-current portion:	445	415
Of which current portion:	–	27

Non-current receivables from related parties, in the form of shareholder loans provided to companies in the Sirocco Group, have no predetermined maturity date.

The fair value of these loans is based on discounted cash flows at a rate of approximately 6%. The discount rate is equivalent to Euribor plus the applicable additional percentage from the credit assessment based on market value.

Interest accrued on the balance sheet date amounted to MSEK 26 (26) which has been recognised in net profit/loss for the year.

For information regarding remuneration to senior executives, refer to Note 4.

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

NOTE 23 • EVENTS AFTER THE BALANCE SHEET DATE

Arise has entered into an agreement with Fortum Generation AB regarding the sale of the construction-ready project Solberg 75 MW. In addition, Arise will provide project management services during the construction phase of the project. The ground-breaking is conditional on a final investment decision by Fortum. Arise originally acquired the project from Ownpower Projects AB in 2011. The project has subsequently been developed in partnership with Ownpower Projects AB pursuant to a profit sharing agreement. The purchase consideration for the project will therefore be divided between Arise and Ownpower Projects AB. Arise's share of the profit is expected to amount to a maximum of MSEK 30, depending on how the construction of the project progresses. In addition, Arise has been compensated for expenses accrued in connection with the conclusion of the transaction, totalling around MSEK 33.


NISSA
STRAND

Parent Company income statement

Amounts to the nearest MSEK	NOT	2015	2014
Sales of electricity and electricity certificates		154	159
Leasing of wind farms		135	139
Development and management income		79	18
Other operating income		1	5
Total income	2	**369**	**321**
Capitalised work on own account		13	9
Purchases of electricity and electricity certificates		-158	-160
Rental of wind power facilities		-135	-139
Cost of sold projects and construction work		-60	–
Personnel costs	3	-45	-22
Other external expenses	4	-28	-35
Operating profit before depreciation (EBITDA)		**-43**	**-27**
Depreciation and impairment of property, plant and equipment	7	-35	-4
Operating profit/loss (EBIT)		**-78**	**-31**
Financial income	5	29	63
Financial expenses	5	-393	-69
Profit/loss after financial items		**-442**	**-36**
Group contributions		138	66
Profit/loss before tax		**-304**	**29**
Income tax	6	0	-7
Net profit/loss for the year and comprehensive income		**-304**	**23**

Parent Company balance sheet

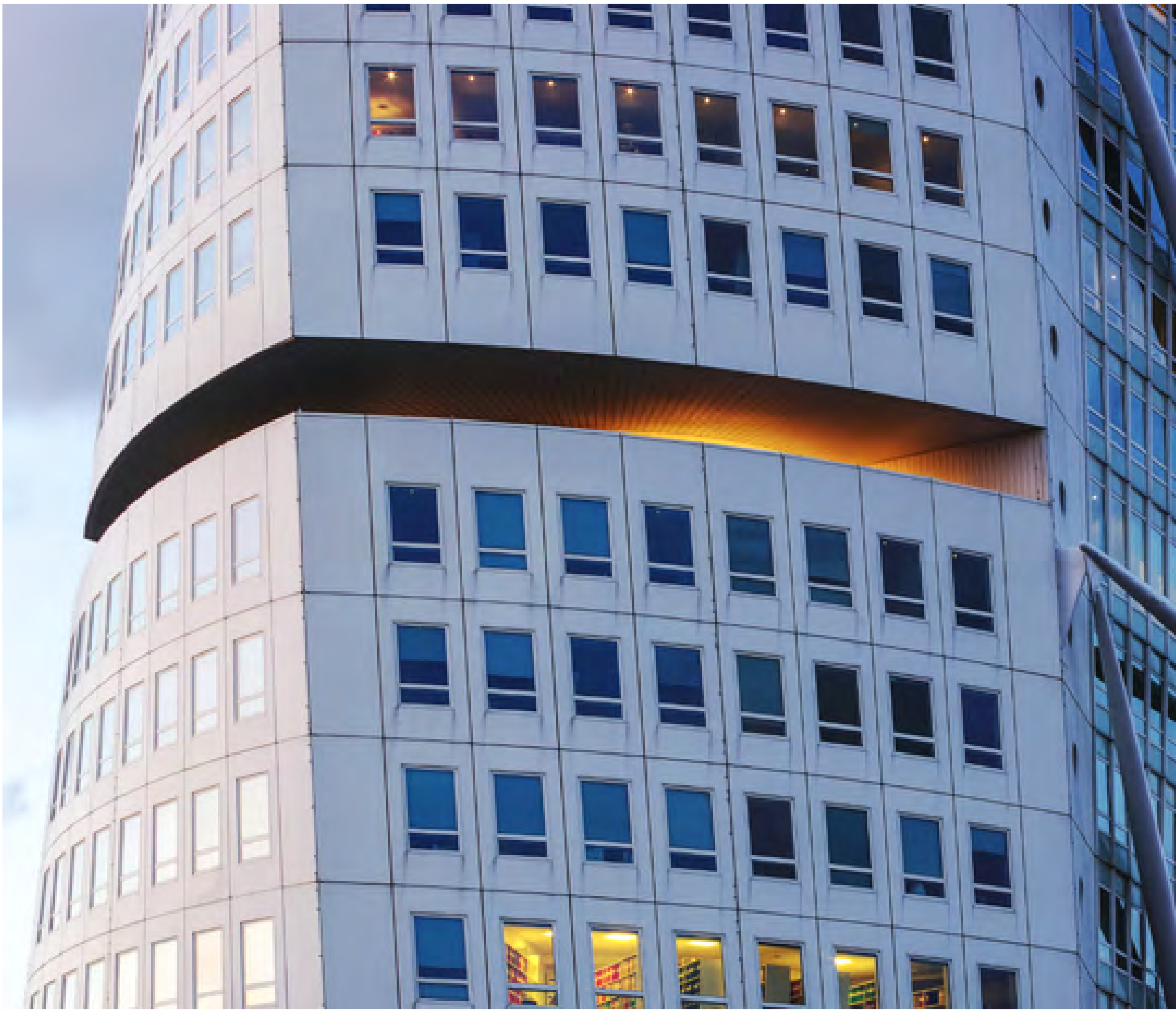
Amounts to the nearest MSEK	NOTE	2015	2014
ASSETS			
Fixed assets			
Property, plant and equipment	7	55	90
Shares in subsidiaries	8	1,743	1,952
Receivables from Group companies		47	75
Participations in associated companies	9	0	89
Receivables from associated companies	18	445	415
Deferred tax assets	6	24	24
Other financial fixed assets	10	13	10
Total fixed assets		**2,327**	**2,655**
Current assets			
Inventories	11	46	3
Receivables from Group companies		75	93
Receivables from associated companies	18	–	27
Accounts receivable		13	0
Other current receivables		4	12
Prepaid expenses and accrued income	12	7	11
Cash and cash equivalents		154	107
Total current assets		**299**	**253**
TOTAL ASSETS		**2,626**	**2,908**
EQUITY			
Restricted equity			
Share capital		3	3
Statutory reserve		0	0
Non-restricted equity			
Share premium reserve		1,367	1,367
Accumulated losses		-78	-101
Net profit/loss for the year		-304	23
Total equity		**987**	**1,292**
LIABILITIES			
Non-current liabilities			
Non-current intereset-bearing liabilities	13	1,318	1,349
Total non-current liabilities		**1,318**	**1,349**
Current liabilities			
Current interest-bearing liabilities	13	50	50
Liabilities to Group companies		178	184
Advance payments from customers		41	–
Accounts payable		22	11
Other liabilities		1	1
Accrued expenses and deferred income	14	29	23
Total current liabilities		**320**	**267**
TOTAL EQUITY AND LIABILITIES		**2,626**	**2,908**
Pledged assets	16	1,719	1,927
Contingent liabilities	16	None	None

Parent Company cash flow statement

Amounts to the nearest MSEK	NOTE	2015	2014
Operating activities			
Operating profit (EBIT)		-78	-31
Adjustment for non-cash items	15	35	4
Tax paid		0	1
Cash flow from operating activities before changes in working capital		**-43**	**-26**
Cash flow from changes in working capital			
Increase (–)/decrease (+) in inventories		-37	13
Increase (–)/decrease (+) in operating receivables		49	26
Increase (+)/decrease (–) in operating liabilities		56	11
Cash flow from operating activities		**24**	**23**
Investing activities			
Investments in/sales of property, plant and equipment		-6	-4
Investments in subsidiaries		–	-1,043
Cash flow from investing activities		**-6**	**-1,047**
Financing activities			
Increase in interest-bearing acitivities		-36	999
Deposits to/payments from blocked accounts		-3	0
Interest paid		-77	-72
Interest received		4	56
Dividend		2	–
Group contributions received		139	64
Cash flow from financing activities		**28**	**1,046**
Cash flow for the year		**47**	**23**
Cash and cash equivalents at beginning of year		107	85
Cash and cash equivalents at year-end		154	107

Statement of changes in equity for the Parent Company

Amounts to the nearest MSEK	Share capital	Statutory reserve	Share premium reserve	Accumulated losses	Total equity
Opening balance as at 1 Jan 2014	**3**	**0**	**1,367**	**-101**	**1,268**
Net profit/loss for the year and comprehensive income			0	23	23
Closing balance as at 31 Dec 2014	**3**	**0**	**1,367**	**-78**	**1,292**
Opening balance as at 1 Jan 2015	**3**	**0**	**1,367**	**-78**	**1,292**
Net profit/loss for the year and comprehensive income			0	-304	-304
Closing balance as at 31 Dec 2015	**3**	**0**	**1,367**	**-382**	**987**



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 Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities, and the applicable statements from the Swedish Financial Reporting Board. RFR 2 implies that the Parent Company, in its preparation of the annual accounts for the legal entity, applies all of the IFRS statements and interpretive statements approved by the EU, as far as possible within the bounds of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act, with respect to the relationship between accounting and taxation. The Parent Company primarily applies the same principles as those described referring to the Group. The Parent Company applies the exemption rule in IAS 39, implying that financial instruments are valued at cost. Other differences between the Group's and the Parent Company's accounting principles are described below.

Income

Income is recognised in the income statement when the significant risks and benefits associated with the object of the sale have been transferred to the purchaser. Income is not recognised if it is probable that the financial benefits will not accrue to the Parent Company. Income is recognised at the fair value of the amount received, or expected to be received, after deductions for discounts.

Income arising from the sale of generated electricity is recognised in the period in which delivery was made, at the spot price, forward price or other agreed price. Income arising from electricity certificates is recognised 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. Income also includes income from leased production facilities. Earned electricity certificates are recognised under 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.

Income from accrued planning expenses and construction in progress which is charged to Wind Farm companies is recognised net in the income statement.

Sales of projects are considered to constitute sales of inventory assets. Thus, such sales are recognised at gross value in the consolidated financial statements, whereby the carrying amount of the non-current asset is recorded as the cost of goods sold, with the equivalent income amount being recognised gross as net sales. Capital gains/losses are thereby recorded at the equivalent amount as though the company had recognised the profit on the sale at net value. Income from sales of projects is recognised concurrently as the risks inherent to the project are transferred from Arise to the purchaser.

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 recognised as appropriations in the income statement and the tax effect, in accordance with IAS 12, is also recognised in the income statement. Shareholders' contributions are recognised as an increase in participations in subsidiaries.

NOTE 2 • INCOME

Income is comprised of development fees, consulting costs invoiced internally within the Group, sales of generated electricity and electricity certificates, income from electricity sold but not yet generated, income from leased production facilities, consulting expenses invoiced internally in the Group and income from sales of projects. Sales of projects are considered to constitute sales of inventory assets. Thus, such sales are recognised at gross value in the consolidated financial statements, whereby the carrying amount of the non-current asset is recorded as the cost of goods sold, with the equivalent income amount being recognised gross as net sales. Capital gains/losses are thereby recorded at the equivalent amount as though the company had recognised the profit on the sale at net value. Income from sales of projects is recognised concurrently as the risks inherent to the project are transferred from Arise to the purchaser. Profit/loss from financial derivatives is recognised at net value, amounting to MSEK 6 (7).

NOTE 3 • PERSONNEL

For information relating to personnel – refer to Note 4 of the consolidated financial statements.

NOTE 4 • AUDITING FEES

	2015	2014
Öhrlings PricewaterhouseCoopers		
Audit engagement	0.5	0.5
Audit activities not included in the audit engagement	0.2	0.2
Tax consultancy services	0.1	0.1
Other services	0.2	0.1
Total	**1.0**	**0.9**

NOTE 5 • FINANCIAL INCOME AND EXPENSES

	2015	2014
Dividends from subsidiaries	2	–
Impairment of shares in subsidiaries	-2	–
Interest income	29	37
Exchange gains	–	27
Total financial income	**29**	**63**
Impairment of shares in subsidiaries	-208	–
Impairment of shares in associated companies	-96	–
Interest expenses	-78	-69
Foreign exchange losses	-11	–
Total financial expenses	**-393**	**-69**

NOTE 6 • TAXES

Tax on profit for the year	2015	2014
Deferred tax	0	-7
Reported tax	**0**	**-7**
Deferred tax		
Attributable to unutilised loss carry-forwards	24	24
Total recognised deferred tax	**24**	**24**
Change in deferred tax		
Opening value, net	24	30
Reported deferred tax on profit for the year	0	-7
Closing value, net	**24**	**24**

NOTE 7 • PROPERTY, PLANT AND EQUIPMENT

	Buildings and land [1]		Equipment, tools, fixtures and fittings		Advance payments and construction in progress		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Opening cost	2	3	17	18	108	105	127	126
Purchases/investments	–	0	0	4	19	3	19	8
Sales/disposals	0	-1	–	-5	-13	–	-13	-6
Reclassifications	–	–	–	–	-6	–	-6	–
Closing cost	**1**	**2**	**18**	**17**	**108**	**108**	**127**	**127**
Opening accumulated depreciation and impairment	0	0	-12	-13	-25	-23	-38	-36
Depreciation during the year	0	0	-3	-2	–	–	-3	-2
Closing accumulated depreciation and impairment [2]	–	–	–	–	-31	-1	-31	-1
Sales/disposals	0	0	–	3	–	0	0	3
Closing accumulated depreciation and impairment	**0**	**0**	**-15**	**-12**	**-57**	**-25**	**-72**	**-38**
Closing residual value according to plan	**1**	**3**	**3**	**5**	**51**	**83**	**55**	**90**

[1] Land and buildings includes land with a carrying amount of MSEK 0 (1). The tax assessment value of the Parent Company's properties totalled MSEK 0 (2), of which MSEK 0 (1) is the tax assessment value of the land.

[2] Information on impairment and the calculation of recoverable amounts can be found in Note 1, point 3.

NOTE 8 • SHARES IN SUBSIDIARIES

	2015	2014
Opening book amount	**1,952**	**115**
Investments in subsidiaries	–	1,837
Impairment of shares	-210	–
Closing book amount	**1,743**	**1,952**

PARENT COMPANY'S HOLDINGS

Name	Corporate Identity Number	Registered offices	Number of shares	Participating interest %	Book value of holdings	Equity
Arise Elnät AB	556747-2641	Halmstad	1,000	100%	3	3
Arise Drift och Förvaltning AB	556756-2730	Halmstad	1,000	100%	4	4
Arise Kran AB	556758-8966	Halmstad	1,000	100%	7	5
Arise JV AB	556758-8891	Halmstad	1,000	100%	0	0
Arise Wind Farm 2 AB	556758-9113	Halmstad	1,000	100%	98	157
Arise Wind Farm 9 AB	556833-5813	Halmstad	1,000	100%	0	5
Arise Wind HoldCo 1 AB	556869-2114	Halmstad	500	100%	0	0
Arise Wind HoldCo 2 AB	556867-9913	Halmstad	500	100%	8	8
Arise Wind HoldCo 3 AB	556867-9798	Halmstad	500	100%	0	0
Arise Wind HoldCo 4 AB	556868-0069	Halmstad	500	100%	0	8
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
Arise Wind HoldCo 9 AB	556758-8909	Halmstad	1,000	100%	1,621	1,621
Total					**1,743**	**1,811**

NOTE 9 • PARTICIPATIONS IN ASSOCIATED COMPANIES

	2015	2014
Opening book value	**89**	**89**
Reclassifications	8	–
Impairment of shares	-96	–
Closing book value	**0**	**89**

PARENT COMPANY'S HOLDINGS

Name	Corporate Identity Number	Registered offices	Number of shares	Participating interest %	Book value of holdings	Equity
Sirocco Wind Holding AB	556864-8058	Stockholm	6,000	50%	0	47
– 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%	–	–
– Hällåsen Kraft AB	556864-2077	Stockholm	50,000	100%	–	–
Total					**0**	**47**

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

NOTE 10 • OTHER FINANCIAL FIXED ASSETS

	2015	2014
Blocked accounts	12	9
Other shares and participations	1	1
Closing book value	**13**	**10**

NOTE 11 • INVENTORIES

	2015	2014
Electricity certificates	3	–
Spare parts	3	3
Constructions in progress	40	–
Total	**46**	**3**

Inventories are reported according to the Group's accounting principles as described in Note 1.

NOTE 12 • PREPAID EXPENSES AND ACCRUED INCOME

	2015	2014
Accrued development income	6	10
Prepaid expenses	1	1
Total	**7**	**11**

NOT 13 • INTEREST BEARING LIABILITIES

	2015	2014
Bond loan	1,382	1,418
Bank charges	-14	-19
	1,368	**1,399**
Current portion	-50	-50
Non-current portion	**1,318**	**1,349**

NOTE 14 • ACCRUED EXPENSES AND DEFERRED INCOME

	2015	2014
Accrued personnel-related expenses	16	6
Accrued interest expenses	11	16
Other accrued expenses	1	1
Total	**29**	**23**

NOTE 15 • ADDITIONAL DISCLOSURES REGARDING CASH FLOW STATEMENT

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

Adjustment for non-cash items	2015	2014
Depreciation and impairment of property, plant and equipment	35	4
Total	**35**	**4**

NOTE 16 • PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets	2015	2014
Shares in subsidiaries	1,719	1,927
Total	**1,719**	**1,927**
Contingent liabilities	–	–

The company has concluded framework agreements for the purchase of wind turbines, which include clauses on cancellation fees to apply under certain circumstances. Based on current purchasing plans and forecasts, company management's assessment is that potential cancellation fees during 2016 may amount to a maximum of MSEK 21. Furthermore, company management also assesses that any cancellation fees will not constitute the maximum amount.

The company has also signed a construction contract in connection with the Mombyåsen project, under which the company has committed to execute certain construction procedures relating to roads, foundations and the internal electricity grid.

NOTE 17 • RELATED-PARTY TRANSACTIONS

The following transactions with related parties have taken place during the year:

	2015	2014
Sales of goods and services to subsidiaries	88	52
Purchases of goods and services from subsidiaries	233	242
Transactions with other senior executives	–	–

The Parent Company's transfer of projects and charging of services to its subsidiaries amounted to MSEK 88 (52). Services sold refer primarily to consulting fees relating to permits and planning work, invoiced administrative expenses and management services to subsidiaries which own wind farms in operation. The Parent Company's purchases of goods and services from subsidiaries amounted to MSEK 233 (242) and consist of electricity and electricity certificates, rental charges for wind power which the Parent Company has leased out to third parties and the purchase of various consulting services.

No Board member 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 applying. Remuneration to Board members 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.

NOTE 18 • RECEIVABLES FROM ASSOCIATED COMPANIES

For information on receivables from associated companies – see Note 22 to the consolidated financial statements.

THE INCOME STATEMENTS AND BALANCE SHEETS WILL BE PRESENTED FOR ADOPTION AT THE ANNUAL GENERAL MEETING ON 3 MAY 2016.

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 results, and that the Directors' Report gives a true and fair view of the development of the Company's business, financial position and results, and describes significant risks and factors of uncertainty faced by the Company. The Board of Directors and Chief Executive Officer hereby certify that the consolidated financial statements 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 results, and that the Directors' report for the Group gives a true and fair view of the Group's financial position and results and describes the significant risks and factors of uncertainty faced by the companies included in the Group.

Halmstad, 22 March 2016

Joachim Gahm
Chairman

Peter Nygren
Board Member

Maud Olofsson
Board Member

Peter Gyllenhammar
Board Member

Daniel Johansson
Chief Executive Officer

Jon G Brandsar
Board Member

Our audit report was submitted on 22 March 2016
Öhrlings PricewaterhouseCoopers AB

Magnus Willfors
Authorised Public Accountant

Auditor's report

To the Annual General Meeting of the shareholders in Arise AB (publ)

Corporate Identity Number 556274-6726

Report on the annual accounts and consolidated financial statements

We have audited the annual accounts and consolidated financial statements of Arise AB for the year 2015. The Company's annual accounts and the consolidated financial statements are included in the printed version of this document on pages 44–93.

Responsibilities of the Board of Directors and the CEO for the annual accounts and the consolidated financial statements

The Board of Directors and the CEO are responsible for the preparation and fair presentation of annual accounts in accordance with the Annual Accounts Act and for the preparation and fair presentation of consolidated financial statements in accordance with international accounting standards, IFRS, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the CEO determine is necessary to enable the preparation of annual accounts and consolidated financial statements 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 financial statements 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 to obtain reasonable assurance about whether the annual accounts and consolidated financial statements 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the annual accounts and consolidated financial statements, 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 financial statements 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 CEO, as well as evaluating the overall presentation of the annual accounts and consolidated financial statements.

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

Opinion

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2015 and of its financial performance and cash flows for the year then ended, in accordance with the Annual Accounts Act, and the consolidated financial statements 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 2015 and of its financial performance and cash flows for the year then ended, in accordance with IFRS, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated financial statements.

We therefore recommend that the annual general meeting adopt the income statements and the balance sheets for the Parent Company and for the Group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated financial statements, we have also examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the CEO of Arise AB for the year 2015.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the CEO are responsible for administration under the Swedish Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations 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 appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Swedish Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated financial statements, 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 CEO is liable to the company. We also examined whether any member of the Board of Directors or the CEO has, in any other way, acted in contravention of the Swedish 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.

Opinion

We recommend to the annual general meeting of shareholders that the profit be appropriated in accordance with the proposal in the administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Our audit report was submitted on 22 March 2016
Öhrlings PricewaterhouseCoopers AB

Magnus Willfors
Authorised Public Accountant

Corporate governance report

Corporate Governance Report for the Group

Arise AB (publ) ("Arise") is a Swedish public limited liability company listed on the Nasdaq OMX Stockholm stock exchange. Arise therefore applies the Swedish Code of Corporate Governance (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 2015. Arise's articles of association and other information regarding corporate governance in Arise is available on our website, *www.arise.se*.

Application of the Code

Corporate governance in Arise complies with the Code and is, therefore, based on the principles stated in applicable legislation, listing agreements, guidelines and good practice. Deviations from the Code are reported in the relevant sections of this Corporate Governance Report. In 2015, the Company did not contravene any regulations applied in the regulated market on which the Company's shares are quoted for trade, nor did it, in any other manner, deviate from accepted practice on the securities market.

Shareholders

According to the shareholder register maintained by Euroclear Sweden AB, Arise had approximately 2,730 shareholders on 30 December 2015. The Company has one shareholder with a direct or indirect participation representing more than 10% of the votes, which is Claesson & Anderzén with companies. Further information on major shareholders is also available from Arise's website, *www.arise.se*.

Shares

The share capital in Arise as per 31 December 2015 amounted to SEK 2,674,245.60, distributed between 33,428,070 shares. All shares are of the same class and thus entitle the respective holders to equal 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 at which potential changes in the articles of association are discussed, is given no earlier than six weeks and no later than four weeks prior to the meeting. All shareholders listed in the shareholder register, and who have announced their intention to participate before the registration period has elapsed, have the right to attend and vote at the meeting. The number of votes a shareholder is entitled to exercise is not restricted. Shareholders who are unable to attend the meeting in person may be represented by proxies. The Company does not apply special arrangements with regard to the function of the Annual General Meeting, either on the basis of regulations in the articles of association or, 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 5 May 2015 in Halmstad. At the Annual General Meeting, resolutions were passed to amend the articles of association in order to enable the issuance of preference shares, the establishment of a warrant programme and authorisation for the Board to resolve on issues of ordinary shares, preference shares and convertibles, repurchases of the Company's own shares and transfers of such shares The minutes from the Annual General Meeting are available on Arise's website. The next Annual General Meeting will be held on 3 May 2016 in Halmstad. Shareholders wishing to add items to the agenda at the Annual General Meeting may send a written request to Arise AB (publ), F.a.o: Chairman of the Board, Box 808, SE-301 18 Halmstad. Such requests must reach the Board of Directors no later than seven weeks prior to the meeting, or at least in sufficient time so that the issue can, if required, be included in the notice of the meeting.

Nomination Committee

The Annual General Meeting on 5 May 2015 resolved to establish procedures for the appointment of a Nomination Committee prior to the next elections and for the determination of remuneration. According to the resolution, the Nomination Committee is to comprise five regular members appointed by the Annual General Meeting 2015. The Nomination Committee prior to the Annual General Meeting 2015 consisted of Johan Claesson (CA and others) Bengt Hellström (Third Swedish National Pension Fund), Leif Jansson (L Energy Holding AB and NY Holding AB, etc.), Unni Hongstedt (Statkraft AS) and the Chairman of the Board Joachim Gahm. The majority of the Nomination Committee's members are independent in relation to the Company and management. No remuneration has been paid to the members of the Board for work in the Nomination Committee.

According to the Code, the Nomination Committee's duties include preparatory work on issues regarding appointments and remuneration prior to the following Annual General Meeting. Prior to the Annual General Meeting on 3 May 2016, the Nomination Committee has proposed the re-election of the Board members Joachim Gahm, Maud Olofsson, Jon Brandsar and Peter Gyllenhammar. Furthermore, the Nomination Committee has proposed the re-election of Joachim Gahm as Chairman of the Board. Peter Nygren has declined re-election. The Nomination Committee will present a description of their activities at the Annual General Meeting on 3 May 2016. Shareholders wishing to submit proposals to the Nomination Committee are requested to contact the Chairman of the Nomination Committee: Arise AB (publ), F.a.o: Chairman of the Nomination Committee, Box 808, SE-301 18 Halmstad.

THE BOARD OF DIRECTORS

General information

The Board of Directors is responsible for the management of the Company's affairs and its organisation. The articles of association stipulate that the Board of Directors shall comprise no fewer than three and no more than nine Board members. The articles of association do not include any specific regulations regarding the appointment or dismissal of Board members. At the most recent Annual General Meeting, held on 5 May 2015, a Board was elected consisting of the members Joachim Gahm (Chairman), Maud Olofsson, Jon Brandsar, Peter Gyllenhammar and then-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. During the financial year 2015, the Board held eleven meetings, with minutes kept for each of them. The Board members' attendance at the meetings is presented in the table below. Two meetings have taken place thus far during the financial year 2016.

Descriptions of the members of the Board of Directors, including information on their other directorships, independence and relevant holdings of shares and warrants are provided on page 102. Remuneration and other benefits to the Board of Directors are described in Note 4 on page 67. All members of the Board, appointed by a general meeting, have been independent in relation to the Company and the management (refer also to page 102). All members of the Board are independent in relation to major shareholders. More information on the Board of Directors is provided on Arise's website, *www.arise.se*.

Board members' attendance, financial year 2015

	Number of meetings	Present at	Attendance, %
Joachim Gahm, Chairman	11	11	100
Maud Olofsson	11	11	100
Peter Nygren	11	11	100
Peter Gyllenhammar	11	11	100
Jon Brandsar	11	11	100

The work of the Board

Meetings of the Board of Directors should ideally be held by physical attendance at Arise's head office. Additional meetings can, however, be conducted over the telephone. In 2015, a few of the Board meetings took the form of a conference call for practical reasons. The Chairman of the Board leads and organises the work of the Board. Legal counsel Jonas Frii has served as the Board's secretary. Prior to each meeting, a proposed agenda is sent out, along with the documents which are to be addressed in the meeting. The proposed 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 a reservation against any issue regarding which decisions were taken. Any 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 of procedure for the Board and its committees. The formal work plan for the Board, which is to be reviewed on an annual basis, regulates the division of duties among the Chairman, the Board and its committees. Among other things, the formal work plan stipulates, for example, the obligatory permanent items to be addressed at every scheduled meeting. During the year, the Chairman commissioned an evaluation of the Board of Directors to be undertaken by means of a survey. The results have been compiled on an anonymous basis and have been reported to the Board and the Nomination Committee by the Chairman.

Remuneration Committee

Up to the Annual General Meeting 2016, the Remuneration Committee comprises the Board members Joachim Gahm (Chairman), Maud Olofsson, Jon Brandsar and Peter Gyllenhammar. The CEO normally participates in meetings of the Remuneration Committee, but has no say in matters pertaining to his own salary or benefits. The Remuneration Committee convened two times during 2015. The Committee prepares issues regarding remuneration and other terms of employment to the CEO and other senior executives, as well as issues regarding any variable remuneration programmes or warrant programmes 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 resolutions passed at the most recent Annual General Meeting, regarding the guidelines for remuneration to senior executives.

Audit Committee

Up to the Annual General Meeting 2016, the Audit Committee consists of the Board members Maud Olofsson (Chairman), Joachim Gahm and Peter Gyllenhammar. The Company's CFO Linus Hägg also has some input in the Committee. The Audit Committee held five meetings in 2015 and each meeting was attended by all members. The Audit Committee addresses matters concerning, for example, financial reporting, risks, governing documents, KPIs, accounting rules and internal control. The Audit Committee also maintains a continuous dialogue with the auditor.

Group management

Arise's Group management and the Group management's holdings of shares and warrants are described on page 103.

Appointment of auditors

At the Annual General Meeting 2015, Öhrlings PricewaterhouseCoopers AB was appointed as the auditor, with Authorised Public Accountant, Magnus Willfors, as Auditor-in-Charge for the period up to the next Annual General Meeting. The appointment of auditors will therefore be on the agenda at the forthcoming Annual General Meeting.

Internal control

The objective of the internal financial control in Arise is to establish an effective decision-making process in which requirements, objectives and limits are clearly defined. The Company and 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 work plans, instructions, policies, guidelines and manuals provide guidance to the employees. In Arise, a clear division of roles and responsibilities for the effective management of operational risks is ensured through such things as formal work plans for the Board of Directors and committees, as well as through terms of reference 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. Arise also has guidelines and policies regarding financial governance and monitoring, communication issues and business ethics. All companies in the Group employ the same reporting system, and the same chart of accounts.

The Board has appointed an Audit Committee, which is responsible for, among other things, ensuring compliance with adopted policies for financial reporting and internal control. 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.

To summarise, 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, among other things, to provide reasonable assurance in the external financial reporting in the 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

Arise regularly 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 the financial reporting. Normal control activities include reconciliation of accounts and supporting controls. The purpose of all control activities is to prevent, detect and remedy any errors or deviations in financial reporting. The most significant risks regarding financial reporting identified through the Group's internal control activities are managed through control structures which are primarily based on reports on deviations from established goals or norms regarding, for example, currencies and hedging.

Follow-up

On an on-going basis, the Board of Directors evaluates the information provided by Company 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 the external audit. The reports provided by management to the Board of Directors and the Audit Committee include a follow up of the Company's positions pursuant to the finance policy, and any deviations. The activities implemented by the Board of Directors in its follow up of internal control regarding the financial reporting include assigning management to report on the outcome of any issues related to the financial reporting.

Information and communication

The dissemination 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 form such communication is to take. The ultimate purpose of the aforementioned policies is to ensure that the disclosure requirements are complied with and that the investors receive the correct information in a timely fashion.

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 establish a separate internal audit function. The matter of whether a specific internal audit function is required will, however, be addressed on an annual basis.

Activities in 2015

The focus during the year was on matters related to financing, investments and discussions regarding divestitures.

Halmstad, 22 March 2016

Joachim Gahm
Ordförande

Peter Nygren
Board Member

Jon G Brandsar
Board Member

Maud Olofsson
Board Member

Daniel Johansson
CEO

Peter Gyllenhammar
Board Member

AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE REPORT

The Board of Directors is responsible for the Corporate Governance Report for the year 2015 on pages 96–99 and for ensuring that the Corporate Governance Report is prepared in accordance with the Annual Accounts Act.

We have reviewed the Corporate Governance Report, and we believe that this review, in conjunction with our knowledge of the Company and the Group, provides a reasonable basis for our opinion. This implies that our statutory review of the Corporate Governance Report has a different focus and is substantially more limited in scope than an audit conducted in accordance with *International Standards on Auditing* and other generally accepted auditing standards in Sweden.

We are of the opinion that a Corporate Governance Report has been prepared, and the statutory information contained therein is consistent with the other parts of the annual accounts and consolidated financial statements.

Malmö, 22 March 2016
Öhrlings PricewaterhouseCoopers AB

Magnus Willfors
Authorised Public Accountant

Ownership structure

Share capital

The share capital of Arise AB totals MSEK 2.7, distributed between 33,428,070 shares. Each share entitles the holder 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

Provisions in the new bond loans signed in 2014 allow for dividends to an amount equivalent to 50 % of the previous year's positive cash flow, on the provision that the Company's equity/assets ratio amounts to at least 30 %. The Company's financial states that the Group's equity/assets ratio is to exceed 25 %. Arise's ambition is to over time create the conditions to pay out dividends to shareholders, subject to approvals of the respective annual general meetings.

LARGEST SHAREHOLDERS

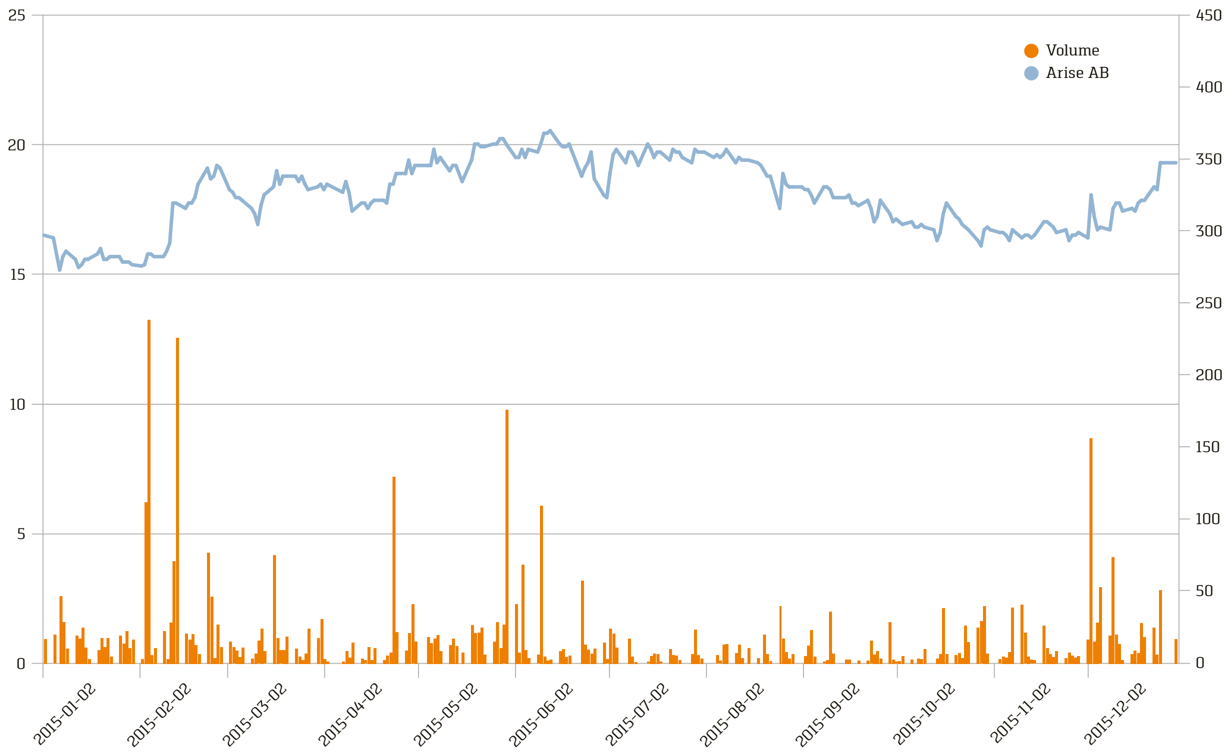
Ownership structure as of 30 December 2015	Shares	Share of votes and capital, %
Claesson & Anderzén with companies	4,156,501	12.43
Third Swedish National Pension Fund	3,340,133	9.99
Founders	3,188,080	9.54
Statkraft AS	2,495,613	7.47
Catella Funds	1,508,737	4.51
Ernström Finans AB	1,500,000	4.49
Peter Gyllenhammar with company	1,500,000	4.49
Svenska Handelsbanken AB FOR PB	1,369,000	4.10
Avanza Pension	714,310	2.14
KL Ventures	640,000	1.91
Other shareholders	12,961,502	38.77
Total outstanding shares	**33,373,876**	**99.84**
Arise AB	54,194	0.16
Total number of registered shares	**33,428,070**	**100.00**

HISTORICAL DEVELOPMENT OF SHARE CAPITAL

		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 issue	473,077	1,473,077	47,307.70	147,307.70
2008	New issue	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	10,800.00	1,724,885.60
2010	New issue	10,000,000	31,561,070	800,000.00	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.

SHARE DEVELOPMENT



Arise's Board of Directors

Joachim Gahm, born 1964

Joachim Gahm has been a Board member since 2007 and has served as Chairman of the Board since being appointed by the Annual General Meeting on 6 May 2014.

OTHER DIRECTORSHIPS AND POSITIONS: Board member of Kungsleden AB and Catella AB. Joachim Gahm was previously CEO of E. Öhman J:or Investment AB and vice CEO and Board member of E. Öhman J:or Fondkommission AB.

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

HOLDINGS, OWN AND VIA COMPANY: 10,000 shares.

INDEPENDENCE/DEPENDENCE: Joachim Gahm is independent in relations to Arise, its senior executives and major shareholders.

Jon Gunnar Brandsar, born 1954

Jon G Brandsar has been a Board member since being appointed by the Annual General Meeting on 6 May 2014. Former Board member of Arise 2008–2013.

OTHER DIRECTORSHIPS AND POSITIONS: Adviser in Statkraft AS. Former Executive Vice President Wind Power and Technologies in Statkraft AS with responsibility for onshore wind power, off shore wind power, district heating, innovations, small scale hydropower. Jon G Brandsars previous positions have included Group Chief Executive at Trondheim Energiverk; Technology Director, Statkraft, Department Manager Statkraft Engineering and Department Manager at ABB.

EDUCATION: Electrical Engineering GIH Gjøvik (1977).

HOLDINGS: –

INDEPENDENCE/DEPENDENCE: Jon G Brandsar is independent in relations to Arise, its senior executives and major shareholders.

Maud Olofsson, born 1955

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

OTHER DIRECTORSHIPS AND POSITIONS: Chairman of the Board of Visita, Board member of Diös Fastigheter AB, Envac AB, ÅF AB and ROMO Norr AB. Previously leader of the Swedish Centre Party 2001–2011, Sweden's Minister for Enterprise and Energy 2006–2011 and Deputy Prime Minister 2006–2010.

HOLDINGS, OWN AND VIA COMPANY: 7,500 shares.

INDEPENDENCE/DEPENDENCE: Maud Olofsson is independent in relations to Arise, its senior executives and major shareholders.

Peter Gyllenhammar, born 1953

Peter Gyllenhammar has been a Board member since being appointed by the Annual General Meeting on 6 May 2014.

OTHER DIRECTORSHIPS AND POSITIONS: Chairman of the Board of Bronsstädet Industriförvaltning AB and Galjaden Holding AB and former Board member of Catella AB (publ). Peter Gyllenhammar is working owner of Peter Gyllenhammar AB.

HOLDINGS, OWN AND VIA COMPANY: 1,500,000 shares

INDEPENDENCE/DEPENDENCE: Peter Gyllenhammar is independent in relations to Arise, its senior executives and major shareholders.

Peter Nygren, born 1958

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

OTHER DIRECTORSHIPS AND POSITIONS: Chairman of the Board of Solberg Vindkraft AB, Board member of Sirocco Wind Holding AB, Jädraås Vindkraft AB och Hällåsen Kraft AB, PLU Energy Holding AB, NyHolding i Motala AB och NyHolding AS.

EDUCATION: MBA, Uppsala University (2001).

HOLDINGS, WITH FAMILY AND COMPANY: 1,414,340 shares, 20,000 synthetic options.

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

The information concerning shareholdings and warrants refers to the situation as of 31 December 2015.

From the left: Peter Nygren, Peter Gyllenhammar, Maud Olofsson, Joachim Gahm and Jon Gunnar Brandsar.

Arise's Group management

Daniel Johansson, born 1970

CEO since January 2016. Daniel has broad experience in the field of energy. Has previously been a State Secretary in the Alliance government and has worked in the past in the finance industry.

HOLDINGS: 6,000 shares

Leif Jansson, born 1954

Head of Project Development and responsible for leases and development of new land areas for the establishment of new wind farms. Leif has extensive business development experience and has previously held several leading positions, including CEO.

HOLDINGS, WITH FAMILY AND COMPANY: 1,293,909 shares and 20,000 synthetic options.

Linus Hägg, born 1976

Head of Corporate Finance since October 2011 and CFO since 2015. Linus has extensive experience working in capital markets, as well as mergers and acquisitions. Before joining Arise, he worked at ABG Sundal Collier.

HOLDINGS: 10,000 shares and 20,000 synthetic options.

Per-Erik Eriksson, born 1963

Head of Operations and responsible for Arise´s operations. Per-Erik has more than 25 years experience within the energy industry, including project management for large projects and market-related matters. Before joining Arise he worked for the SCA Group, where he was Global Head of Energy.

HOLDINGS: 4,700 shares and 20,000 synthetic options.

The information concerning shareholdings and warrants refers to the situation as of 31 December 2015.

Annual general meeting and 2016 calendar

Annual General Meeting

Shareholders are invited to attend Arise's Annual General Meeting to be held at Scandic Hallandia, Halmstad, Sweden on Tuesday, 3 May 2016, at 11 a.m. Light refreshments will be served before the Meeting.

Registration

Shareholders wishing to attend the Annual General Meeting must be registered in the register of shareholders maintained by Euroclear Sweden AB on Wednesday 27 April 2016 and register their attendance along with that of any assistants no later than Wednesday 27 April 2016, preferably before 4 p.m. and by e-mail to info@arise.se. It is also possible to register for the Annual General Meeting by telephone, +46 (0) 35 20 20 900, by fax +46 (0) 35 22 78 00, or by post to Arise AB (publ), Bolagsstämma, Box 808, 301 18 Halmstad. Shareholders registering their attendance are required to state their name, address, telephone number, Personal/Corporate Identity Number, registered shareholding and details of any representative. The attendance and details of any proxies and representatives are registered with Arise 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 proxyis valid for a maximum of one year. Authorisation forms will be available at *www.arise.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 Wednesday 27 April 2016. 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

Reporting documents, the audit report, the auditor's statement pursuant to Chapter 8, Section 54 of the Companies Act, as well as the Board of Director's proposed appropriation of profits and other complete proposals will be available from the Company's website, *www.arise.se*, no later than 12 April 2016. Copies of the documents will be sent upon request to shareholders providing their address.

Calendar of financial information

All financial information is published at *www.arise.se* as soon as it has been released. In 2016, financial information will be published as follows:

First quarter 2016: 3 May 2016
Second quarter 2016: 19 July 2016
Third quarter 2016: 11 November 2016
Fourth quarter 2016: 17 February 2017

Annual Report

The Annual Report is available from our website, *www.arise.se*. It is sent by post to shareholders who have notified the Company that they wish to receive a copy. Printed copies of the report can be ordered via the form found on the website or through Arise's switchboard, tel +46 (0) 35 20 20 900.

The annual report for 2015 is expected to be available at the beginning of April 2016.

IR contact

Daniel Johansson, CEO and Linus Hägg, CFO, are responsible for Arise's financial information. Linus Hägg is also responsible for Investor Relations.

Daniel Johansson, CEO
Tel. +46 (0) 702 244 133

Linus Hägg, CFO
Tel. +46 (0) 702 448 916

Financial information in summary

MSEK	2015	2014	2013	2012	2011	2010
Income statements (summary)						
Net sales*	487	258	264	236	222	67
Operating profit before depreciation (EBITDA)**	193	197	211	186	179	35
Operating profit/loss (EBIT)**	-58	91	117	64	105	-2
Profit/loss before tax	-164	-24	32	-22	65	-24
Net profit/loss for the year	-156	-25	29	-16	47	-18
Balance Sheets (summary)						
Total fixed assets	2,345	2,701	2,867	2,753	2,615	1,734
Cash and cash equivalents	203	157	191	341	137	250
Equity	1,090	1,178	1,240	1,152	1,243	1,195
Total assets	2,767	2,967	3,231	3,207	2,869	2,075
Interest-bearing net liabilities	1,248	1,449	1,438	1,265	1,192	536
Cash Flows (summary)						
Cash flow from operating activities	170	162	213	170	211	32
Cash flow from investing activities	116	-22	-292	-176	-822	-812
Cash flow from financing activities	-241	-174	-71	210	498	688
Cash flow for the year	46	-34	-150	204	-113	-92
Key ratios						
Operational capacity at period end, MW	254	261	253	139	136	47
Electricity production during period (Own and Co-owned), GWh	774	650	599	351	247	89
Earning per share before dilution, SEK	neg	neg	0.86	neg	1.46	neg
Earning per share after dilution, SEK	neg	neg	0.86	neg	1.46	neg
EBITDA-margin, %	37.9	68.4	75.6	75.0	70.1	39.5
Return on capital employed (EBIT), %	neg	3.4	4.6	2.6	5.2	neg
Return on adjusted capital employed (EBITDA), %	7.7	7.3	8.2	7.6	8.8	2.8
Return on equity, %	neg	neg	2.4	neg	3.9	neg
Equity/assets ratio, %	39.4	39.7	38.4	35.9	43.3	57.6
No. of employees at end of period	31	31	31	44	35	27

* An adjustment has been carried out for development and management income included in net sales.

** An adjustment has been carried out for interest from Jädraås, which has been moved from Financial income to Share of associated companies' profit.

Overview of Wind Farms

	Nominal capacity, MW	Expected production during a normal year, GWh[1]	Full capacity hours, MWh/year	Capacity factor, %	Price area	Commissioned year	Book value as of 31 December 2015, MSEK	Book value as of 31 December 2015, SEK/normal year's production, KWh	Book value as of 31 December 2015, MSEK/MW	Number of turbines	Manufacturer	Model	Municipality	Country
Own wind power operations														
Oxhult	24.0	56.8	2,367	27%	IV	2009	263	4.6	11.0	12	Vestas	V 90	Laholm	Sweden
Råbelöv	10.0	22.8	2,280	26%	IV	2010	104	4.6	10.4	5	Vestas	V 90	Kristianstad	Sweden
Brunsmo	12.5	24.0	1,920	22%	IV	2010	108	4.5	8.7	5	GE	2,5 XL	Karlskrona	Sweden
Kåphult	17.5	40.6	2,320	26%	IV	2010/2011	195	4.8	11.1	7	GE	2,5 XL	Laholm	Sweden
Fröslida	22.5	55.4	2,462	28%	IV	2011	264	4.8	11.7	9	GE	2,5 XL	Hylte	Sweden
Idhult	16.0	36.2	2,263	26%	IV	2011	168	4.7	10.5	8	Vestas	V 90	Mönsterås	Sweden
Södra Kärra	10.8	37.4	3,463	40%	III	2011/2012	151	4.0	14.0	6	Vestas	V 100	Askersund	Sweden
Blekhem	10.8	30.1	2,787	32%	IV	2011/2012	146	4.9	13.5	6	Vestas	V 100	Västervik	Sweden
Gettnabo	12.0	30.3	2,525	29%	IV	2011	125	4.1	10.4	6	Vestas	V 90	Torsås	Sweden
Skäppentorp	3.1	8.5	2,764	32%	IV	2012	38	4.4	12.3	1	Vestas	V 112	Mönsterås	Sweden
Bohult	12.8	46.3	3,617	41%	IV	2014	187	4.0	14.6	8	GE	1,6-100	Halmstad	Sweden
Total	**152.0**	**388.4**	**2,556**	**29%**			**1,749**	**4.5**	**11.5**	**73**				
Own wind power operations under construction														
No on-going construction project within Own wind power production														
Total Own wind power operations	**152.0**	**388**	**2,556**	**29%**			**1,749**	**4.5**	**11.5**	**73**				
Co-owned wind power operations														
Jädraås [2]	101.5	286.0	2,818	32%	III	2012/13	1,352	4.7	13.3	33	Vestas	V 112	Ockelbo	Sweden
Total	**101.5**	**286**	**2,818**	**32%**			**1,352**	**4.7**	**13.3**	**33**				
Co-owned wind power production under construction														
No on-going construction project within Co-owned wind power production														
Total Co-owned wind power production	**101.5**	**286.0**	**2,818**	**32%**			**1,352**	**4.7**	**13.3**	**33**				
TOTAL OWN AND CO-OWNED WIND POWER PRODUCTION	**253.5**	**674**	**2,661**	**30%**			**3,101**	**4.6**	**12.2**	**106**				
External projects under construction and/or management														
Jädraås (client Platina Partners LLP) [3]	101.5	286.0	2,818	32%	III	2012/13	n/a	n/a	n/a	33	Vestas	V 112	Ockelbo	Sweden
Stjärnarp (client KumBro Vind AB)	5.4	n/a	n/a	n/a	IV	2013	n/a	n/a	n/a	3	Vestas	V 100	Halmstad	Sweden
Brotorp (client BlackRock)	46.2	n/a	n/a	n/a	IV	2015	n/a	n/a	n/a	14	Vestas	V 126	Mönsterås	Sweden
Storrun (client Whitehelm)	30.0	n/a	n/a	n/a	II	2009	n/a	n/a	n/a	12	Nordex	N90	Krokom	Sweden
Skogaby (client Allianz Global Investors)	7.2	n/a	n/a	n/a	IV	2013	n/a	n/a	n/a	4	Vestas	V 100	Laholm	Sweden
Mombyåsen (under construction, client Allianz Capital Partners)	33.0	n/a	n/a	n/a	III	2016	n/a	n/a	n/a	10	Vestas	V 126	Sandviken	Sweden
Ryssbol (under construction, client KumBro Vind AB)	12.0	n/a	n/a	n/a	IV	2016	n/a	n/a	n/a	6	Vestas	V 110	Hylte	Sweden
Total external projects under management	**235.3**	**n/a**	**n/a**	**n/a**						**82**				
TOTAL OWN AND CO-OWNED WIND POWER OPERATIONS INCL. MANAGEMENT	**488.7**	**n/a**	**n/a**	**n/a**						**188**				

[1] Expected production +/- 5% in a normal wind year. [2] Corresponds to Arise's share of 50%. [3] Management 50% for Platina Partners LLP in Jädraås.

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PHOTOGRAPHY: Håkan Nilsson; wind turbines and wind farms, Tina Axelsson; Chairman of the Board, Anders Sällström; Board of Directors, Patrik Leonardsson; photos of Halmstad, iStock and Getty Images.

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