



## Annual Report 2016



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## Calendar

### ARISE ANNUAL GENERAL MEETING 2017

The Annual General Meeting will be held on 4 May in Halmstad

### FINANCIAL INFORMATION 2017

4 May • Annual General Meeting

4 May • Interim Report for the first quarter

19 July • Interim Report for the second quarter

10 November • Interim Report for the third quarter

16 February 2018 • Interim Report for the fourth quarter

### DISTRIBUTION OF THE ANNUAL REPORT 2016

The annual report is available on our website [www.arise.se](http://www.arise.se).

It will be sent by post to those shareholders who have notified the company that they wish to receive it. Those wishing to receive a printed copy are welcome to order copies via a form on the website or call the Arise switchboard number +46 35 20 20 900.

# A sustainable and reliable complete concept

Arise is one of Sweden's leading independent players in onshore wind power. Arise is also one of the few companies in the sector to handle the entire value chain from prospecting and permit management to financing, construction, sale and long-term management of its own and others' wind farms.

Arise has developed a model for the efficient management of wind farms that makes us an attractive partner. We offer complete solutions for our customers where we take responsibility for operation, maintenance, and in some instances also the servicing, technical management, environmental reporting, finance and administration.

Arise's total portfolio of managed wind power comprising roughly 655 MW (241 MW own and 414 MW for external customers) is located in Sweden (495 MW) and Norway (160 MW), and represents a significant share of the total market (approximately 8 % in Sweden and 9 % in Norway).

Managing  
**495** MW  
in Sweden

Managing  
**160** MW  
in Norway

**8%**  
of Sweden's  
installed capacity

**9%**  
of Norway's  
installed capacity





# KumBro Vind AB

*"We are very pleased with our partnership with Arise. Our cooperation is based on trust, confidence, competence and quality. Arise is a significant player in Sweden's onshore wind power sector."*

Peter Lilja, CEO, KumBro Vind AB



Managing  
23.4<sub>MW</sub>

12  
wind turbines



### Sustainable management

In total, Arise manages 12 wind turbines with output totalling 23.4 MW for KumBro Vind AB, distributed across three wind farms: Stjärnarp, Ekeby and Ryssbol. The most recent one, Ryssbol Wind Farm, was a turnkey delivery of six wind turbines with a total output of 12 MW. The construction of the wind farm started during the latter half of 2015 and it was commissioned a year later.

KumBro Vind AB is a company owned by Örebro and Kumla municipalities. Their aim is to become self-sufficient in renewable electricity produced by their own power plants.

**RYSSBOL,  
HYLTEMUNICIPALITY**  
Turbine type: Vestas V100  
Quantity: 6  
Commissioned: 2016

**EKEBY,  
KUMLA MUNICIPALITY**  
Turbine type: Servion 2 MW  
Quantity: 3  
Commissioned: 2015

**STJÄRNARP,  
HALMSTADS MUNICIPALITY**  
Turbine type: Vestas V100  
Quantity: 3  
Commissioned: 2013





12  
wind turbines



Managing  
30<sub>MW</sub>



*“As a long-term investor, we need to trust our service-partners to match our high standards of Responsible Investing. When Whitehelm decided to enter the Swedish onshore wind market, we found that trust in our excellent co-operation with Arise”.*

Wessel Schevernels, Division Director, Whitehelm Capital

# Whitehelm Capital

## Investments in the Nordic market

In January 2015, a five-year operation and management contract was signed with Storrund Wind Farm pertaining to a total output of 30 MW. The wind farm is one of the first large high-altitude wind farms in Sweden, located on two mountain peaks (Storrund and Frösörund) 150 km north-east of Östersund in the county of Jämtland. The owner of the wind farm is Prime Super, an Australian fund managed by Whitehelm Capital.

Whitehelm Capital is one of the world's most experienced infrastructure investors and investment strategy advisors. Whitehelm Capital is located in Sydney, London and Canberra.

STORRUND,  
KROKOM MUNICIPALITY  
Turbine type: Nordex N90  
Quantity: 12  
Commissioned: 2009





# BlackRock

*"We are delighted about our partnership with Arise and believe they provide quality technical and commercial management for wind projects in the Nordics through their experienced team".*

**Rory O'Connor, Managing Director, BlackRock Renewable Power.**



Managing  
206.2<sub>MW</sub>



64  
wind turbines

### Trouble-free ownership

Arise currently has two different asset management assignments with the world's largest asset manager BlackRock. The Brotorp project in Mönsterås Municipality was divested in November 2014 to a fund managed by BlackRock and at the same time an asset management agreement was signed. Arise was responsible for project management during the construction phase and now manages the operational wind farm on the basis of an asset management agreement.

In December 2016, another asset management agreement was signed with BlackRock for Tellenes wind farm in Rogaland county in south-western Norway. Arise will start delivering services in the latter part of the construction phase in the first quarter of 2017. The Tellenes farm will have an installed capacity of approximately 160 MW once operational.

#### BROTORP, MÖNSTERÅS MUNICIPALITY

Turbine: Vestas V126

Quantity: 14

Commissioned: 2015

#### TELLENES, ROGALAND, NORGE

Turbine: Siemens SWT-3,2MW

Quantity: 50

To be commissioned: 2017

# Summary of 2016





During the year, overall, winds were slightly weaker than normal even though they were very strong in the fourth quarter. Electricity and electricity certificate prices remained low. Some recovery in electricity prices could be discerned from late spring onwards. During the year, the construction-ready Solberg project (75 MW) was sold to Fortum and the Bohult wind farm (12.8 MW) was sold to a fund managed by Allianz Global Investors. The Kølvalen project was acquired in its entirety (200 MW) and a letter of intent to sell the project was signed with Fortum. Contracts were signed with Kraftö AB on the acquisition of a portfolio of five projects (up to 370 MW) and the Bröcklingeberget project (up to 65 MW) was acquired from Ownpower Projects Europe AB. The company also signed a four-year asset management agreement with Tellenes Vindpark AS in Norway. The wind farm is owned by funds managed by BlackRock.

Annual production totalled 640 GWh (774), of which 353 GWh (442) pertained to Own wind power operations and 287 GWh (332) to Co-owned wind power operations. The reduction compared to the previous year is due to fewer wind farms in operation and weaker winds compared with the previous year. Average income from Own wind power operations was SEK 433 per MWh (505), of which SEK 297 per MWh (340) pertained to electricity and SEK 136 per MWh (165) pertained to electricity certificates. The corresponding figures for Co-owned wind power operations was SEK 535 per MWh (501), of which SEK 370 per MWh (322) pertained to electricity and SEK 165 per MWh (179) pertained to electricity certificates.

The year was also marked by successful negotiations on additional development and wind farm management agreements. In total, construction-ready projects comprising 75 MW, and operational projects comprising 12.8 MW were divested while wind farm management agreements were signed for a total of 191 MW including Ryssbol for which management started at the end of the year. The Ryssbol project was completed for KumBro Vind AB and was settled at the end of the year. The Mombyåsen project was also completed for Allianz Capital Partners and final settlement is expected to take place during the first quarter of 2017.

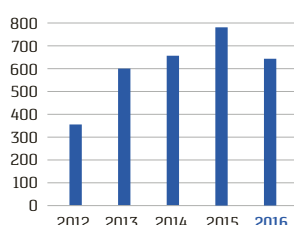
Net sales were MSEK 594 (487). This was due to production and average prices being lower than the previous year while development and management income was higher in 2016 compared with 2015.

Operating expenses amounted to MSEK 464 (301), of which MSEK 367 (174) was attributable to sales and contracts. The remaining MSEK 97 (127) consisted of personnel and other external expenses. Own capitalised work was MSEK 8 (10). Consolidated profit/loss in associates amounted to MSEK 0 (-25), including impairment of MSEK 0 (-39).

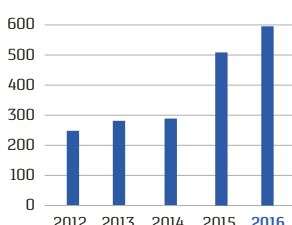
Overall, EBITDA fell by MSEK 55 which was mainly the result of lower production and average prices, but was also due to a slightly lower margin recognition in development and management. However, EBIT improved by MSEK 91 due to impairment of MSEK -18, compared with MSEK -151 in the preceding year. Net financial items improved, partially due to lower borrowings and currency fluctuations, bringing loss before and after tax to MSEK -52 (-164) and MSEK -41 (-156), respectively. Loss after tax corresponds to a basic loss per share of SEK -1.23 (-4.67) and a diluted SEK -1.23 (-4.67).

The company has continued to reduce its net debt through the divestment of construction-ready and operational projects. At the end of the year, net interest-bearing debt was MSEK 992 (1,248). Cash and cash equivalents at the end of the year were MSEK 287 (203) and unutilised bank overdraft facilities amounted to MSEK 50 (18). In addition, the company's own holding in its senior unsecured bonds amounted to MSEK 50. Including the preferential rights issue of convertible bonds, this means that the company has significant cash reserves for strengthening its position in the market and meeting its debt covenants.

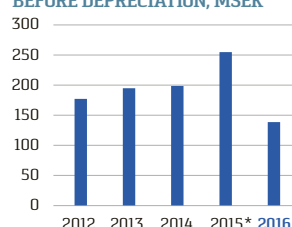
PRODUCTION, GWh



TOTAL INCOME, MSEK



EBITDA, OPERATING PROFIT BEFORE DEPRECIATION, MSEK



\* Refers to EBITDA before one-off items



Arise is one of Sweden's leading players in onshore wind power. At the end of 2016, the company's portfolio of managed wind power totalled approximately 655 MW, of which 241 MW is owned by Arise and approximately 414 MW is managed on behalf of external customers. Of this, about 254 MW is located in Sweden and 160 MW in Norway, which corresponds to roughly 8 and 9 per cent of Swedish and Norwegian installed capacity, respectively.

Total production in a normal year amounts to 628 GWh (including co-owned production). Arise is thereby a significant supplier of renewable electricity from wind power in the Nordic market. Arise also has an extensive project portfolio comprising approximately 1,000 MW in Sweden.

In Scotland, preliminary planning is underway for projects with a combined output of about 150 MW for which the company has signed land leasehold agreements.

In order to provide for energy transition in Sweden and globally, the need for renewable energy is great. In this mar-

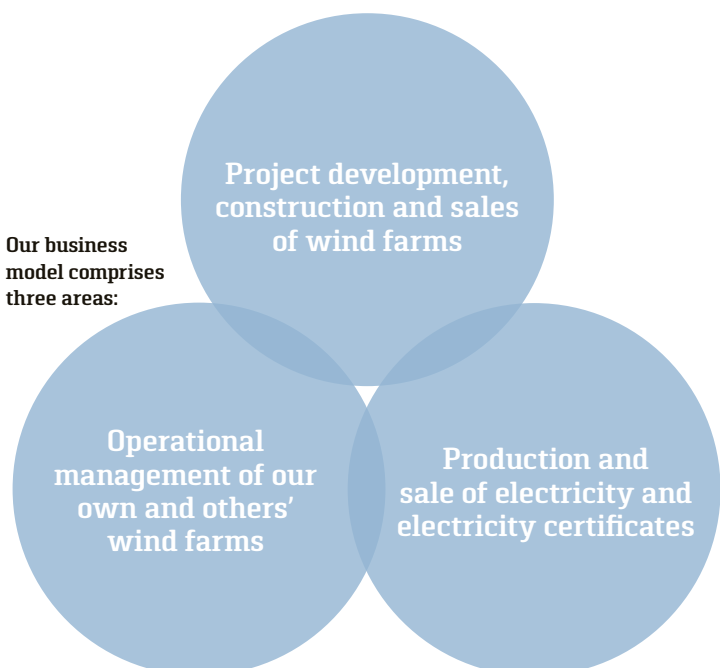


# Arise – a leading player in Swedish wind power

ket in Sweden and the Nordic countries, Arise is one of the few companies that covers the entire value chain – from exploration and permit handling to financing, construction and long-term management of its own and others' wind farms. Our ambition is to always remain at the forefront throughout the value chain.

Since its start-up in 2007, the company has constructed, or currently has under construction, about 535 MW of onshore wind power, of which 241 MW remains owned by the company. Our own wind parks (in total 10), are located in southern Sweden, with one 50 per cent owned wind farm located in central Sweden. The map shows our wind farm locations across Sweden and Norway (pages 30–31).

**Our business model comprises three areas:**



Besides selling the electricity that Arise produces, the company’s customers are investors in wind power that either want to acquire wind farms or want the company’s assistance in the financial and technical management of existing wind farms.

Over the past two years, Arise has successfully developed and built a number of wind farms on behalf of investors and also sold already operational wind farms. Investors include BlackRock, one of the world’s largest fund managers, and the municipally-owned company KumBro Vind AB. Contracts have also been signed with various divisions of the German insurance company Allianz and the Finnish power company Fortum.

We believe that a combination of revenue from project development, management and sales of our produced electricity, is an effective way to generate positive cash flows and create shareholder value, in both the short and long term.

OBJECTIVES

Through efficient financing, management, operation and project development in the field of renewable energy, the

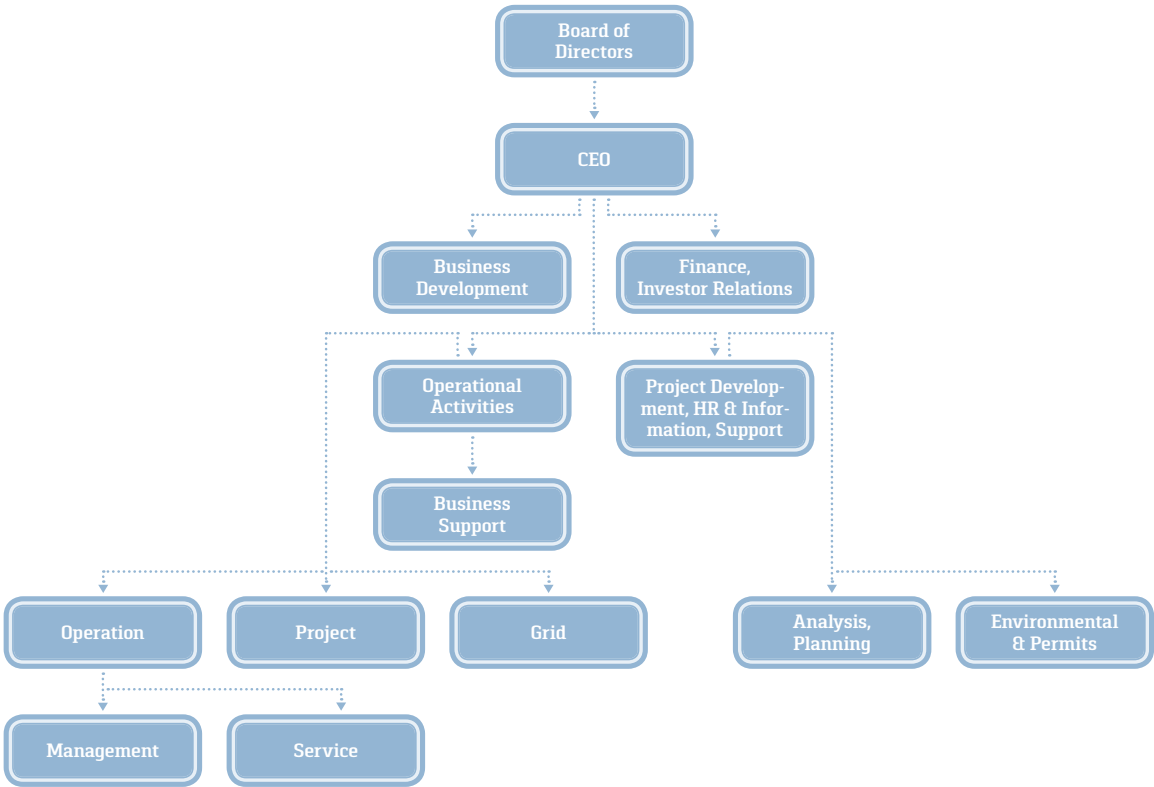
company’s overall objective is to provide shareholders with a good return on their investment in the form of dividends and growth in the share price.

MISSION

Arise’s mission is to sell electricity produced in its own and co-owned wind farms, sales of wind power projects (operating or construction-ready) and the management of wind farms.

Our business model consists of project development, management, and the production of renewable energy from our own and co-owned wind farms. Our operations are divided into three segments:

- Development and Management: Project development, construction and sales of wind farms, and the management of our own and others’ wind farms during both construction and operation.
- The production and sale of electricity and electricity certificates from our own wind farms.
- The production and sale of electricity and electricity certificates from co-owned wind farms.





## ARISE – HISTORY & DEVELOPMENT

2016	<ul style="list-style-type: none"> <li>The Solberg project, 75 MW, sold to Fortum and the Bohult wind farm, 12.8 MW, sold to Allianz Global Investors</li> <li>The company's first wind farm management deal in Norway was signed with BlackRock, 160 MW</li> <li>Continued reduction of the company's net debt</li> </ul>
2015	<ul style="list-style-type: none"> <li>The Ryssbol project, 12 MW, sold to KumBro Vind AB; Mombyåsen, 33 MW, sold to Allianz Capital Partners and the Skogaby wind farm, 7.2 MW, sold to Allianz Global Investors</li> <li>Impairment of projects and operating wind farms totalling approximately MSEK 190 as a result of continued low electricity and electricity certificate prices</li> <li>Continued reduction of the company's net debt</li> </ul>
2014	<ul style="list-style-type: none"> <li>The Brotorp project, 46.2 MW, sold to BlackRock and the Stjärnarp wind farm, 5.4, MW, sold to KumBro Vind AB</li> <li>Refinancing of the majority of the Group's wind farms through the issue of a secured green corporate bond of MSEK 1,100</li> <li>In the light of changed market conditions, the company's overall goal changed from expansion to a return-oriented goal</li> <li>Reduction of the company's net debt begins</li> </ul>
2013	<ul style="list-style-type: none"> <li>The Bohult, Skogaby and Stjärnarp projects, totalling more than 25 MW, financed and construction started</li> <li>The largest onshore wind farm to date in Northern Europe, Jädraås 203 MW, was commissioned by Arise in association with Platina Partners LLP</li> </ul>
2012	<ul style="list-style-type: none"> <li>Our project portfolio is strengthened by the acquisition of a number of wind power projects</li> <li>Our business model broadens to include the management and partial sale of projects</li> </ul>
2011	<ul style="list-style-type: none"> <li>Contracts signed for the construction and financing of Jädraås, 203 MW</li> </ul>
2010	<ul style="list-style-type: none"> <li>Arise listed on the stock exchange</li> <li>Financing and construction start of several projects totalling just on 80 MW</li> </ul>
2009	<ul style="list-style-type: none"> <li>The company's first wind farm, Oxhult 24 MW, is commissioned</li> <li>A new share issue totalling MSEK 328 is carried out</li> </ul>
2006-2008	<ul style="list-style-type: none"> <li>Arise begins the development of wind power projects</li> <li>The organisation is established and the first wind farms are procured and financing is secured</li> </ul>



# Message from the CEO





# We can look back on a very eventful year!

A year in which we stuck to our plan and managed to deliver on it. We have expanded our portfolio of development projects and our wind farm management business has grown as we have won new contracts with our customers. This is particularly gratifying!

Early in the year, Arise sold Solberg to Fortum. Solberg is now under construction with us as the construction manager. We have built and handed over Mombyåsen and Ryssbol to our customers according to plan or better. We are pleased that once again we have kept to the schedules and budgets we set ourselves.

We have sold our operational wind farm Bohult to Allianz Global Investors, which gave us a cash injection of roughly MSEK 90, and also helped reduce our indebtedness. Our aim continues to be reducing net debt in the company. But it is also pleasing to note that our efforts have so far reduced net debt to below SEK 1 billion.

When we signed the contract with BlackRock just before Christmas to manage its wind farm, Tellenes (capacity roughly 160 MW), it was our first contract of this type in Norway.

Tough conditions continue to prevail in the markets for electricity and electricity certificates. At the beginning of the year, things looked rather grim with record-low electricity prices, but we saw a healthy upturn over the rest of the year. It is our fundamental belief that electricity prices will continue to rise, but we are well aware that this will not be a linear rise.

There are fundamentally good prospects for being able to export wind power electricity from the Nordic Countries to the rest of Europe. We already have good transmission lines from the Nordic countries to the rest of Europe, and there are plans to expand these further. In addition, climate change ought to mean that the proportion of fossil sources of energy must be reduced in Europe sooner or later. As per the owners' decisions, three Swedish nuclear reactors will be phased out over the next few years, which will reduce excess capacity for electricity production in the Nordic market.

During the year, five parties in the Swedish parliament concluded an agreement on energy, which includes an

extension of the electricity certificate system for ten years beyond 2020. However, the agreement leaves a bitter after-taste, because the proposal that the Swedish Energy Agency submitted in October did not live up to our expectations in terms of reducing uncertainty in the market. It is our hope that our politicians will take responsibility and rectify the shortcomings in this proposal.

We have noted a great interest in Arise as a collaborator. Our long-standing expertise in developing, building and managing wind farms is appreciated by our partners, and we are currently involved in quite a number of promising discussions with various actors. We also hope to be successful in generating growth for our project development and wind farm management business in the future.

Fundamentally, it is positive that investment capital from global players is seeking out stable infrastructure assets such as wind farms in Sweden. This is largely due to greater diversification of investment assets, and to interest rates globally being at record-low levels. Owners of capital and fund managers are on the hunt for ROI, which is beneficial to us when we sell construction-ready wind farms.

After a few tough years in the market, it's natural that our resilience has been challenged in some ways. Our goal is to become so resilient and viable that we are seen as an obvious part of the consolidation of the wind power industry in Sweden.

We are very pleased to have been able to secure 5-year financing totalling approximately MSEK 245 through the issue of convertible bonds. It is particularly gratifying that this initiative was taken by some of our principal owners and backed up by them with a strong guarantee for the issue. Subscription of the issue of convertibles was 87.5%. Guarantees of 12.5% were added, after which the issue was fully subscribed. This can be considered a good result considering that the subscription period coincided with negative news coverage on wind power and electricity certificates.

We are taking on the new year with a positive attitude and a fighting spirit. Our goal is to further strengthen our market position in the development and management of wind farms!

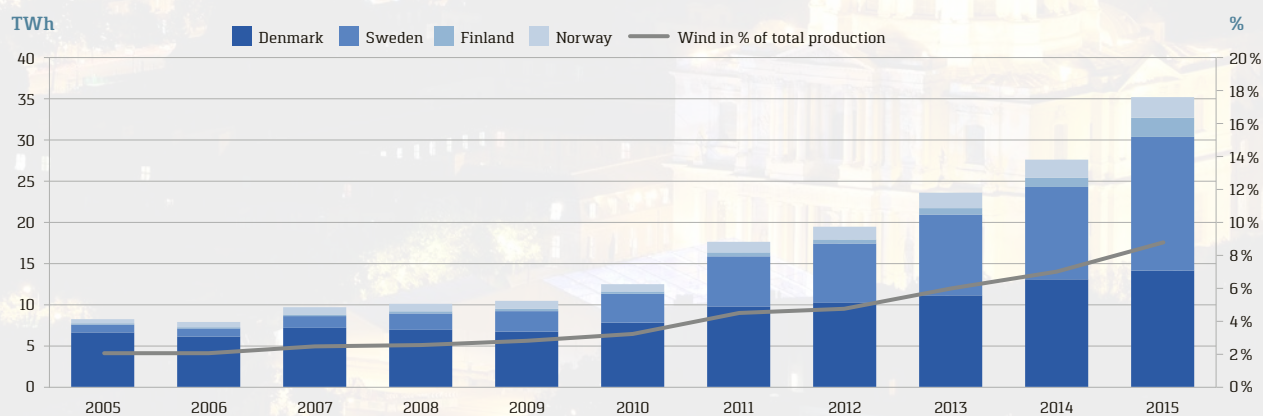
*Halmstad, March 2017*

**Daniel Johansson**  
CEO Arise



# Market and business environment

Wind power production per country (Y-axis) and wind power production as a percentage of total electricity production (X-axis) (2005a–2015a).



Source: Statistics Sweden (SCB), Statistics Denmark and Statistics Finland.



## BUSINESS ENVIRONMENT

**A**n important event during 2016 for the long-term development of renewable energy was the Paris Agreement which came into force on 4 November. Never before have the nations of the world been so quick to accede to an international climate agreement. The parties have agreed to keep the increase in average global temperature to below 2°C, and preferably below 1.5°C. By the second half of the century, between 2050 and 2100, we are to be climate-neutral. For these objectives to be achieved, strong growth in renewable energy globally is essential.

As a leading player in the Swedish wind power market, Arise is also playing a key role in global efforts to impact the climate in a positive way. With our experience of planning, building and managing wind farms, and as a producer of renewable energy, we are helping to create a sustainable future.

### DEVELOPMENT IN SWEDISH WIND POWER

Swedish wind power produced 15.4 TWh in 2016, an increase of 5.5 TWh compared with 2013. This rapid increase in production is the result of strong expansion in recent years, which in turn is founded on the goal of increasing the production of renewable electricity. The market has also been positively impacted by the relatively low cost of new wind power compared with other forms of new energy production in Sweden and its neighbouring markets. Another important factor is favourable local conditions for the development of wind power. Historically low interest rates in Europe have resulted in an increased interest among various financial investors in alternative investments with a low-risk profile, and this has led to a high willingness to pay for wind power among these investors. However, the expansion rate dropped during 2016 and is expected to remain at a lower level for the next few years. According to Swedish Wind Energy, construction in 2016 amounted to 493 MW, down from 615 MW in 2015. At the end of 2016, the total wind power output in Sweden was 6,520 MW.

Electricity production from wind power in 2016 was slightly lower than in 2015 due to weaker winds during the year. Even so, wind power was responsible for approximately 10% of total electricity production in Sweden in 2016, as it was in 2015 (*Source: Swedish Energy Agency*).

### DEVELOPMENT OF WIND POWER IN THE NORDIC REGION

As can be seen in the figure on page 18, wind power production in the Nordic region has increased by more than 300% from 2005 (8 TWh) to 2015 (35 TWh). Wind power's share of total electricity production in the Nordic region has increased from roughly 2% in 2005 to 9% in 2015. This expansion in capacity has been mainly driven by Sweden, but also by Denmark. Denmark has actively subsidised wind power production through various initiatives since 1976, while Sweden launched its electricity certificate system to support renewable electricity production in 2003. Since 2012, Norway has been part of this electricity certificate system with Sweden, and now appears to be attracting a larger share of investments in wind power in the Nordic region. 2016 was a record year in Norway for wind power expansion.

### COST TREND

Wind power technology has developed rapidly in recent years, largely thanks to bigger rotors, higher towers, and generally more efficient wind turbines. Since the 1980s, the price of energy produced by wind power has dropped by 80% according to the industry association, Swedish Wind Energy. The price per MWh of wind power produced can be expected to fall as the technology continues to evolve. In the second half of 2016, Bloomberg New Energy Finance (BNEF) conducted an analysis in which it estimated the cost of a number of projects in different types of energy sources throughout the world. The results of this analysis show that in Europe, onshore wind power is one of the most profitable forms of energy when compared with nuclear power, co-generation, coal, thermal energy and solar energy.

The conditions for wind power vary between countries. BNEF's analysis puts Sweden in the lower part of the cost range. Elforsk conducted an analysis showing that onshore wind power is almost as cost-effective as hydroelectric power, which is the most cost-effective energy source in the analysis. *[Source: El från nya och framtida anläggningar 2014 – Electricity from new and future power plants].*

### WIND POWER'S POTENTIAL IN SWEDEN, NORWAY AND SCOTLAND

Sweden, Norway and Scotland are suitable countries for wind power due to their potential in the form of large areas with attractive wind conditions. In particular, the southern and northern parts of Sweden, offer good wind conditions, as can be seen in the diagram alongside, while Norway and Scotland have some of the best wind resources in Europe. Norway and Sweden have large tracts of undeveloped land.

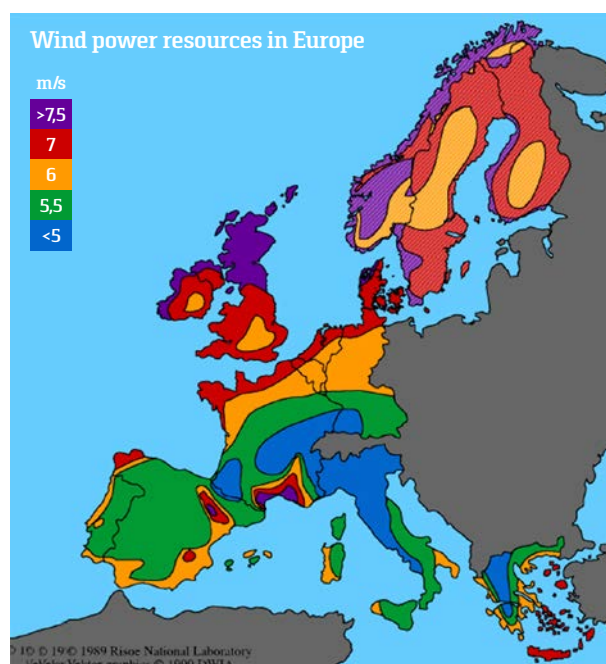
Sweden has comparatively good electrical connection possibilities for new wind power with its well-developed grid. Norway's electrical connection options are somewhat inferior to Sweden's, especially in the northern part of the country.

The Nordic region's energy production mix makes the development of wind power attractive for several reasons. One factor is that there is a clear political ambition to reduce dependence on nuclear energy, which could result in the need for large amounts of new energy production. In Sweden, operators E.ON and Vattenfall have announced the closure of the Oskarshamn 1, Ringhals 1 and Ringhals 2 nuclear power plants from 2017 until 2020. These have a total capacity of 2,230 MW. In addition, production in Oskarshamn 2 nuclear power plant has already been halted. The high proportion of load-following hydroelectric power plants in the Nordic region makes a very good fit with an intermittent source of energy production such as wind power. Load-following hydroelectric power plants can be used when there is no wind, and when the wind is blowing strongly, hydroelectric power production can be held back. In periods of low electricity prices, electricity can also be used in some power plants to pump the water back to the reservoir.

Other renewable energy types are not considered to have the same potential as wind power in Sweden and Norway, as illustrated in the results of their common support scheme for new renewable electricity production capacity. The electricity certificate system is technology-neutral, and in recent years has almost exclusively resulted in the construction of wind power plants.

### ENERGY POLICY IN SWEDEN AND THE EU

Wind power has a key role to play in achieving the EU's energy and climate targets. By 2020 in Europe, at least 20 %



Source: Technical University of Denmark (DTU Wind Energy)

of total energy is to come from renewable sources, with the corresponding target for 2030 being at least 27 %, and Sweden's national target being at least 50 % renewable energy by 2020. This target was already achieved in 2013, due to the strong growth in wind power in recent years. Regarding emissions rights trading, the European Parliament and Council of Ministers have recently taken up an important stand to gradually reduce the range of emission rights, which is also important for attaining established climate targets and achieving them cost efficiently. By reducing the range of emission rights, prices of emission rights can, all other things remaining equal, be expected to increase and lead to a higher price of electricity produced by fossil sources of energy. This is a positive development for renewable sources of energy, such as wind power. In 2016, five Swedish political parties (the Social Democrats, the Moderate Party, the Green Party, the Centre Party, and the Christian Democrats) reached an agreement on Sweden's future energy policy. The agreement includes support for nuclear power and hydroelectric power through the abolition of production taxes on nuclear power and reduced production taxes for hydroelectric power. It also includes extended support for the continued expansion of renewable electricity production after 2020. The main points of the agreement are:

- The agreement constitutes a common roadmap for a controlled transition to a fully renewable electricity system, with the goal of 100 % renewable electricity generation by 2040.



- Support for the renewal of nuclear power through the gradual phasing out of the production tax over a period of two years from 2017. As is the case under the current regulations, it will be possible to build ten new nuclear reactors as replacements for Sweden's existing nuclear power plants. However, the regulations require nuclear power to bear its own costs, and the principle of not subsidising nuclear power remains in force. The goal of 100 % renewable electricity generation by 2040 is not a stop date that will ban nuclear power. Nor does it mean the closure of nuclear power plants by political decision, even if the policy ambition is to reduce dependence on nuclear power over time.
- The property tax on hydroelectric power will be reduced in several stages (in practice, this is a production tax).
- To support renewable energy, the electricity certificate system is to be extended, and expanded by 18 TWh up to 2030.

#### PLAYERS IN WIND POWER

The older established energy companies have not taken a leading role in the development of wind power in Sweden. This is partly because these companies have experienced major capital obligations for the maintenance and upgrading of their existing assets combined with a weak trend in the price of electricity, and because the development of wind power is complex and requires expertise. This has opened the way for new, specialised players. There are currently several wind power companies in Sweden that plan, build and operate wind farms on a proprietary basis, and for others. These include Arise, Rabbalshede Kraft, Eolus Vind, OX2 and Nordisk Vindkraft.

In recent years, wind power has attracted a number of financial investors (including investment companies, and

infrastructure and pension funds) which have become a very important source of financing. This is largely due to the historically low interest rate trend in Europe, which has meant that investors are looking for alternative low-risk investments. Such alternative investments include infrastructure and wind power electricity production, which is generally counted as infrastructure. Over the years, international investors have become comfortable with the Norwegian and Swedish markets, particularly since tough competition in other European wind power markets has forced their expansion geographically. Regulatory stability has also been an important factor in attracting capital to Sweden.

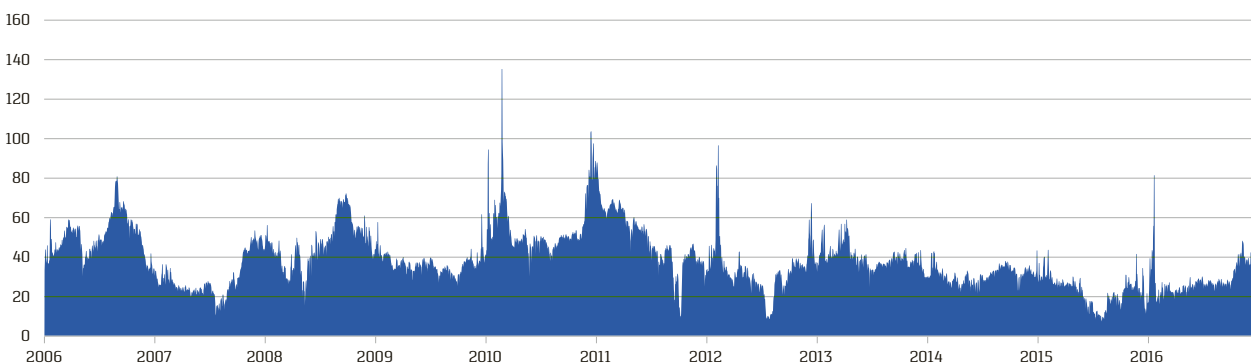
In Norway and Sweden, there is a relatively well-functioning market for long-term contracts for buying and selling electricity. This applies to the financial market *per se* as well as the actual sale of electricity directly to end users. Some financial investors also find it attractive to secure a fixed selling price for electricity for many years into the future. Several of the biggest industrial corporations in the world have a clear ambition to source 100 % of their electricity consumption from renewable energy sources. In recent years, we have seen a number of transactions in the Norwegian and Swedish markets where large international corporations have entered into long-term purchasing contracts for electricity with wind power producers. New areas of application for electricity, such as the transition to electric-powered vehicles, may lead to new potential markets for long-term contracts.

#### ELECTRICITY CERTIFICATES

The EU's Member States use various support schemes for the development of renewable electricity production and the reduction of greenhouse gases. Electricity certificates is the primary support scheme for renewable energy used

#### Historic system price (2006a–2016a)

EUR/MWh



Source: Macrobond, Nord Pool Spot



in Sweden and Norway. The system was introduced in Sweden in 2003, and in September 2009, Sweden and Norway agreed on the foundations of a common electricity certificate market which has been in operation since 1 January 2012.

The system subsidises renewable energy through an electricity certificate being issued for each MWh produced from new power plants using renewable energy sources, regardless of the technology used (i.e., the system is technology-neutral) for a period of 15 years. End users of electricity (with the exception of electricity-intensive industries) are obliged to purchase electricity certificates through their electricity suppliers, creating demand in the market and attributing a value to the electricity certificate, which gives producers of renewable electricity an additional source of income. Buyers of electricity certificates must purchase the number of certificates that corresponds to their annual sales of energy multiplied by a specified quota, which is determined by the Swedish and Norwegian governments. The quota levels are designed to create an incen-

tive for investment during the period 2012–2021. Since the quota is set in relation to electricity consumption, a low demand for electricity also leads to a fall in demand for electricity certificates.

The target set for the common system with Norway in 2012 was to increase the production of electricity from renewable energy by 26.4 TWh by 2020. In March 2015, the Swedish government entered into an agreement with the Norwegian government on a further increase of 2 TWh in the annual production of renewable electricity in Sweden to 28.4 TWh by 2020. At the end of 2016, there were operational and approved facilities for electricity certificates with a normal annual production of 17.8 TWh. The distribution is 14.3 TWh in Sweden and 3.5 TWh in Norway.

In addition, investment decisions have been made on the construction of additional wind farms, which in total mean that the target of 28.4 TWh by 2020 ought to be reached within a few years.

In spring 2016, the Norwegian government stated that Norway will not continue with the electricity certificate





system after 2021, while in 2016, five Swedish political parties reached an agreement on Sweden's future energy policy that includes further support for renewable electricity generation through the electricity certificate system being extended and expanded by 18 TWh up until 2030. In autumn 2016, both the Norwegian Water Resources and Energy Directorate (NVE) Norway and the Swedish Energy Agency delivered their recommendations on the further development of the electricity certificate market based on Norway's and Sweden's decisions referred to above. These two market regulators are in agreement in some respects on the solutions. The Norwegian and Swedish government agencies and their governments are currently having discussions on how the system should be managed in the future, and a statement is anticipated within a few months. It can be concluded that the Swedish Energy Agency's proposal to extend the system has been designed with a main emphasis on certificates towards the end of the period 2021–2030. The proposal has therefore put pressure on the market, where the starting point is a surplus of electricity

certificates. What the final proposal from the Swedish government will look like remains to be seen.

Electricity certificate prices are set by the market where sellers and buyers place bids. Short-term prices can vary based on the weather and seasonal effects. In the longer term, the following fundamental factors influence the price:

- **Electricity prices:** Developers of renewable electricity have two sources of income – sales of electricity and of electricity certificates – and all other things being equal, this requires a higher return from the electricity certificate market if the price of electricity falls.
- **Demand for electricity certificates:** This is determined by quota levels and the total demand for electricity, where the quota is fixed but the demand for electricity may vary.
- **Potential for renewable electricity:** How much renewable electricity production can realistically be developed and built before 2020, and which technologies are capable of development.
- **Costs of development of renewable electricity:** Determine the total income that developers need to ensure the economic viability of the project.

The spot price of electricity certificates fell from a peak of more than SEK 300 per MWh reached during the period 2008–2010 to SEK 135 in November 2016, to be trading at only around SEK 70 per MWh at the end of January, early February. Due to a weak price trend in the aftermath of the global financial crisis, the Swedish government increased the quota obligation and extended the system to 2035 from 2030. Several of the leading suppliers of analyses of the Nordic region's energy market have concluded that in the long-term electricity certificates prices will be a function of the long-term marginal cost of building new renewable electricity production, especially onshore wind power production (which is generally one of the cheapest forms of renewable electricity production in the Nordic region). Consequently, the fall in price for electricity certificates in recent years can be explained at least in part by a rapid reduction in the costs of building wind power in the Nordic countries and in the rest of the world. In addition, the Swedish Energy Agency's proposal to extend the electricity certificate system has created uncertainty in the market, which has resulted in falling prices and reduced liquidity in the market in early 2017. The Agency's proposal is currently being drafted in the Government Offices of Sweden, which is why its final formulation is not yet known.

# Development and Management

Arise covers the entire value chain for the development and management of wind power. Because the company develops, builds and then continues to manage wind power assets, it has built up a big bank of experience. This affords Arise a strong position in the market when it comes to technical know-how and experience.

Careful planning through all stages – from wind measurements and farm layout to construction and operation with the right supplier contacts and maintenance measures – ensures an optimum service life for every wind turbine.

Wind power development is a key growth area for Arise covering all project development work and consists of land leasehold agreements, wind measurements, permit applications, wind farm layout, and the procurement of construction works, components and the requisite financing. The company's activities also include the acquisition of projects; the construction, construction management and commissioning of wind farms; and sales of construction-ready and operational wind farms.

During the year, the construction-ready Solberg project (75 MW) was sold to Fortum. Construction is running slightly better than planned. In addition, the Bohult operational wind farm (12.8 MW) was sold to Allianz Global Investors. The Ryssbol project was completed for KumBro Vind AB and settled at the end of the year. The Mombyåsen project was also completed for Allianz Capital Partners and final settlement took place during the first quarter of 2017. During the year, a declaration of intent was entered into with Fortum concerning the sale of the Kølvallen project (roughly 200 MW). Final authorisation is pending for the project before a sale can be effected. All in all over the past three years, Arise has successfully developed and sold a number of construction-ready and operational wind farms. In total, since the end of 2014 Arise has sold 192 MW to investors, of which more than 166 MW consisted of construction-ready projects and just over 25 MW comprised operational wind farms. We are pleased to note that Arise's customers consist of large international investment managers as well as municipal corporations, which demonstrates the company's

ability to meet the needs of different types of customers.

Arise's project portfolio consists of approximately 1,000 MW comprising a number of projects in southern Sweden and several larger projects in Central and Northern Sweden. The advantages of building in the south are access to a strong grid, lower input costs and lower transport costs. It is possible to build all year round in the south of Sweden with lower or no production losses as a result of snow and ice. In the northern parts of the country however, a sound economic basis is achieved as a result of the possibility of economies of scale through access to very large projects, along with greater scope for building higher wind turbines, thus accessing higher altitude winds. Arise strives to grow its project portfolio, and during the year five projects corresponding to roughly 370 MW were acquired from Kraftö AB. In addition, Arise has acquired the full rights to the Kølvallen (roughly 200 MW) and Bröcklingeberget (roughly 65 MW) projects from Own Power Projects Europe AB. Arise's focus is on detailed planning of the specific projects at the company's disposal and the divestment of projects to external investors, where Arise typically remains responsible for the construction management and administration.

Another key growth area for Arise is the management of wind farms. During the year, wind farm management agreements were signed for a total of 191 MW including Ryssbol for which management started at the end of the year. This also included the Tellenes Wind Farm (160 MW) in south-western Norway, for which we signed a four-year asset management agreement with BlackRock towards the



## Process overview

PROCESS	PROJECT DEVELOPMENT	PROJECT SALES	CONSTRUCTION	MANAGEMENT
FUNCTION	<ul style="list-style-type: none"> <li>Environmental-impact assessment / permit</li> <li>Wind analysis</li> <li>Electric connection</li> <li>Layout optimisation</li> <li>Leasehold and roads</li> <li>Turbine suppliers</li> <li>Construction and electricity spec.</li> <li>Financial analysis</li> <li>Procurement</li> <li>Project acquisition</li> </ul>	<ul style="list-style-type: none"> <li>Investors / customers</li> <li>Due diligence</li> <li>Financial modelling</li> <li>Final CAPEX</li> <li>Sign project agreement</li> <li>Financial close</li> </ul>	<ul style="list-style-type: none"> <li>Building permit</li> <li>Project organisation</li> <li>Project management</li> <li>Contract</li> <li>Permit management</li> <li>Handover</li> </ul>	<ul style="list-style-type: none"> <li>Contract management</li> <li>Asset management and reporting</li> <li>Grid management</li> <li>Environmental management and reporting</li> <li>Financial management and reporting</li> <li>Sale of electricity / certificates</li> </ul>
PERSONNEL	• ~5	• ~5	• ~6	• ~12
TIME	• ~2–4 years	• ~6–12 months	• 8–24 months	• 25 years

end of 2016. This agreement is our first in the Norwegian market and our second with BlackRock, since we are already managing the Brotorp wind farm. Over the years, the company has continuously developed its working model for monitoring the operation and management efficiency of our proprietary and externally owned wind farms. We have developed a management efficiency model that makes us an attractive partner for customers looking to outsource full responsibility for the operation, maintenance, technology, environmental reporting, finance and administration of their wind farms. We have experienced operation managers who monitor everything that happens in a wind farm and take any necessary actions. Structured planning and the use of event management systems (EMS) mean that both operation personnel and proprietors have full insight into all material events and actions related to the wind farm, and can thus monitor each wind farm's production continuously. Including Tellenes, Arise now manages a total of 655 MW, of which 414 MW is for 6 external customers who own 10 wind farms comprising 143 wind turbines.

While there is still some uncertainty surrounding the revenue regime for the company's projects in Scotland, Arise assesses that these projects ought to be able to go ahead even at current market prices, given the strong wind resources that the projects have at their disposal, and the anticipated higher UK market prices for electricity. However, construction is yet to start on these projects: it is not expected to begin until after 2019. Planning activities in Norway are at a relatively low level.

## Development and management in figures, MSEK

	2016	2015
Income	450	294
Operating expenses and capitalised work	-412	-239
Operating profit before depreciation (EBITDA)	38	55
Operating profit/loss (EBIT)	30	18
Profit/loss before tax	10	-4

- The Wind power development segment generated total income of MSEK 450 (294) during the year. The increase is attributable to higher turnover from project sales and sales of operational wind farms.
- Operating expenses amounted to MSEK -420 (-249) of which MSEK -367 (-174) is attributable to costs of sold projects and contracts. Other operating expenses fell by MSEK -20 due to such reasons as a reserve and restructuring costs in 2015. Own capitalised work amounted to MSEK 8 (10), after which EBITDA declined to MSEK 38 (55).
- Depreciation amounted to MSEK -1 (-6). In addition, the company's project portfolio has been impaired by MSEK -7 (-31). Net financial items improved to MSEK -20 (-22) due to reduced interest expenses.
- Profit before tax improved to MSEK 10 (-4).

# Own wind power operations





Own wind power operations includes 10 wind farms totalling 139 MW, all located in southern Sweden on either the east or west coasts. The normal annual production from these wind farms for a full year of operation is estimated at approximately 342 GWh.

Production in the company's wholly-owned wind farms during 2016 was 353 GWh (442), a reduction due to fewer wind farms in operation as a result of the wind farm in Bohult being sold to Allianz Global Investors, and weaker winds compared with the preceding year. The company's remaining wind farms, which constitute collateral for the company's green covered bonds, produced 316 GWh (378) during the year. The outcome was around 8 % under budget compared with 10 % over budget in the preceding year.

Average income from Own wind power operations was SEK 433 per MWh (505), of which SEK 297 per MWh (340) pertained to electricity and SEK 136 per MWh (165) pertained to electricity certificates. The lower average income is due to lower average prices and the discontinuation of wind farm leases during the year. The specific operating expense rose to SEK 126 per MWh (118) due to lower production.

Arise is responsible for the management of all of its own wind farms. For servicing these wind farms, Arise uses both its own and external service personnel to ensure the most optimum operating economy possible for each wind farm. A dialogue is maintained with our service partners to ensure that the best possible conditions and performance can be obtained. Currently, Arise's own personnel divided into two service teams – one in the south-east and one in the south-west of Sweden – service the Oxhult, Råbelöv, Blekhem, Gettnabo and Idhult wind farms.

As the proprietor of wind power plants and an electricity producer, it is of course important that our wind power plants are operational when the wind blows best. In order to optimise operation, Arise has developed a cost-effective approach including efficient system support that enables us to manage a large number of wind turbines. Each wind turbine is continuously monitored in terms of its performance and availability and all errors and alarms are followed up. They are then categorised and dealt with in order of priority.

Thanks to our broad experience of wind power development and mature systems for analysis and monitoring, we can combine high levels of electricity production with low

Own wind power operations in figures, MSEK	2016	2015
Income	153	225
Operating expenses	-44	-52
Operating profit before depreciation (EBITDA)	109	173
Operating profit/loss (EBIT)	11	-41
Profit/loss before tax	-54	-126
Income, SEK per MWh	433	505
Expenses, SEK per MWh	126	118
Average capital employed	1,708	2,076
Return on capital employed (EBIT)	0.7 %	neg.
Return on adjusted capital employed (EBITDA)	6.4 %	8.3 %

- Own wind power operations generated total income of MSEK 153 (225) and an EBITDA of MSEK 109 (173), which means that income declined by 32 % while EBITDA was down 37 % on 2015. The decrease in income was due to lower production as a result of fewer farms in operation during the year and lower average income compared with the preceding year.
- The specific operating expense rose to SEK 126 per MWh (118) due lower production, up 7 %.
- Depreciation amounted to MSEK -86 (-94). Impairment of MSEK -12 (-120) was also recognised due to technology-related factors. Net financial items strengthened to MSEK -65 (-85) due to lower borrowings and currency fluctuations.
- Loss before tax increased to MSEK -54 (-126).

operating costs. The same systematic processes are key to assuring the service life of individual turbines. Under normal circumstances, a modern wind power plant operates and supplies renewable energy for 25 years, provided that it has been built and maintained professionally.

A challenging climate in the market means that a proactive approach to improving profitability is absolutely key for Arise and its customers. For a number of years, Arise has focused efforts on production optimisation, which we believe has resulted in a 2–4 % annual improvement in production.

There are currently no projects under construction for Own wind power operations. The company takes an opportunistic approach to proprietorship, which means that its operational wind farms may be divested.

# Co-owned wind power operations

Co-owned wind power operations include the wind farm in Jädraås which Arise co-owns 50/50 with Platina Partners LLP. This wind farm is located in Central Sweden, and comprises 66 wind turbines of 3.1 MW each, in total 203 MW. Its estimated normal annual production for a full year of operation is 572 GWh.

Electricity production during the year was 287 GWh [332] due to normal winds, compared with abnormally strong winds in the preceding year. Average income from Co-owned wind power operations was SEK 535 per MWh (501), of which SEK 370 per MWh (322) pertained to electricity and SEK 165 per MWh (179) pertained to electricity certificates. The increase is due to a larger proportion of the production outcome being hedged during the year compared with the preceding year. Despite lower production, the specific operating expense declined to SEK 125 per MWh (128) due to a provision for property tax during the preceding year.

Since taking over the project, Arise has been responsible for its operational management. In Jädraås, wind power supplier Vestas' is the service manager and has a permanent service team stationed on site while Arise is responsible for the operational management of the wind farm.

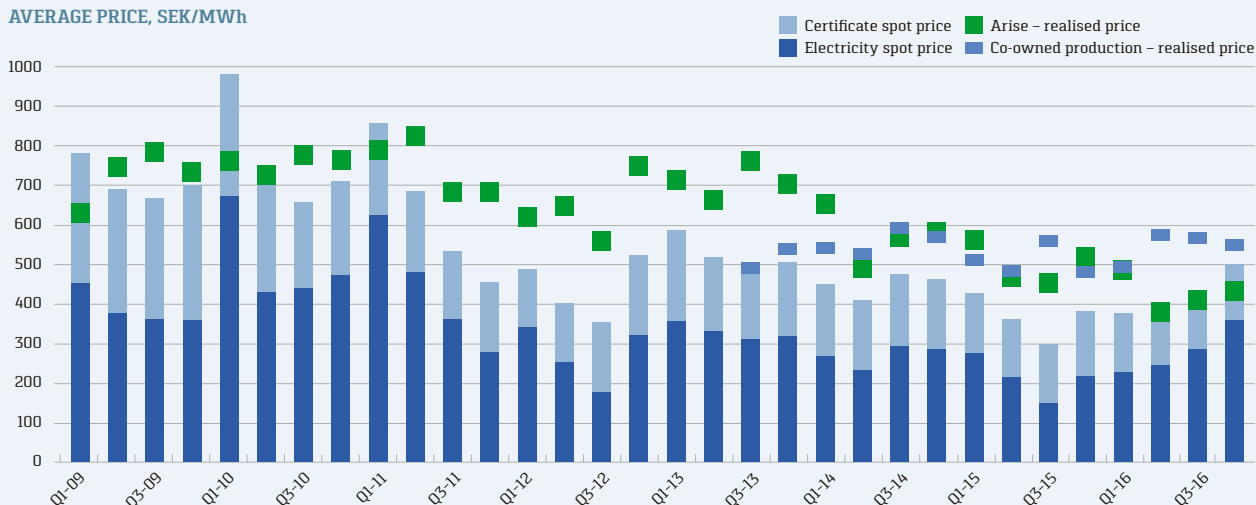
Co-owned wind power operations, MSEK	2016	2015
Income	154	166
Operating expenses	-36	-42
Operating profit before depreciation (EBITDA)	118	124
Operating profit/loss (EBIT)	53	21
Profit/loss before tax	6	-28
Income, SEK per MWh	535	501
Expenses, SEK per MWh	125	128
Average capital employed	1,329	1,418
Return on capital employed (EBIT)	4.0%	1.5%
Return on adjusted capital employed (EBITDA)	8.9%	8.7%

- All figures in the segment reporting on Co-owned wind power operations refer to Arise's 50 % participating interest in the Jädraås project. Arise recognises its share of profits in the Jädraås project after tax.
- Co-owned wind power operations generated a total income of MSEK 154 (166) and an EBITDA of MSEK 118 (124). The decline in both income and EBITDA was due to lower production compared with the preceding year, even though average income was slightly higher. Specific operating expenses fell to SEK 125 (128) per MWh.
- Depreciation amounted to MSEK -65 [-64]. Impairment amounted to MSEK 0 [-39]. Net financial items improved slightly to MSEK -47 [-48].
- Total profit before tax increased to MSEK 6 [-28].



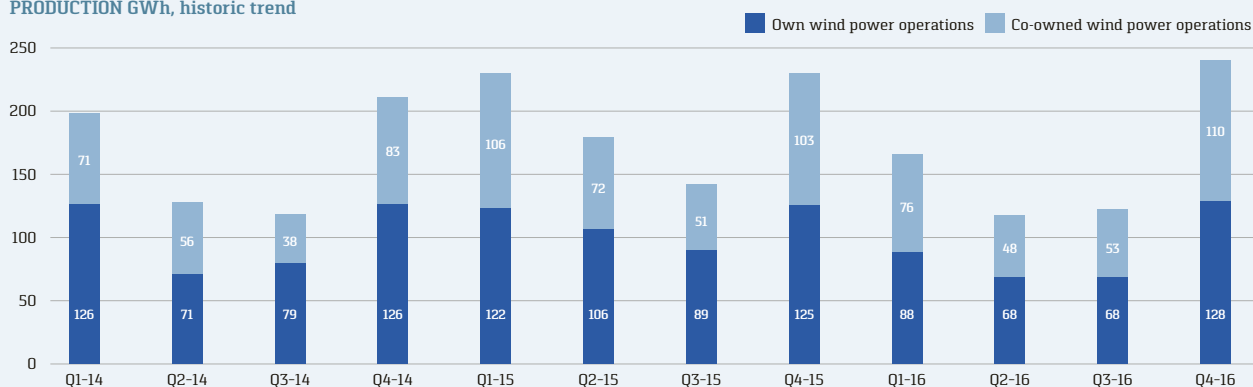
### Realised price and spot price for Own and Co-owned wind power

AVERAGE PRICE, SEK/MWh



### Historic trend in Own and Co-owned electricity production

PRODUCTION GWh, historic trend



### Hedging table for Own and Co-owned electricity production

#### PRICE HEDGES AS OF 31 DEC 2016

	2017	2018	2019
<b>Own production, budget, GWh</b>	342	342	342
Hedged electricity production, GWh	118	< 10	13
Hedged electricity certificate production, GWh	220	185	120
Hedged electricity price, inc. CFD, SEK/MWh <sup>1)</sup>	265	–	264
Hedged electricity certificate price, SEK/MWh	160	141	130
<b>Co-owned production, budget, GWh</b>	286	286	286
Hedged electricity production, GWh	177	178	177
Hedged electricity certificate production, GWh	245	226	140
Hedged electricity price, inc. CFD, SEK/MWh	440	392	311
Hedged electricity certificate price, SEK/MWh	182	152	166

Exchange rate applied: SEK 9.6/EUR <sup>1)</sup> Includes CFD for the area hedged price, otherwise system price

# Portfolio overview



## Own wind power operations

### OXHULT, LAHOLMS MUNICIPALITY

Turbine type: Vestas V90  
Quantity: 12  
Yearly production: 56.8 GWh  
Commissioned: 2009

### RÅBELÖV, KRISTIANSTAD MUNICIPALITY

Turbine type: Vestas V90  
Quantity: 5  
Yearly production: 22.8 GWh  
Commissioned: 2010

### BRUNSMO, KARLSKRONA MUNICIPALITY

Turbine type: GE 2,5 XL  
Quantity: 5  
Yearly production: 24.0 GWh  
Commissioned: 2010

### KÅPHULT, LAHOLMS MUNICIPALITY

Turbine type: GE 2,5XL  
Quantity: 7  
Yearly production: 40.6 GWh  
Commissioned: 2010/2011

### FRÖSLIDA, HYLTE MUNICIPALITY

Turbine type: GE 2,5XL  
Quantity: 9  
Yearly production: 55.4 GWh  
Commissioned: 2011

### IDHULT, MÖNSTERÅS MUNICIPALITY

Turbine type: Vestas V90  
Quantity: 8  
Yearly production: 36.2 GWh  
Commissioned: 2011

### SÖDRA KÄRRA, ASKERSUNDS MUNICIPALITY

Turbine type: Vestas V100  
Quantity: 6  
Yearly production: 37.4 GWh  
Commissioned: 2011/2012

### BLEKHEM, VÄSTERVIK MUNICIPALITY

Turbine type: Vestas V100  
Quantity: 6  
Yearly production: 30.1 GWh  
Commissioned: 2011/2012

### GETTNABO, TORSÅS MUNICIPALITY

Turbine type: Vestas V90  
Quantity: 6  
Yearly production: 30.3 GWh  
Commissioned: 2011

### SKÄPPENTORP, MÖNSTERÅS MUNICIPALITY

Turbine type: Vestas V112  
Quantity: 1  
Yearly production: 8.5 GWh  
Commissioned: 2012



## Managed wind farms

### JÄDRAÅS, OCKELBO MUNICIPALITY

Turbine type: Vestas V112  
Quantity: 66  
Commissioned: 2012/2013  
Owner: Arise AB/Platina Partners LLP

### STJÄRNARP, HALMSTAD MUNICIPALITY

Turbine type: Vestas V100  
Quantity: 3  
Commissioned: 2013  
Owner: KumBro Vind AB

### BROTORP, MÖNSTERÅS MUNICIPALITY

Turbine type: Vestas V126  
Quantity: 14  
Commissioned: 2015  
Owner: BlackRock

### STORRUN, KROKOM MUNICIPALITY

Turbine type: Nordex N90  
Quantity: 12  
Commissioned: 2009  
Owner: Primer Super Ltd Pty.

### SKOGABY, LAHOLMS MUNICIPALITY

Turbine type: Vestas V100  
Quantity: 4  
Commissioned: 2013  
Owner: Allianz Global Investors

### MOMBYÅSEN, SANDVIKENS MUNICIPALITY

Turbine type: Vestas V126  
Quantity: 10  
Commissioned: 2016  
Owner: Allianz Capital Partners

### RYSSBOL, HYLTE MUNICIPALITY

Turbine type: Vestas V110  
Quantity: 6  
Commissioned: 2016  
Owner: KumBro Vind AB

### BOHULT, HALMSTAD MUNICIPALITY

Turbine type: GE 1,6-100  
Quantity: 8  
Commissioned: 2014  
Owner: Allianz Global Investors

### EKEBY, KUMLA MUNICIPALITY

Turbine type: MM 100-HH-100  
Quantity: 3  
Commissioned: 2016  
Owner: KumBro Vind AB

### TELLENES, ROGALAND, NORGE

Turbine type: SWT-3,2 MW  
Quantity: 50  
To be commissioned: 2017  
Owner: BlackRock



## Co-owned wind power operations

### JÄDRAÅS, OCKELBO MUNICIPALITY

Turbine type: Vestas V112  
Quantity: 66  
Yearly production: 572 GWh  
Commissioned: 2012/2013  
Owner: Arise AB/Platina Partners LLP (50/50)



## Wind farms under construction

### SOLBERG, ÖRNSKÖLDSVIKS MUNICIPALITY

Turbine type: Vestas V126  
Quantity: 22  
To be commissioned: 2018  
Owner: Fortum and Skellefte Kraft







Wind power has a key role to play in achieving the EU's energy and climate targets. The target for 2020 is at least 20 per cent of all energy coming from renewable energy sources, and the corresponding target for 2030 is at least 27 per cent. Sweden's national target is at least 50 per cent renewable energy by 2020. Producing electricity from wind power is also becoming increasingly cost-effective, and Sweden's politicians have indicated that they want to continue to support the development of renewable energy sources as part of the energy transition. With the environmental benefit Arise is contributing to this process through the generation of renewable energy, we are an important part of the work towards a sustainable society for future generations.





# Sustainable development with green electricity from wind

## ECONOMIC SUSTAINABILITY

Major players in the financial markets and in other Swedish and international trade and commerce are actively choosing not to invest in fossil and non-sustainable assets due to the high risks involved, and are consciously steering investment towards more sustainable technologies and energy types. With our business model and our focus on renewable energy, we are well positioned to take advantage of the business opportunities that this situation creates, which in turn provides opportunities for generating value for our shareholders. Wind power does not entail any harmful emissions to the environment in terms of greenhouse gases, toxins or other pollutants. The risk of high decommissioning costs is extremely limited and negligible compared to other forms of

electricity production. The cost can be calculated, and the county administrative board generally allocates to a reserve for dismantling wind farms. This is rarely the case for other energy types such as nuclear power, where the decommissioning costs are often unknown and significant.

## ECONOMIC INCENTIVES FOR RENEWABLE ELECTRICITY PRODUCTION

The electricity certificate system provides additional income to a producer of renewable electricity. Our view is, provided that the system is properly managed, that over time this income, along with income from the sale of electricity, can create adequate profitability and return on the investment



for the owner of a wind farm, provided that the investment and operations are efficient – which our business model provides for.

#### **SPREAD OF GEOGRAPHICAL RISK**

Our wind farms are located in different parts of the country, which spreads the geographical risk well.

### **SOCIAL SUSTAINABILITY**

#### **ARISE IN THE COMMUNITY**

New wind farms represent a positive contribution to the community in the form of renewable electricity. However, no energy type is entirely without environmental impact. We remain in touch with both the municipal authorities and local residents in the places where we are planning new wind farms. This contact continues even after the wind

farm is established and we strive for constructive communication with our neighbours. Where necessary, we conduct investigations into the impacts of noise and flickering shadows, and the impact of the wind farm on birds and bats, etc. These investigations are submitted to the supervisory authorities and thus go on the public record, allowing any interested party to access them. Our wind farm activities are also monitored annually in environmental reports and through other accounting to municipalities and county administrative boards.

#### **IMPORTANCE FOR THE COUNTRYSIDE**

When we build wind farms, we create more job opportunities in the project itself, but also benefit the community through increased business activity and positive effects on the local economy and transport operators, shops, hotels, petrol stations, etc. We engage with residents close to our





wind farms and interest from local residents' associations and other associations is on the rise. In some wind farms, an annual grant is distributed among local projects in a district for the purpose of promoting the district. In other wind farms, the leasehold is shared between land owners, who thus receive another source of income in addition to forestry income, for example. Forestry and wind power make a good combination in that electricity and income are produced while waiting for the forest to be ready for harvest. Where wind farms are built, new roads are also constructed and existing roads are improved, facilitating the forestry industry in the area and reducing environmental damage from logging operations and the use of heavy machinery.

#### A CUTTING-EDGE EMPLOYER

A good, safe working environment is a strategic issue, which is clearly stated in our working environment policy. Its aim is

to create a healthy workplace where employees can grow and develop. Feeling motivated in one's work is fundamental to good health, and our objective is to be an employer and a workplace at the cutting edge when it comes to caring for our employees. Ethics and morals are another extremely important issue, and we aim to ensure that we always behave and act in a credible, decent and good way.

**Gender equality:** Our equal opportunity policy and Code of Conduct clearly state that we do not discriminate on the basis of gender, age, ethnicity, religion, disability, sexual orientation or other factors. Important guidelines ensure that all employees are given the same opportunities for skills development, the same opportunities to balance work and family life, and that sexual or other forms of harassment are not tolerated. There is currently an imbalance in terms of gender, age and ethnicity in the company that we are striving to rectify. We are always looking for highly skilled employees and choose our employees on the basis of their capabilities, which we believe will gradually reduce this imbalance.

**Human rights:** Our site and plant contractors are primarily based in Sweden, but these contractors in turn engage subcontractors from other countries. Our wind power plants are manufactured in a global market, which means that their parts may come from all over the world. We have had the opportunity to make a few visits to foreign manufacturing plants. But because we do not have the resources to check the entire supply chain, we have chosen to work only with large, well-known and established brands and companies that have been active for a long time in the Swedish and international markets. Our Code of Conduct clearly states that child labour or forced work under the threat of violence is not tolerated and that freedom of association and the right to collective bargaining and agreements are to be respected.

**Job satisfaction and the working environment:** Regular employee surveys are conducted with the aid of an external consultant, which also provide comparisons with other companies. Career development talks are carried out at least once per year that follow a template. Employee benefits include a preventive health care programme in the form of contributions from the employer to the purchase of fitness measures such as gym membership or participation in some other form of physical activity.

**Health and safety:** Our contractors are not permitted to start any work without first having an Occupational Health & Safety officer on site. This person must also first draw up a health and safety plan and a quality plan. We have a small number of our own construction and project managers in place as well as service technicians once the site is operational. The same strict rules apply to these roles. For high altitude work up inside a wind turbine, special rules apply.

When our service technicians carry out tasks entailing high risk, we attach great importance to them having received the requisite training and ensure that they always work at least in pairs in our wind power plants.

**Ethics and morals:** Maintaining a high standard of business ethics is as important as operating our business in accordance with the applicable law and legislation, which is emphasised in our Code of Conduct. We require honesty and integrity in all Group activities and expect the same from our customers, suppliers and collaborators. There are significant restrictions on gifts and rewards, and bribes are not tolerated. Other areas that are highlighted in our Code of Conduct concern the company's party political neutrality and the relevant reporting of financial transactions in accordance with generally accepted accounting policies.

## ENVIRONMENTAL SUSTAINABILITY

### WIND POWER'S ENVIRONMENTAL IMPACT

The mining and extraction of coal often involves significant interference with the natural landscape entailing a high risk of significant negative environmental impacts. When burned, coal forms ash containing heavy metals and emits greenhouse gases. Nuclear power generates waste that requires safe storage for thousands of years. The decommissioning of a nuclear power plant takes many decades and accidents with extremely serious adverse consequences have occurred a number of times in recent years, for example, in Japan. Wind power does not have these problems. The environmental impact of the energy and materials consumed to manufacture a wind turbine is earned back after only six months of operation, and emissions during operation are entirely neutral for the environment, with the exception of a limited local impact. Disturbance of the local environment concerns primarily five areas:

**Noise:** The noise from the blades of wind turbines and generators can be experienced as disturbing. There are therefore clear rules for the maximum permissible noise level from wind turbines. We carry out regular noise measurements within our wind farms to verify that we are not exceeding these limits. Noise is measured using standardised methods and reported to the supervisory authorities and other stakeholders.

**Flickering shadows:** Flickering shadows from the blades can be experienced as disturbing. We have a general limit of a maximum of eight hours per year at nearby housing in all wind farms. We therefore always calculate the flickering shadows effect for nearby housing in connection with the construction of a new wind farm. Where

necessary, the wind turbines are equipped with flickering shadows mitigation, which means that the wind turbine is stopped when there is a high risk of flickering shadows affecting a residence.

**Landscape profile:** Wind turbines may be visible from a very long distance in open landscapes. For this reason, locating wind farms in sensitive areas is avoided. Our own wind farms are located on active forestry or agricultural land.

**Animals and natural assets:** Establishing a wind power plant requires careful planning so that disturbance to







animals and natural assets is minimised. We have carried out a large number of bird, bat and natural asset inventories prior to wind power plant constructions. Wind farm planning has been stopped altogether in locations where the natural assets are too valuable. In most operational wind farms, we have also carried out studies of the impacts on birds and bats.

**Cultural environment and archaeology:** Before the establishment of a wind farm, we carry out archaeological inventories in the area. We try in all cases to minimise the impact on ancient monuments and sometimes move a

planned wind power plant to avoid impinging on high-value cultural environment assets.

We are always striving to find new solutions to streamline processes and products. Some of the things we have focused on in recent years are how we can generate more electricity from our wind turbines, streamline the construction process, standardise our methods and add more value for our customers. Technological development and the efficient use of energy and raw materials are key areas of focus for us. We are curious about what will work in the future and we want to be involved in the transition to a sustainable society.





# Directors' Report

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 1 January – 31 December 2016 financial year .



## GROUP

### Operations

Arise AB is the Parent Company of the Arise Group, which mainly includes 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. In addition, the Group also includes Arise Elnät AB, Arise Drift och Förvaltning AB, Arise JV AB and Arise Kran AB. Arise Drift och Förvaltning AB, Arise Wind HoldCo 4 AB and Arise JV AB were liquidated during the year and Arise Kran AB will be discontinued over time since business activities are no longer conducted in this company. In addition, the Group comprise the associate Sirocco Wind Holding AB, which Arise AB co-owns with Sydvästanvind AB, which is, in turn, controlled by the UK company Platina Partners LLP. Sirocco Wind Holding AB owns the Jädraåsen wind farm, comprising a total of 66 turbines each with an output of 3.1 MW, which are formally operated by both Jädraås Vindkraft AB and Hällåsen Kraft AB.

The Parent Company conducts most of the work on developing projects (project planning to identify suitable wind locations, signing leasehold agreements, producing impact assessments, preparing detailed development plans and permits), divesting projects to external investors, building new projects, managing projects both internally and externally (technically and financially) and managing the Group's electricity and electricity-certificate trading activities.

Arise Elnät AB is fully devoted to consulting on grid-related issues with responsibility for electrical contracts relating to the Group's wind power expansion. This responsibility includes the management of applications for licences to build transmission networks used to transmit electricity produced in the wind farms to the overlying electricity grid. All of the Group's operations are conducted in Sweden.

### Events in brief

The Solberg project, with a capacity of 75 MW, was divested to Fortum in February. An asset management agreement was signed for the construction of the farm. The Kolvallen project, with an output of approximately 200 MW, was acquired from Ownpower Projects Europe AB in the spring. A letter of intent was signed in September regarding the sale of Kolvallen to Fortum. An agreement to acquire a project portfolio of up to 370 MW from Kraftö was also signed in September and the Bröcklingeberget project was acquired in October. In November, the operational Bohult wind farm, with an output of 12.8 MW, was divested to a fund managed by Allianz Global Investors and an asset management agreement was signed. In December, an asset management agreement was signed with BlackRock for the Tellenes wind farm, which has a capacity of 160 MW and is situated in Norway.

The Ryssbol project, with its output of 12 MW, was com-

pleted and handed over to KumBro Vind AB just before the end of the year. The project was completed on time and within budget. Mombyåsen, 33 MW, was also completed on behalf of Allianz Capital Partners. This project was completed on time and under budget. Final settlement with Allianz Capital Partners took place in the first quarter of 2017.

Production in the company's Own and Co-owned wind farms fell to 640 GWh during the year, due to fewer proprietary operated farms and weaker winds.

### Net sales and results

Net sales are attributable to the production of electricity in the Own wind power operations segment and consist of income for sold electricity and sold and earned electricity certificates for actual electricity produced. Several farms were leased out in the first quarter of 2016 and rental income accrued on this production is also included in net sales. When calculating the average income for electricity and electricity certificates, rental income is included and recognised as a hedge of income for electricity and certificates. Net sales also include sales proceeds from sold projects, which are recognised gross in net sales and management income. Weaker winds than normal and fewer farms in operation resulted in lower total production. Production from Own (including leased capacity) and Co-owned wind power operations during the year amounted to 640 GWh (774), down 17%, of which production from Own wind power operations was 353 GWh (442). Arise has continued to successfully divest operational and construction-ready projects and to expand its managements operations during the year. In total, agreements regarding the divestment of 88 MW and an asset management agreement for 191 MW were signed including Ryssbol for which management started at the end of the year.

Net sales amounted to MSEK 594 (487). The increase was due to higher development and management income in 2016 compared with 2015. Other operating income amounted to MSEK 1 (21), meaning that total income amounted to MSEK 594 (508). Capitalised work on own account declined to MSEK 8 (10). Consolidated profit/loss from associates was MSEK 0 (-25), including an impairment loss of MSEK 0 (-39), pertaining to the company's 50 % shareholding in the Sirocco Group. Operating expenses increased to MSEK 464 (301), of which MSEK 367 (174) was attributable to sales of projects and MSEK 97 is comparable with operating expenses of MSEK 127 in the preceding year. Accordingly, operating profit before depreciation and amortisation (EBITDA) amounted to MSEK 138 (193). Nevertheless, operating profit (EBIT) improved to MSEK 33 (-58) despite the above, due to impairment losses of MSEK -18, compared with MSEK -151 in 2015. Net financial items improved, partially due to lower borrowings and currency fluctuations, bringing profit/loss before and after tax to MSEK -52 (-164) and MSEK -41 (-156),



respectively, corresponding to a loss per share of SEK -1.23 [-4.67], both basic and diluted.

### Investments

Investments in property, plant and equipment amounted to MSEK 43 (28), and sales reduced property, plant and equipment by MSEK 202 (145).

### Cash flow

Cash flow from operating activities before changes in working capital amounted to MSEK 139 (218). Changes in working capital had an impact on cash flow by MSEK 43 (-48), resulting in cash flow from operating activities of MSEK 182 (170). Investments in, and sales of, property, plant and equipment amounted to MSEK 160 (116), after which cash flow after investments totalled MSEK 342 (287). The net amount of non-current and current interest-bearing liabilities reduced cash flow by MSEK -195 (-156). Interest of MSEK -73 (-92) was paid and interest of MSEK 1 (7) was received. Net payments to and from blocked accounts amounted to MSEK 9 (1), after which cash flow for the year amounted to MSEK 84 (46).

### Financing and liquidity

Net interest-bearing debt totalled MSEK 992 (1,248).

The equity/assets ratio at the end of the period was 41.5 % (39.4). Cash and cash equivalents amounted to MSEK 287 (203) and unutilised overdraft facilities amounted to MSEK 50 (18). In addition, Arise has a MSEK 50 holding in the company's senior unsecured bonds.

### Taxes

Since 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 amortisation/depreciation capacity, no corporate tax is expected to be recognised as paid in the next few years.

### Employees

The average number of employees in the Group for the year totalled 28 (31). The total number of employees at year-end was 29 (31). Additional information about the number of employees and salaries, remuneration and terms of employment is provided in Note 4 of the consolidated financial statements.

## PARENT COMPANY

The Parent Company conducted most of the work on developing projects (project planning to identify suitable wind locations, signing leasehold agreements, producing impact assessments, preparing detailed development plans and permits), divesting projects to external investors, building new projects, managing projects both internally and exter-

nally (technically and financially) and managing the Group's electricity and electricity certificate trading activities.

The Parent Company manages the Group's production plans and electricity hedges in accordance with the adopted financial policy. The electricity-generating subsidiaries sell their electricity production to customers under contract while any surplus electricity is sold at spot prices to Arise, which sells it on to the spot market. This intra-Group trading activity is recognised gross in the income statement. The Parent Company's operations in the first quarter of 2016 also included the lease of production facilities. Wind turbines were leased from subsidiaries and leased on to external parties.

The Parent Company's total income for the year amounted to MSEK 409 (369). During the year, the purchase of electricity and certificates, lease of wind power facilities, costs for sales of projects, personnel and other external expenses, capitalised work on own account, and amortisation/depreciation and impairment of non-current assets totalled MSEK -434 (-447), resulting in an operating loss (EBIT) of MSEK -25 (-78). A net financial expense of MSEK -96 (-364), including impairment, and Group contributions of MSEK 119 (138) led to a net loss after tax of MSEK -12 (-304).

## ENVIRONMENTAL IMPACT

The Group's core business is to produce renewable electricity without releasing CO<sub>2</sub>, dust or other emissions into the air, water or ground. Operations include building and construction work, in conjunction with building new wind turbines 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 and for necessary usage by external contractors for ground and construction work, and also to fuel needed by suppliers and for 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 turbines and electrical plants, the Group is required to hold all the necessary permits and also provide the 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, financ-

ing, capital, liquidity and credit risks) and operational risks (operations, operating expenses, contracts, disputes, insurance and other risk management).

### External risks

Arise believes there will be demand for wind-power produced electricity for the foreseeable future. The Swedish Government's climate and energy policy has a stated target that a minimum of 50 % of total energy consumption in Sweden is to be generated from renewable energy sources by 2020. According to the agreement on Swedish energy policy reached in June 2016, support for renewable electricity production is to continue to be provided by expanding the existing electricity certificate system by 18 TWh between 2021 and 2030. However, considerable uncertainty exists surrounding the structure of this system.

The price of electricity and electricity certificates can be affected by a number of factors ranging from economic climate, price of raw materials and CO<sub>2</sub> prices to the structural supply and demand situation. These factors could also influence opportunities for accessing equity and raising debt.

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 turbines. Wind speed varies between seasons and also between individual years. The risk of fluctuation in production volumes is reduced by establishing a portfolio of projects in various geographical locations and by performing extensive wind measurements prior to making investment decisions. Unfavourable weather conditions and climate change may, however, have a negative impact on electricity production which, in turn, would affect the company's earnings. Furthermore, Arise is dependent on income from divesting operational and construction-ready projects to external investors. Through its comprehensive project portfolio and its platform for construction and asset 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 for wind farm construction, including project rights, grid 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 marketplace. The Group manages this risk by hedging a certain portion of planned

production. Electricity certificate price risk is managed in a similar manner. Future price trends remain uncertain and any decline in the prices of electricity and electricity certificates could be an indication of the risk of a reduction in value of existing investments.

Currency risk in the Group primarily arises when procuring turbines and selling electricity on Nord Pool, both usually priced in EUR. 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. Interest rate risk is managed by fixing the interest rates of most loans raised through swap interest rate agreements.

Liquidity risk refers to the risk that Arise will be unable to meet its payment obligations as a result of insufficient liquidity, difficulties in meeting its financial covenants in credit agreements or limited opportunities for raising new loans.

Arise is to maintain financial preparedness by holding a liquidity reserve, comprising cash and cash equivalents and unutilised lines of credit, corresponding to a minimum of MSEK 100.

For more information, refer to Note 11 in the consolidated financial statements on pages 68–73.

### Operational risks

The risk 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 geographical diversity of the farms, and to the fact that different manufacturers have been used. 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. The Group's insurance cover includes business interruption insurance, liability insurance, product insurance, wealth insurance and limited coverage for environmental damage.

In Arise's opinion, there are no disputes with a potentially significant impact on the Group's financial position. Arise also believes that operational risks are reduced by the size of the Group and the composition of Group management, which comprises employees with 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 at Arise are available on Arise's website, [www.arise.se](http://www.arise.se)

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

## DISCLOSURE REGARDING THE COMPANY'S SHARES

### Total number of shares, votes, dividends and new shares

On 31 December 2016, a total of 33,428,070 shares were issued. Shareholders have the right to vote for all the shares they own or represent. All shares entitle the holder to equal dividends.

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

The Annual General Meeting held on 3 May 2016 resolved to introduce a warrant programme by issuing a maximum of 750,000 warrants to a subsidiary in the Group for transfer to employees of the company. A total of 560,000 warrants were subscribed for by the subsidiary, all of which were transferred to the programme participants. The transfer to participants took place at market value calculated using the Black & Scholes formula. Each warrant entitles the holder to subscribe for one new ordinary share in the company for a subscription price of SEK 18.70. The warrants can be utilised during the period from 4 March 2019 up to and including 15 March 2019. On full utilisation of the warrants, the company's share capital will increase by SEK 44,800 by issuing 560,000 ordinary shares, corresponding to dilution of approximately 2% based on the number of ordinary shares in the company prior to the issue of convertibles with preferential rights that took place in March 2017. The warrants are subject to standard conversion conditions in connection with issues, etc.

### Authorisation

The Annual General Meeting held on 3 May 2016 resolved to authorise the Board, for the period until the next Annual General Meeting, to resolve on issues of ordinary shares, preference shares and convertibles, repurchases of the company's treasury 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 and its companies.

## AGREEMENTS WITH CLAUSES CONCERNING CHANGES IN OWNERSHIP

With a change in ownership entailing a "change of control" or if Arise is de-listed from Nasdaq Stockholm, a clause in both bond agreements applies under which the bond holder has the right to claim redemption of the bonds including accrued interest.

Except for these agreements, the Group has no other material agreements that 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 remuneration if such individuals terminate their employment, 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 places great importance on conducting its business activities based on sound legal and business ethics. The company's Code of Conduct highlights the principles governing the Group's relationships with its employees, business partners and other stakeholders. The Code of Conduct applies to both employees and the Board of Directors. The Group's 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 policies in an honest, relevant and comprehensible manner.

Arise takes a neutral position regarding party 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 over 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 are respected.

## GUIDELINES REGARDING REMUNERATION OF SENIOR EXECUTIVES

The company's guidelines regarding remuneration of senior executives were adopted at the Annual General Meeting held on 3 May 2016, 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 are to 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 may, from time to time, be offered variable remuneration. Such variable remuneration is to be specified in the employment contract for each executive. The company's maximum costs for variable remuneration of senior executives, including social security contributions, are reported at the company's Annual General Meeting. Variable remuneration is primarily based on the company's results. No variable remuneration was paid to senior executives for 2016. The Remuneration Committee proposes and evaluates the variable targets for senior executives each financial year. The Remuneration Committee's evaluation is reported to the Board.

Certain senior executives were offered the opportunity to be included in Arise's share-based warrant programmes, which are described in the Annual Report and, where applicable, in the complete proposals to the Annual General Meeting. Each year, the Remuneration Committee and the Board 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 may be entitled to individually arranged pension solutions. Senior executives can sacrifice portions of 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 period of notice is 6 months when initiated by the employee and a maximum of 12 months when initiated by the company, except for one senior executive who has a 24-month period of notice when termination of employment is initiated by the company, of which the last 12 months can be settled against other employment. No severance pay is paid during the termination period except for the executive's normal salary.

Largely similar guidelines regarding remuneration of senior executives are proposed for 2017. A more detailed description of the guidelines is found on the company's website under Corporate Governance.

## EVENTS AFTER BALANCE SHEET DATE

In order to proactively develop Arise's position in the market and to strengthen its financial flexibility, the Board of Arise has decided, after authorisation by the Annual General Meeting on 3 May 2016, that the company will raise a convertible loan with a maximum nominal amount of approximately MSEK 245 through a new issue of convertibles with preferential rights for the company's existing shareholders.

Arise has completed the previously announced acquisition of Kraftö AB's project portfolio of up to 370 MW.

An option agreement to acquire the project Svartnäs, approx. 100 MW, was entered into.

## PROPOSED APPROPRIATION OF PROFITS

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

Parent Company	TSEK
Accumulated deficit from preceding year	-382,268
Share premium reserve, non-restricted equity	1,367,761
Net loss for the year	-12,161
<b>Total unappropriated earnings</b>	<b>973,331</b>
The Board of Directors and the CEO propose to the Annual General Meeting that the available earnings be appropriated as follows:	
<b>To be carried forward</b>	<b>973,331</b>

*For more information regarding the earnings 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	2016	2015
Net sales		594	487
Other operating income		1	21
<b>Total income</b>	<b>2</b>	<b>594</b>	<b>508</b>
Capitalised work on own account	2	8	10
Personnel costs	4	-36	-51
Other external expenses	5	-428	-250
Profit/loss from associates	10	-	-25
<b>Operating profit before depreciation (EBITDA)</b>		<b>138</b>	<b>193</b>
Depreciation and impairment of property, plant and equipment	9	-105	-250
<b>Operating profit/loss (EBIT)</b>		<b>33</b>	<b>-58</b>
Financial income	6	1	1
Financial expenses	6	-86	-107
<b>Profit/loss before tax</b>		<b>-52</b>	<b>-164</b>
Tax on profit/loss for the year	7	11	8
<b>Profit/loss for the year</b>		<b>-41</b>	<b>-156</b>
<b>Earnings per share (SEK)</b>			
Basic		-1.23	-4.67
Diluted		-1.23	-4.67
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 (2015: 33,373,876 shares). The company has issued warrants that could result in dilution, but no dilution is recognised since 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	2016	2015
<b>Profit/loss for the year</b>	<b>-41</b>	<b>-156</b>
Other comprehensive income		
<i>Items that may be reclassified to the income statement</i>		
Translation differences for period	-1	1
Cash flow hedges	-18	36
Net investment in foreign currency	3	-5
Share of other comprehensive income in associates	-17	57
Income tax attributable to components of other comprehensive income	3	-21
<b>Other comprehensive income for the year, net after tax</b>	<b>-30</b>	<b>69</b>
<b>Total comprehensive income for the year</b>	<b>-71</b>	<b>-87</b>

Comprehensive income is attributable in its entirety to Parent Company shareholders.



# Consolidated balance sheet

Amounts to the nearest MSEK	NOTE	2016	2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	1,565	1,836
Participating interests in associates	10	–	–
Receivables from associates	22	446	445
Deferred tax assets	7	59	41
Other financial non-current assets	12	12	23
<b>Total non-current assets</b>		<b>2,082</b>	<b>2,345</b>
<b>Current assets</b>			
Inventories	13	19	62
Accounts receivable	15	6	15
Receivables from associates	22	–	–
Other current receivables	14	13	37
Derivative assets	11	1	16
Prepaid expenses and accrued income	16	52	89
Cash and cash equivalents		287	203
<b>Total current assets</b>		<b>378</b>	<b>422</b>
<b>TOTAL ASSETS</b>		<b>2,460</b>	<b>2,767</b>
<b>EQUITY</b>			
Share capital	17	3	3
Other contributed capital		1,321	1,320
Hedging reserve		-103	-74
Retained earnings/accumulated deficit		-201	-158
<b>Total equity</b>		<b>1,020</b>	<b>1,090</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities	18	943	1,415
Provisions	19	20	22
<b>Total non-current liabilities</b>		<b>962</b>	<b>1,437</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	18	348	58
Advance payments from customers		–	41
Accounts payable		20	31
Derivative liabilities	11	75	59
Other liabilities	11	1	1
Accrued expenses and deferred income	20	33	49
<b>Total current liabilities</b>		<b>477</b>	<b>240</b>
<b>TOTAL EQUITY OCH LIABILITIES</b>		<b>2,460</b>	<b>2,767</b>

## Consolidated cash flow statement

Amounts to the nearest MSEK	NOTE	2016	2015
<b>Operating activities</b>			
Operating profit/loss (EBIT)		33	-58
Adjustment for non-cash items	8	108	277
Tax paid		-2	-2
<b>Cash flow from operating activities before changes in working capital</b>		<b>139</b>	<b>218</b>
<b>Cash flow from changes in working capital</b>			
Increase (-) / decrease (+) in inventories		43	-35
Increase (-) / decrease (+) in operating receivables		75	-77
Increase (+) / decrease (-) in operating liabilities		-74	65
<b>Cash flow from operating activities</b>		<b>182</b>	<b>170</b>
<b>Investing activities</b>			
Investments in property, plant and equipment		-43	-28
Sales of property, plant and equipment		202	145
<b>Cash flow from investing activities</b>		<b>160</b>	<b>116</b>
<b>Financing activities</b>			
Change in interest-bearing liabilities		-195	-156
Interest paid		-73	-92
Interest received		1	7
Deposits to/payments from blocked accounts		9	1
New share issues/warrants		1	-
<b>Cash flow from financing activities</b>		<b>-258</b>	<b>-241</b>
<b>Cash flow for the year</b>		<b>84</b>	<b>46</b>
Cash and cash equivalents at beginning of year		203	157
Cash and cash equivalents at year-end		287	203
Interest-bearing liabilities at year-end		1,291	1,474
Blocked cash and cash equivalents at year-end		-12	-22
<b>Net debt</b>		<b>992</b>	<b>1,248</b>



## Group equity

Amounts to the nearest MSEK	Share capital	Other contributed capital	Hedging reserve	Retained earnings/accumulated deficit	Total equity
Opening balance on 1 Jan 2015	3	1,320	-145	-1	1,178
Profit/loss for the year				-156	-156
Other comprehensive income for the year			70	-1	69
Closing balance on 31 Dec 2015	3	1,320	-74	-158	1,090
Opening balance on 1 Jan 2016	3	1,320	-74	-158	1,090
Profit/loss for the year				-41	-41
Other comprehensive income for the year			-28	-1	-30
Value adjustment, issued warrants		1			1
Closing balance on 31 Dec 2016	3	1,321	-103	-201	1,020

### DEFINITIONS OF KEY RATIOS

#### EBITDA margin

EBITDA as a percentage of total income.

#### Operating margin

EBIT as a percentage of total income.

#### Return on capital employed

Rolling 12-month EBIT as a percentage of quarterly average capital employed for the period. In the segment reporting, this key ratio 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 EBITDA as a percentage of quarterly average capital employed for the period. In the segment reporting, this key ratio 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 as a percentage of quarterly average equity for the period.

#### Equity per share

Equity divided by the average number of shares.

#### Equity per share after dilution

Equity divided by the average number of shares after dilution.

#### Net financial items

Financial income less financial expenses.

#### Average equity

Quarterly average equity for the period.

#### Average capital employed

Quarterly average capital employed for the period.

#### Operating cash flow

Cash flow from operating activities after changes in working capital.

#### Net interest-bearing debt

Interest-bearing liabilities less cash and blocked cash and cash equivalents.

#### Interest coverage ratio

Operating profit (EBIT) plus financial income in relation to financial expenses.

#### Specific operating expenses, SEK per MWh

Operating expenses for electricity production divided by electricity production during the period.

#### Debt/equity ratio

Net interest-bearing debt as a percentage of equity.

#### Equity/assets ratio

Equity as a percentage of total assets.

#### Capital employed

Equity plus net interest-bearing debt.

#### General information about key ratios

In its reporting, Arise applies key ratios based on the company's accounting. The reason that these key ratios are applied in the reporting is that Arise believes that it makes it easier for external stakeholders to analyse the company's performance.

# Notes to the consolidated financial statements

## NOTE 1 • ACCOUNTING POLICIES

### ACCOUNTING POLICIES 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 Nasdaq Stockholm. The company's registered office is located in Halmstad. The company's and its subsidiaries' primary operations are described in the Directors' Report in this Annual Report. The consolidated financial statements for the financial year ending on 31 December 2016 were approved by the Board of Directors on 20 March 2017, and will be presented to the Annual General Meeting for adoption on 4 May 2017.

#### 2. Summary of important accounting policies

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

##### Basis of preparation of the financial statements

The consolidated financial statements for Arise AB were prepared in accordance with the Swedish Annual Accounts Act, the Swedish Financial Reporting Board's RFR 1 Supplementary Accounting Rules for Groups, as well as International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Interpretations Committee (IFRS IC) as adopted by the EU.

The preparation of financial statements in accordance with IFRS requires the application of various important estimates and assumptions for accounting purposes. Management is also required to make assessments regarding the application of the Group's accounting policies. The areas that involve a high degree of assessment, which are complex, or in which estimates 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 measured at cost, adjusted for amortisation/depreciation and impairment, with the exception of financial instruments, which have been measured at fair value. The applied accounting policies deemed significant to the Group are described below.

##### New and amended standards applied by the Group

The following standards were applied by the Group for the first time for financial years beginning on 1 January 2016:

- Annual improvements of IFRS standards, Cycle 2012–2014

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 policies 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 2016, 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

This standard addresses the classification, measurement and recognition of financial assets and liabilities and introduces new hedge accounting regulations. The complete version of IFRS 9 was issued in July 2014 and replaces those parts of IAS 39 addressing the classification and measurement of financial instruments and introduces a new expected loss impairment model.

Following the amendments adopted by the IASB in July 2014, the Group does not anticipate any impact on the classification, measurement 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 the income statement and the Group has no liabilities 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.

#### *IFRS 15 Revenue from Contracts with Customers*

This is the new standard for revenue recognition. IFRS 15 supersedes IAS 18 Revenue and IAS 11 Construction Contracts.

IFRS 15 is based on the principle that income is recognized when control of the sold good or service is passed to the customer – 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 retrospective” or prospective application with additional disclosures. The Group does not expect any material impact from the transition to IFRS 15 based on current agreements. IFRS 15 is effective from 1 January 2018.

#### *IFRS 16 Leases*

In January 2016, the 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 approach that the lessee has the right to use an asset for a specific period of

time while concurrently recognising a commitment to pay for this right. Recognition for lessors will remain unchanged in all material aspects.

The Group is currently unable to estimate the impact of the new regulations on the financial statements. The Group will perform a detailed evaluation during the forthcoming year and has thus not yet evaluated the effects of IFRS 16.

The Group expects to apply the policies from 1 January 2019.

None of the other IFRS or IFRIC interpretations yet to enter into force are expected to have any material effect on the consolidated 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 holding 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 acquisition method. The acquired identifiable assets, liabilities and contingent liabilities are measured at fair value as of the acquisition date. Any surplus, comprised of the difference between the cost paid for the acquired holding and the sum of the fair values of the acquired identifiable assets and liabilities, is recognised 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 policies for subsidiaries have, if appropriate, been changed in order to guarantee consistent application of the Group's policies.



### *Sales of subsidiaries*

When the Group no longer exercises control, any remaining holding in the company is measured 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 recognition of the remaining holding as an associate, 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.

### *Associates*

Associates 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. Holdings in associates are recognised according to the equity method.

In accordance with the equity method, holdings in associates are initially recognised at cost in the consolidated balance sheet. The carrying amounts of holdings in associates recognised by the Group also include any goodwill and other surplus values identified on acquisition. The carrying amount is subsequently increased or decreased to reflect the Group's share of profit and other comprehensive income after the acquisition date. The Group's share of profit is included in consolidated profit and the Group's share of other comprehensive income in consolidated other comprehensive income. Dividends from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate is the same amount as or exceeds the holding in this associate (including all non-current receivables that in reality comprise part of the Group's net investment in this associate), the Group no longer recognises any additional losses unless the Group has undertaken to pay or made payments on behalf of the associate.

If the participating interest in an associate decreases but the holding continues to be defined as an associate, only a proportional amount of the income statement that was previously recognised in other comprehensive income is reclassified to the income statement.

At the end of each reporting period, the Group tests whether there is objective evidence of impairment regarding investments in associates. In such cases, the Group calculates the impairment as the difference between the recoverable amount of the associate and the carrying amount, and recognises the amount in "Share of profit from associates" in the income statement.

Gains and losses from "upstream" and "downstream"

transactions between the Group and its associates are recognised in the consolidated financial statements only to the extent that they mirror non-associates' holdings in the associate. Unrealised losses are eliminated, unless the transaction constitutes an indication of an impairment requirement in the transferred asset. The applied accounting policies in associates have been amended, where applicable, to ensure consistency with the Group's policies.

### *Leases*

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 recognised as finance leases. Other contracts are reported as operating leases and are expensed on a straight-line basis over the term of the lease.

### *Finance leases*

The Group has not had any finance leases since 1 July 2015.

### *Operating leases*

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

Until the first quarter of 2016, the Group had signed agreements regarding the lease of wind farms under which the Group is lessor, and these leases are also classified as operating leases. All leasing income is variable and is based on the turbine's production. The lease fees are recognised as income in line with actual production.

### *Translation of foreign currencies*

#### *Functional currency and presentation currency*

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 functional currency of the Parent Company and the presentation currency of the Group.

#### *Transactions and balance sheet items*

Transactions in foreign currencies are translated to the functional currency at the exchange rates applicable on the transaction date or the day on which the items were remeasured. Exchange rate gains and losses arising on payment of such transactions and in the translation of monetary assets and liabilities in foreign currency at the closing rate are recognised in the income statement. The exception is transactions that are hedges that meet

the conditions for hedge accounting of cash flows or net investments for which gains/losses are recognised in other comprehensive income. Exchange rate differences on operating receivables and operating liabilities are recognised in EBIT, while exchange rate differences on financial receivables and liabilities are recognised in net financial income. Realised gains and losses on hedging derivatives are recognised in the income statement items in which the hedged transactions are recognised.

#### *Group companies*

The earnings and financial position of all Group companies whose functional currency is different to the presentation currency are translated to the Group's presentation currency as follows:

- assets and liabilities for each of the balance sheets are translated at the closing rate
- income and expenses for each of the income statements are translated at the average exchange rate
- all exchange rate differences that arise are recognised in other comprehensive income

#### *Revenue recognition*

Income is recognised in the income statement when the significant risks and benefits have been transferred to the purchaser. Income is not recognised if it is probable that the financial benefits will not accrue to the Group. Income is recognised at the fair value of the amount received, or expected to be received.

Net sales include the sale of generated electricity, earned and sold electricity certificates, gains and losses from electricity and currency derivatives attributable to the hedged production, and income from leased production facilities. Net sales also include development income from sold projects, management income and other remuneration from wind-farm leases. Sales of projects are considered to constitute sales of inventory assets, see Note 2 for more information. Such sales are recognised gross in the consolidated financial statements, whereby the carrying amount of the non-current asset comprises the cost of goods sold, with the corresponding income amount recognised gross as net sales. Capital gains/losses are thereby recognised at the equivalent amount as though the company had recognised the profit on the sale at net value. Development income, management income and sales of projects are excluded from calculations of average prices.

Other operating income comprises income from crane rental, sales of non-current assets and other minor items, see Note 2.

Income arising from the sale of generated electricity is recognised in the period in which delivery took place, at the

spot price, forward price or other contracted price. Income relating to electricity certificates is recognised at the applicable spot price, forward price or other contracted price for the period in which the electricity certificate is earned, which is the period in which the electricity was produced. Income from electricity and electricity certificates is recognised in net sales for the Wind power operations segment, from the date of commissioning. Income from the lease 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 recognised as a hedge of income for electricity and certificates.

Electricity certificates are recognised under inventories in the balance sheet when they are registered in the Swedish 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 concurrently as the risks inherent to the project are transferred from Arise to the purchaser.

#### *Employee benefits*

##### *Short-term employee benefits*

Employee benefits comprise salaries, holiday pay, paid sick leave, etc., and pensions. Liabilities for salaries and remuneration, including paid sick leave, that are expected to be settled within 12 months from the end of the financial year are recognised as current liabilities at the discounted amount that is expected to be paid when the liabilities are settled.

The expense is recognised in pace with the services being performed by the employees. The liabilities are recognised as an obligation regarding employee benefits in the balance sheet.

##### *Post-employment benefits*

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. For information regarding remuneration of senior executives, refer to the Directors' Report on page 44.

##### *Share-based payment*

On 31 December 2016, the Group had one share-based payment plan, in which settlement is provided in the form of

shares. The acquisition price of warrants 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 resolved in 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, at 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 per warrant, refer to Note 4. The social security contributions attributable to the allotment of warrants are considered integral to the allotment, and the expense is treated as a share-based payment settled in cash.

Arise did not make any cash payment related to the synthetic warrants since the price on 10 January 2017 fell below SEK 25, and the programme was thus discontinued.

### Current and deferred tax

Tax expense for the period includes current tax calculated on the taxable earnings for the period at applicable tax rates. Current tax expense is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unutilised loss carry-forwards.

Current tax expense is calculated on the basis of the tax rules that have been decided or decided in practice on the balance sheet date in the countries in which the Parent Company and its subsidiaries operate and generate taxable income.

Deferred tax is recognised on all temporary differences arising between the tax value of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is calculated by applying tax rates that have been decided or announced on the balance sheet date and that are expected to apply when the tax asset in question is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is likely that future tax surpluses will be available against which temporary differences can be utilised.

Current and deferred tax is recognised in the income

statement, with the exception of tax attributable to items recognised in other comprehensive income or directly in equity. For such items, the tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legal right of offset for current tax assets and tax liabilities and when the deferred tax assets and liabilities are attributable to taxes levied by a single tax authority and pertain to either the same tax payer or different tax payers, where the intention is to settle balances by making net payments.

### Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and any 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 farms 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 consolidated financial statements and is included in the cost for the wind turbines.

Subsequent expenditure increases the asset's carrying amount or is recognised 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 farms is depreciated on a straight-line basis down to a maximum of the asset's estimated residual value and over the asset's expected useful life. The Group applies component depreciation, meaning that the components' estimated useful lives form the basis of straight-line depreciation. The depreciation of wind farms is initiated when taken over 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 of non-financial assets

Assets that are depreciated are assessed based on a decline



in value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment is recognised at the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling expenses and its value in use. 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. When testing for impairment, assets are grouped at the lowest level where there are essentially independent cash flows (cash generating units).

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

The Group classifies its financial assets into the following categories:

- loans and accounts receivable
- derivative instruments as hedging measures

Classification is based on the purpose of acquiring the financial asset. Management determines the classification of the investments upon initial recognition.

### Loans and accounts receivable

Loans and accounts receivable are financial assets that are not derivatives, that have determined, or determinable, payments and that 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 the balance sheet date, which are classified as non-current assets. The Group's loans and accounts receivable comprise "Receivables from associates", "Accounts receivable", "Other receivables" and "Cash and cash equivalents" in the balance sheet.

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

### Derivatives and hedging

Derivative instruments are recognised in the balance sheet

on the contract date and are measured at fair value, both upon initial recognition and in subsequent remeasurement. The method for recognising the gain or loss arising in conjunction with remeasurement 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 forecast as highly likely to take place (cash flow hedge), or (c) hedging of net investments in foreign currency (hedging of net investments).

Measurement 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.

### Cash flow hedges

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 EBIT 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 ongoing 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.

### Hedging of net investments

Hedges of net investments in operations with a functional currency different from the Group's are recognised 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.

Disclosures on the fair value of various derivative instruments used for hedging purposes can be found in Note 11.

#### *Calculation of fair value of financial instruments*

Official market prices on the 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 the balance sheet date.

#### *Recognition and derecognition from the balance sheet*

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.

#### *Impairment*

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 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 accounts receivable 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.

#### *Offset of financial assets and liabilities*

Financial assets and liabilities are offset and recognised 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 measured at fair value.

#### *Accounts receivable*

Accounts receivable are amounts that are to be paid by customers for goods sold or services provided in the operating activities. Accounts receivable are classified as current assets if payment is expected within one year or earlier. Otherwise they are recognised as non-current assets.

Accounts receivable are initially measured at fair value and, thereafter, at amortised cost, applying the effective interest method, less any reserves for declines in value.

A reserve is established for a decrease in the value of accounts receivable if there is objective evidence that the Group will not receive all amounts that have fallen due for payment according to the original terms of the receivable.

#### *Borrowing and borrowing costs*

Liabilities to credit institutions and credit facilities are categorised as "Other financial liabilities" and are initially measured 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, while current liabilities have a maturity shorter than one year.

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 and other liabilities

Accounts payable are obligations to pay for products or services which have been acquired from suppliers in the course of the operations.

Accounts payable and other liabilities 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 measured 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 corresponds to the quoted 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 recognised in a manner which is consistent with the internal reporting provided to the chief operating decision maker, which for Arise means Own wind power operations, Co-owned wind power operations and Development and management.

### Provisions

Provisions for environmental restoration, restructuring costs and legal requirements are recognised when the Group has a legal or informal obligation as a result of events that 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.

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 measured 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. Transaction costs that can be directly attributed to the issue of new ordinary shares or warrants are recognised, net after tax, in equity, as deductions from the issue proceeds.

## 3. Significant estimates and assessments

In preparing financial statements in accordance with IFRS and generally accepted accounting policies, estimates and assumptions are made about the future, which affect balance sheet and income statement items. These assessments are based on past experience and the various assumptions that 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 assumptions. If other assumptions are made or other conditions arise, the actual outcome may differ from these assessments.

### Critical accounting estimates and assumptions

The Group makes estimates and assumption about the future. The resulting accounting estimates will, by definition, seldom correspond to the actual results. A summary of the estimates and assumptions entailing a considerable risk of significant adjustments in the carrying amounts of assets and liabilities during the forthcoming 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 carrying amounts of these are tested for impairment in accordance with the accounting policies described in Note 1 Accounting policies. 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 7.0 % (7.4) was applied in 2016. Wind power projects were impaired by MSEK 6 (31) during the year. An impairment requirement was identified following certain technical inspections at the Bohult wind farm, and an impairment loss of MSEK 12 (0) was thus recognised due to technology-related factors. The Board's and company management's assumption regarding the future price trend 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 trend is dependent on factors including the trend in prices for certificates, and the general trend in electricity prices, as well as the effect 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 decline further, or should the anticipated future price trend 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 material effect on Arise's earnings and financial position, refer to Note 9.

#### *Valuation of loss carry-forwards*

Deferred tax assets attributable to loss carry-forwards recognised in the Group amount to MSEK 31 (22), see Note 7. The carrying amount of these tax assets was assessed on the balance sheet date and it has been deemed likely that these loss carry-forwards 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 be 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. Based on current purchasing plans and forecasts, company management's assessment is that potential cancellation fees in 2017 may amount to a maximum of MSEK 22. If a cancellation is necessary in 2017, it is management's assessment that the total will be lower than this maximum amount. In connection with the Mombyåsen project, Arise signed a construction contract for the construction of roads, foundations and internal electricity grid, refer to Note 21.

#### *Significant assessments made in application of company's accounting policies*

##### *Restoration costs*

In certain projects, there are requirements for the restoration of land after the expiration of the wind turbines. The expenses for dismantling wind turbines and restoring the land around the wind turbines have been estimated at MSEK 20 (22) for operational turbines, for which a provision has been made in the financial statements, see Note 19, and included in the depreciable amount.



#### *Holding in associate, Sirocco Wind Holding AB*

The Group owns 50 % of 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 associate. 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 include income from leased production in the first quarter of 2016, whereby the portions attributable to electricity and certificates have been included in the calculation of key ratios, amounting to MSEK 22 (85) for income from electricity and MSEK 12 (54) for income from electricity certificates. Net sales also include development income from sold projects, management income and other remuneration from wind-farm leases.

When projects are sold, they are reclassified from non-current assets to current assets. Accordingly, such sales are recognised gross in the consolidated financial statements, with the carrying amount of the non-current asset comprising the cost of goods sold, and the corresponding income amount recognised gross as net sales. Capital gains/losses are thereby recognised at the equivalent amount as though the company had recognised the profit on the sale at net value.

	2016	2015
Electricity	83	66
Electricity certificates	36	18
Rental income	34	139
Development and management income	441	264
<b>Net sales</b>	<b>594</b>	<b>487</b>

Realised derivatives impacted net sales by MSEK 0 (6).

Electricity production in Own wind power operations (including leased operations) amounted to 352.8 GWh (442.1) for the year. Average income for electricity was SEK 297 (340) per MWh and for electricity certificates was SEK 136 (165) per MWh, meaning an average income per produced MWh of SEK 433 (505).

The following items are included in other operating income:

	2016	2015
Income from crane leasing	–	7
Gains on sales of non-current assets	–	11
Other items	1	4
<b>Other operating income</b>	<b>1</b>	<b>21</b>

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 monitoring returns and profitability in various parts of the operations. Own wind power operations are the Group's wholly owned operational wind farms that are owned in separate subsidiaries. Associates, which, for accounting purposes, are not consolidated and currently only consist of Sirocco Wind Holding AB, the Jädraås project, are shown in the Co-owned wind power operations segment as if these operations were consolidated. The purpose of other operations in the Group is

to develop, construct, sell and manage wind farms, which is why these activities are named "Development and management." 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 that can be allocated to segments in a reasonable and reliable manner.

	Own wind power operations		Co-owned wind power operations		Development and management		Eliminations		Group	
Amounts to the nearest MSEK	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net sales, external	153	223	154	166	441	264	-154	-166	594	487
Net sales, internal	-	-	-	-	9	10	-9	-10	-	-
Other operating income Note a	0	1	0	-	-	20	-	-	1	21
<b>Total income</b>	<b>153</b>	<b>225</b>	<b>154</b>	<b>166</b>	<b>450</b>	<b>294</b>	<b>-162</b>	<b>-176</b>	<b>594</b>	<b>508</b>
Capitalised work on own account	-	-	-	-	8	10	-	-	8	10
Operating expenses	-44	-52	-36	-42	-420	-249	36	42	-464	-301
Share of profits in associates	-	-	-	-	-	-	-	-25	-	-25
<b>Operating profit before depr./imp. (EBITDA)</b>	<b>109</b>	<b>173</b>	<b>118</b>	<b>124</b>	<b>38</b>	<b>55</b>	<b>-127</b>	<b>-159</b>	<b>138</b>	<b>193</b>
Depreciation	-86	-94	-65	-64	-1	-5	65	64	-87	-99
Impairment	-12	-120	-	-39	-7	-32	-	39	-18	-152
<b>Operating profit/loss (EBIT)</b>	<b>11</b>	<b>-41</b>	<b>53</b>	<b>21</b>	<b>30</b>	<b>18</b>	<b>-61</b>	<b>-55</b>	<b>33</b>	<b>-58</b>
Net financial items Note b	-65	-85	-47	-48	-20	-22	47	48	-85	-106
<b>Profit/loss before tax (EBT)</b>	<b>-54</b>	<b>-126</b>	<b>6</b>	<b>-28</b>	<b>10</b>	<b>-4</b>	<b>-14</b>	<b>-7</b>	<b>-52</b>	<b>-164</b>
<b>Assets</b>	<b>1,841</b>	<b>2,055</b>	<b>1,469</b>	<b>1,518</b>	<b>173</b>	<b>267</b>	<b>-1,023</b>	<b>-1,073</b>	<b>2,460</b>	<b>2,767</b>
- of which, receivables from associates	-	-	-	-	446	445	-	-	446	445
- of which, purchases of non-current assets <sup>1)</sup>	26	1	-	-	17	26	-	-	43	27

<sup>1)</sup> Purchases of non-current assets other than financial instruments and deferred tax assets.



	Own wind power operations		Co-owned wind power operations		Development and management		Eliminations		Group	
Amounts to the nearest MSEK	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>Note a – Other operating income</b>										
Income from crane leasing	–	–	–	–	–	7	–	–	–	7
Gains on sales of non-current assets	–	–	–	–	–	11	–	–	–	11
Other items	0	1	–	–	0	2	–	–	1	3
	<b>0</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>0</b>	<b>20</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>21</b>
<b>Note b – Net financial items</b>										
Total net financial items	-67	-87	-74	-74	-18	-19	74	74	-85	-106
Less interest expenses on shareholder loans	2	3	27	26	-2	-3	-27	-26	–	–
<b>Net financial items excl. shareholder loans</b>	<b>-65</b>	<b>-85</b>	<b>-47</b>	<b>-48</b>	<b>-20</b>	<b>-22</b>	<b>47</b>	<b>48</b>	<b>-85</b>	<b>-106</b>

The Own and Co-owned wind power operations segments are recognised excluding internal interest expenses on shareholder loans. The corresponding item has been eliminated from the Development and management segment.

All operations are conducted in Sweden. The elimina-

tions comprise, in their entirety, the sale of leaseholds for developed land areas, consultancy services mainly consisting of permit and prospecting work, administration charges passed on and Co-owned wind power operations.

## NOTE 4 • PERSONNEL

Average number of employees	2016			2015		
	Women	Men	Total	Women	Men	Total
Parent Company	7	20	26	6	22	28
Subsidiaries	0	2	2	0	3	3
<b>Group total</b>	<b>7</b>	<b>22</b>	<b>28</b>	<b>6</b>	<b>25</b>	<b>31</b>
	Board and CEO	of which variable remuneration	Other employees	Board and CEO	of which variable remuneration	Other employees
Salaries and other remuneration						
Parent Company <sup>1)</sup>	3.9	–	17.6	4.2	0.6	25.0
Subsidiaries	1.1	–	0.7	1.4	0.2	1.6
<b>Group total</b>	<b>5.0</b>	<b>–</b>	<b>18.3</b>	<b>5.6</b>	<b>0.8</b>	<b>26.6</b>
	Salaries and remuneration	Social security contributions	of which pension costs	Salaries and remuneration	Social security contributions	of which pension costs
Salaries and other remuneration						
Parent Company	21.5	13.6	5.4	29.2	16.8	6.2
Subsidiaries	1.8	1.4	0.6	3.0	2.3	1.0
<b>Group total</b>	<b>23.2</b>	<b>15.0</b>	<b>6.0</b>	<b>32.3</b>	<b>19.1</b>	<b>7.2</b>

<sup>1)</sup> Some of the Board members have chosen to invoice their fees via their own companies. This has been permitted on the condition that it is cost neutral for Arise.

## 2016

## Remuneration of the Board of Directors, CEO and senior executives

	Directors' fee	Salary	Variable remuneration	Other benefits	Pension Costs
Joachim Gahm, Chairman	0.75				
Maud Olofsson	0.35				
Peter Gyllenhammar	0.33				
Jon G Brandsar	0.25				
<b>Total remuneration of the Board</b>	<b>1.68</b>				
Peter Nygren, until 17 January 2016, Daniel Johansson, from 18 January 2016, CEO		2.2	–	0.1	0.6
Other senior executives (3 individuals)		4.5	–	0.2	1.3
<b>Total remuneration of CEO and senior executives</b>		<b>6.8</b>	<b>–</b>	<b>0.3</b>	<b>1.9</b>

## 2015

## Remuneration of the Board of Directors, CEO and senior executives

	Directors' fee	Salary	Variable remuneration	Other benefits	Pension Costs
Joachim Gahm, Chairman	0.75				
Maud Olofsson	0.35				
Peter Gyllenhammar	0.33				
Jon G Brandsar	–				
<b>Total remuneration of the Board</b>	<b>1.43</b>				
Peter Nygren, CEO		2.2	0.6	0.1	0.6
Other senior executives (6 individuals)		7.9	1.5	0.3	2.3
<b>Total remuneration of CEO and senior executives</b>		<b>10.1</b>	<b>2.1</b>	<b>0.4</b>	<b>2.7</b>

### 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 Group did not receive any remuneration or benefits other than those relating to their employment. Remuneration of the CEO and other senior executives consists of basic salary, variable remuneration, other benefits and pensions. Senior executives refers to the group of three individuals who, together with the CEO, formed the Group management in 2016.

### 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 targets. The targets for 2016 were not achieved and, as a result, no variable remuneration was paid (MSEK 3.5 in the preceding year). No other payments or remuneration with a dilution effect were made.

### Synthetic warrants

In addition to warrants, Arise's Board of Directors resolved in January 2014 to introduce an incentive programme with synthetic warrants 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 Stockholm official list of rates for the period between 16 December 2013 and 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 on the allotment date, the aforementioned subscription price, volatility of 33 %, expected dividend of 0 %, expected maturity of the warrants of three 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 three years. The total cost recognised in the income statement for the

synthetic warrants allocated to members of the Board and employees amounted to MSEK 0.7.

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

Arise did not make any cash payment related to the synthetic warrants since the price on 10 January 2017 was below SEK 25, and the programme was thus discontinued.

### Warrants

The Annual General Meeting held on 3 May 2016 resolved to introduce a warrant programme by issuing a maximum of 750,000 warrants to a subsidiary in the Group for transfer to employees of the company. A total of 560,000 warrants were subscribed for by the subsidiary, all of which were transferred to the programme participants. The transfer to participants took place at market value calculated using the Black & Scholes formula. Important input data in the model were the weighted-average share price of SEK 14.97 on the allotment date, the subscription price (see below), volatility of 25.6 %, expected dividend of 0 %, expected maturity of the warrants of 2.75 years, and an annual risk-free interest rate of -0.37 %. 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 three years. Each warrant entitles the holder to subscribe for one new ordinary share in the company for a subscription price of SEK 18.70. The warrants can be utilised during the period from 4 March 2019 up to and including 15 March 2019. On full utilisation of the warrants, the company's share capital will increase by SEK 44,800 by issuing 560,000 ordinary shares, corresponding to dilution of approximately 2 % based on the number of ordinary shares in the company prior to the preferential rights issue that took place in March 2017. The warrants are subject to standard conversion conditions in connection with issues, etc.

### Other benefits

Other benefits primarily refer to company cars.

### Pensions

The retirement age for the CEO and other senior executives is 65. The pension contribution to the CEO is 30 % of the pensionable salary and follows the defined contribution plan. Other senior executives also have defined contribution pension plans and, for 2016, the pension premium averaged 28 % (27) of the basic salary. Variable remuneration is not pensionable for the CEO or for senior executives. All pen-



sions 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

The company and the CEO have a mutual period of notice of 6 months. Notice periods for when employment of other senior executives is terminated by company are typically between six and 24 months. Normal salary is paid during a period of notice. No severance pay is paid to the CEO or other senior executives.

#### Preparatory work and decision-making process

During the year, the Remuneration Committee provided the Board with recommendations on principles for remuneration of 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 of the CEO for

the 2016 financial year was determined by the Board Chairman in accordance with the recommendations of the Remuneration Committee, and the remuneration policy adopted by the Annual General Meeting. Remuneration of 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 the Group's senior executives, with these proposals being submitted to the Annual General Meeting for approval. The Remuneration Committee is to present recommendations on remuneration, terms and principles for the Board which will, consequently, decide on these matters. The Committee met on two occasions in 2016.

#### Gender distribution among senior executives

	2016				2015			
	Women		Men		Women		Men	
	No. of	%	No. of	%	No. of	%	No. of	%
Board	1	25%	3	75%	1	20%	4	80%
Group management	0	0%	4	100%	0	0%	7	100%

### NOTE 5 • EXTERNAL EXPENSES

Auditing fees	2016	2015
Öhrlings PricewaterhouseCoopers		
Audit assignment	1.1	0.8
Audit activities other than audit assignment	0.1	0.2
Tax consultancy services	0.0	0.1
Other services	0.1	0.2
<b>Total</b>	<b>1.3</b>	<b>1.3</b>

### NOTE 6 • FINANCIAL INCOME AND EXPENSES

	2016	2015
Interest income	1	1
Exchange rate gains	0	0
<b>Total financial income</b>	<b>1</b>	<b>1</b>
Interest expenses	-95	-100
Exchange rate losses	9	-7
<b>Total financial expenses</b>	<b>-86</b>	<b>-107</b>

## NOTE 7 • TAXES

Tax on profit for the year	2016	2015
Deferred tax	11	8
<b>Recognised tax</b>	<b>11</b>	<b>8</b>
<b>Deferred tax</b>		
Attributable to unutilised loss carry-forwards <sup>1)</sup>	31	22
Derivatives at fair value	17	10
Non-current assets	12	9
<b>Total recognised deferred tax</b>	<b>59</b>	<b>41</b>
<b>Reconciliation of recognised tax in the Group</b>		
Profit/loss before tax	-52	-164
Tax 22%	11	36
Tax effect of:		
Associates' profit, already taxed	-	-2
Impairment of associates	-	-9
Loss carry-forwards for which no tax assets have been recognised	-8	-33
Other additional and deductible items	7	16
<b>Recognised tax on net profit for the year</b>	<b>11</b>	<b>8</b>
<b>Change in deferred tax</b>		
Opening amount, net	41	53
Recognised deferred tax on net profit for the year	11	8
Other items	4	-
Tax items recognised directly in equity <sup>2)</sup>	3	-21
<b>Closing amount, net</b>	<b>59</b>	<b>41</b>

### Change in deferred tax 2016

	Attributable to:			
	Loss carry-forward	Non-current assets	Cash flow hedges	Total
Opening amount, net	22	9	10	41
Reported deferred tax on net profit for the year	9	-1	4	11
Other items	-	4	-	4
Tax items recognised directly in equity	-	-	3	3
<b>Closing amount, net</b>	<b>31</b>	<b>12</b>	<b>17</b>	<b>59</b>



<sup>1)</sup> The Group's total loss carry-forwards amounted to MSEK 311 (257), of which MSEK 28 is blocked from utilisation until the 2018 income year. Of the tax loss carry-forwards, MSEK 171 is not expected to be utilisable against future taxable profits. The remaining MSEK 140 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 tax loss carry-forwards are expected to be offset against the dissolution of excess depreciation recognised on property, plant and equipment. Loss carry-forwards are subject to no time limits on use.

<sup>2)</sup> Tax items that are recognised directly in other comprehensive income refer to the Group's hedging reserve for interest, electricity and forward contracts.

## NOTE 8 • ADDITIONAL DISCLOSURES TO THE CASH FLOW STATEMENT

Cash and cash equivalents comprise cash and bank balances.

Adjustment for non-cash items	2016	2015
Depreciation and impairment of property, plant and equipment	105	250
Items attributable to holdings in associates	–	25
Capital gains/losses on sales of non-current assets	3	2
<b>Total</b>	<b>108</b>	<b>277</b>

## NOTE 9 • PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <sup>1)</sup>		Wind power, foundations and electrical installations		Equipment, tools and fittings		Advances and construction in progress		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Opening cost	1	2	2,323	2,427	15	82	144	137	2,483	2,648
Purchases/investments	–	–	26	1	–	–	17	26	42	27
Sales/disposals	–	0	-208	-104	-1	-66	-36	-13	-244	-183
Reclassifications	–	–	–	-2	–	–	–	-6	–	-8
<b>Closing cost</b>	<b>1</b>	<b>1</b>	<b>2,140</b>	<b>2,323</b>	<b>14</b>	<b>15</b>	<b>126</b>	<b>144</b>	<b>2,282</b>	<b>2,483</b>
Opening accumulated depreciation and impairment	0	0	-576	-367	-14	-46	-58	-26	-648	-439
Depreciation for the year	–	0	-86	-96	0	-3	0	–	-87	-99
Impairment for the year <sup>3)</sup>	–	–	-12	-120	–	–	-6	-31	-18	-152
Sales/disposals	–	0	35	7	1	35	0	-1	36	40
<b>Closing accumulated depreciation and impairment</b>	<b>0</b>	<b>0</b>	<b>-638</b>	<b>-576</b>	<b>-13</b>	<b>-14</b>	<b>-65</b>	<b>-58</b>	<b>-716</b>	<b>-648</b>
<b>Closing residual value according to plan <sup>2)</sup></b>	<b>1</b>	<b>1</b>	<b>1,502</b>	<b>1,747</b>	<b>1</b>	<b>2</b>	<b>61</b>	<b>87</b>	<b>1,565</b>	<b>1,836</b>

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

<sup>2)</sup> Of the property, plant and equipment referred to above, leased wind farms constitute MSEK 0 (1,705) of the cost and MSEK 0 (-420) of the accumulated depreciation. Depreciation for the year of leased wind farms amounted to MSEK 16 (135). The lease was discontinued in the first quarter of 2016.

<sup>3)</sup> Information on impairment and the calculation of recoverable amounts can be found in Note 1, Point 3.

### Financial leases

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

### 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 8 (12), of which variable fees amounted to MSEK 4 (8) and minimum lease payments to MSEK 4 (4).



	2016	2015
Within 1 year	4	4
Within 2 to 5 years	14	14
Within 6 to 20 years	32	36
<b>Total</b>	<b>50</b>	<b>54</b>

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, which may entail 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 generated electricity.

In 2015 and the first quarter of 2016, the company had operating leases as lessor for leases of wind farms. These agreements had terms of a maximum of 12 months, and the entire lease payment was variable and based on the turbine's actual production. No minimum lease payments were stated in the contracts. The lease payments are recognised as income in line with actual production.

## NOTE 10 • HOLDINGS IN ASSOCIATES

<b>Holdings in associates</b>	2016	2015
Opening carrying amount	0	0
Share of profits in associates	-7	-11
Provisions/impairment	-	-31
Conversion from loan to shareholders' contribution	24	-
Exchange rate differences	-	-
Derivative items <sup>1)</sup>	-17	43
<b>Closing carrying amount</b>	<b>0</b>	<b>0</b>

### **Profit from associates**

Share of profits in associates (net after tax, 22%)	-7	-11
Impairment	-	-31
Financial income from associates (gross before tax)	7	26
Impairment of receivable	-	-8
<b>Total</b>	<b>0</b>	<b>-25</b>

<sup>1)</sup> Items attributable to other comprehensive income.

Financial income from associates is attributable to shareholder loans provided, which are deemed to comprise a long-term investment in associates.

The Group's holdings in associates that are recognised according to the equity method comprise the 50 % holding in Sirocco Wind Holding AB, see Note 9 on page 87. This associate'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 associates**

Condensed financial information for Sirocco Wind Holding AB is presented below, recognised according to the equity method. The information reflects the amounts recognised in the associate's annual financial statements (not Arise AB's share of these amounts) adjusted for discrepancies between the accounting policies of the Group and the associate. Amounts have been translated at the closing rate of SEK/EUR 9.5525 (9.1828) and the average rate of SEK/EUR 9.4713 (9.3365), and the amounts are presented in MSEK.

<b>Condensed information from the balance sheet</b>	2016	2015
Non-current assets	2,693	2,751
Current assets	276	450
<b>Total assets</b>	<b>2,969</b>	<b>3,200</b>
Non-current liabilities <sup>1)</sup>	3,022	3,154
Current liabilities	32	46
<b>Total liabilities</b>	<b>3,053</b>	<b>3,200</b>
<b>Net assets</b>	<b>-84</b>	<b>0</b>
<sup>1)</sup> Of which, shareholder loans	948	905

No negative participating interests in associates are recognised in accordance with IAS 28.

### **Condensed information from income statement and statement of comprehensive income**

	2016	2015
Total income	307	332
Total net loss for the year	-33	-84
Other comprehensive income	-99	84
<b>Total comprehensive income</b>	<b>-132</b>	<b>0</b>

In 2016, MEUR 5, corresponding to approximately MSEK 48, was converted from shareholder loans to shareholders' contributions.

## 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 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. The purpose of the Group's price hedging strategy is to mitigate the risk of fluctuations in the Group's profit 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. The financial policy makes a division 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 involving 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 five years before the delivery of the same amount of electricity takes place. No lower limit has been established, since 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 three years and the upper limit is ten 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. Since 2013, price hedging has also been carried out in the form of leasing of wind farms, but such leasing were discontinued after the first quarter of 2016.

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 Group strives to hedge electricity prices from facilities that have yet to be put into operation: firstly, through bilateral contracts, which limit the volume risk; and secondly, 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 unrealised changes in value are recognised in the balance sheet and other comprehensive income, 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 what is known as the 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 "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 price hedging period for one calendar year thus runs from April to March. A certain proportion of electricity 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 leasing of wind farms, but this leasing was discontinued after the first quarter of 2016.

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 Kraftmäklings) marketplace. Since certificates can be stored, 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).

Essentially all of these transactions take place in EUR. 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. 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, leases of wind farms and bilateral sales contracts signed directly with the end users of electrical energy are, however, normally denominated in SEK and thus do not give rise to any currency exposure.

Foreign exchange risk exposure arises if a bilateral agreement is signed in EUR.

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. Currency hedging can be undertaken as a monthly or quarterly hedged amount. Accordingly, the company's policy is that spot sales of electricity in EUR cannot be price-hedged or currency-hedged. Since the company also has ongoing payments in EUR for service costs for turbine suppliers, for example, a natural hedge of EUR flow can be achieved. Any excess liquidity in EUR is to be continuously sold.

The Group strives to hedge flows for projects sold in EUR.

The Group uses forward contracts 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 is almost exclusively in EUR. Exchange rate differences on operating liabilities attributable to investments are recognised along with the investment in question.

Gains/losses from forward contracts held for hedging purposes are recognised as net sales. Exchange rate differences on financial liabilities and receivables are recognised in net financial items.

### 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 contracts. Currency exposure arose in conjunction with the investment in the Jädraås project, since the accounting currency of the associate is EUR. Until 2016, this exposure was partly hedged by financing the new farms that were built in 2013 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 negative impact on earnings in the event of 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.



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

	2016			2015		
	Interest-bearing		Non-interest-bearing	Interest-bearing		Non-interest-bearing
	Fixed rate	Variable rate		Fixed rate	Variable rate	
Non-current receivables	446	–	–	445	–	–
Blocked cash and cash equivalents	–	12	–	–	22	–
Current receivables	–	–	9	–	–	69
Cash and cash equivalents	–	287	–	–	203	–
Non-current liabilities	-682	-268	7	-1,129	-304	17
Current liabilities	-350	–	-94	-58	–	-132
<b>Total</b>	<b>-586</b>	<b>31</b>	<b>-78</b>	<b>-742</b>	<b>-78</b>	<b>-46</b>

## Sensitivity analysis

A change in any of the variables below has an impact on profit/loss before tax for 2016 (in MSEK) as follows:

Variable	Change	Impact on profit/loss before tax
Production	10%	+/- 15
Electricity price	10%	+/- 8
Electricity certificate price	10%	+/- 5
Interest	1 pp	+/- 7
EUR/SEK for electricity prices	10%	+/- 12

Note that the impact on profit/loss before tax is based on the electricity hedges reported by the Group in 2016.

## 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 value 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 2016 was 41.5 % [39.4].

## 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 overdraft facilities, amounting to MSEK 100 must always be available.

## Credit risk

Credit risk or counterparty risk is the risk of loss if a 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. These comprise bank accounts (special savings, business or investment accounts), treasury bills or commercial paper if the counterparty has a credit rating of at least A3/A- from Moody's or Standard & Poor's. 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 financial instruments that are measured at fair value belong to Level 2 of 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 fair value of interest rate swaps is calculated as the present value of expected cash flows based on observable yield curves. The fair value of electricity futures is calculated as the present value of expected cash flows based on observable electricity prices. The fair value of currency futures is determined using forward rates on the balance sheet date.

#### Hedging reserve

The hedging reserve consists of interest, electricity and forward contracts, as well as net investments in operations outside Sweden. According to the financial policy, a certain portion of the Group's transaction exposure must be hedged through hedging of prices and exchange rates in future contracted payment flows using electricity and forward 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.

Outstanding derivative contracts	2016	2015
Electricity futures	-7	9
Currency futures, SEK/EUR	-	0
Interest rate swaps 1-2 years	-	-
Interest rate swaps 3-5 years	-44	-51
Interest rate swaps 6-10 years	-22	0
<b>Outstanding derivative contracts</b>	<b>-74</b>	<b>-43</b>

Netting of derivatives 31 Dec 2016	Assets	Liabilities
Gross amount	7	-81
Nettable amount	-6	6
<b>Net amount</b>	<b>1</b>	<b>-75</b>

Derivative contracts are recognised excluding participating interests in associates' derivatives.

The fair value is calculated on the basis of market-based quotations and generally accepted valuation techniques. Currency futures refer to sales and purchases of EUR for hedging of electricity sales, project sales and purchases of wind turbines. There is a counter-flow in SEK for every position. The change in the ineffective portion associated with cash flow hedges, recognised in the income statement, amounted to MSEK -1 [-1].

#### Electricity future contracts

The nominal amount of electricity future contracts outstanding, including half of the electricity futures for Jädraås, totalled MSEK 274 [214]. The hedged, highly

#### Hedging table for Own and Co-owned electricity production

PRICE HEDGES AS OF 31 DEC 2016			
	2017	2018	2019
<b>Own production, budget, GWh</b>	342	342	342
Hedged electricity production, GWh	118	<10	13
Hedged electricity certificate production, GWh	220	185	120
<i>Hedged electricity price, inc. CFD, SEK/MWh <sup>1)</sup></i>	265	-	264
<i>Hedged electricity certificate price, SEK/MWh</i>	160	141	130
<b>Co-owned production, budget, GWh</b>	286	286	286
Hedged electricity production, GWh	177	178	177
Hedged electricity certificate production, GWh	245	226	140
<i>Hedged electricity price, inc. CFD, SEK/MWh</i>	440	392	311
<i>Hedged electricity certificate price, SEK/MWh</i>	182	152	166
Exchange rate applied: SEK 9.6/EUR <sup>1)</sup> Includes CFD for the area hedged price, otherwise system price			

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 are included in equity, are recognised in the income statement in the period, or periods, in which the hedged transaction affects the income statement.

#### Forward contracts

The nominal amount of outstanding forward contracts totalled MSEK 0 [-17]. Gains and losses from forward contracts, 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 the income statement.

#### Interest rate swaps

The nominal amount of interest rate swaps outstanding, including half of the interest rate swaps for Jädraås, totalled MSEK 1,769 [1,926]. The fixed interest rates fluctuate between 4.4 % and 6.0 % [4.4 and 6.0]. 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 are included in equity, are continuously transferred to financial expenses in the income statement, until the loans have been repaid.

### CLASSIFICATION OF FINANCIAL INSTRUMENTS

The tables below present the classification of the financial instruments in the balance sheet in 2016 and 2015.

#### 2016

##### Assets

	Derivatives measured at fair value	Loans and accounts receivable	Total
Receivables from associates	–	446	446
Blocked accounts	–	12	12
<b>Current assets</b>			
Receivables from associates	–	0	0
Accounts receivable	–	6	6
Derivative assets	1	–	1
Other receivables	–	2	2
Cash and cash equivalents	–	287	287
Total current assets	1	295	297
<b>Total assets</b>	<b>1</b>	<b>753</b>	<b>755</b>

	Derivatives measured at fair value	Other financial liabilities	Total
<b>Liabilities</b>			
Non-current interest-bearing liabilities	–	943	943
<b>Current liabilities</b>			
Current interest-bearing liabilities	–	348	348
Advance payments from customers	–	0	0
Accounts payable	–	20	20
Derivative liabilities	75	–	75
Other liabilities	–	1	1
Total current liabilities	75	369	445
<b>Total liabilities</b>	<b>75</b>	<b>1,312</b>	<b>1,388</b>



## 2015

## Assets

	Derivatives measured at fair value	Loans and accounts receivable	Total
Receivables from associates	–	445	445
Blocked accounts	–	22	22
<b>Current assets</b>			
Receivables from associates	–	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
<b>Total Assets</b>	<b>16</b>	<b>717</b>	<b>734</b>

	Derivatives measured at fair value	Other financial liabilities	Total
Non-current interest-bearing liabilities	–	1,415	1,415
<b>Current liabilities</b>			
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
<b>Total liabilities</b>	<b>59</b>	<b>1,546</b>	<b>1,606</b>

**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 develop, 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 on 31 December 2016 amounted to 41.5 % (39.4 % on 31 December 2015).

## NOTE 12 • OTHER FINANCIAL NON-CURRENT ASSETS

	2016	2015
Blocked cash and cash equivalents	12	22
Other receivables	0	1
<b>Total</b>	<b>12</b>	<b>23</b>

## NOTE 13 • INVENTORIES

	2016	2015
Electricity certificates	15	19
Spare parts	4	3
Construction in progress	–	40
<b>Total</b>	<b>19</b>	<b>62</b>

Inventories are recognised according to the policies described in Note 1.

## NOTE 14 • OTHER CURRENT RECEIVABLES

	2016	2015
Current tax assets	7	6
Other receivables	6	31
<b>Total</b>	<b>13</b>	<b>37</b>

## NOTE 15 • ACCOUNTS RECEIVABLE AND OTHER CURRENT RECEIVABLES

	2016	2015
Accounts receivable	14	23
Impairment of accounts receivable	–8	–8
Accounts receivable – net	6	15
Receivables from related parties (Note 22)	446	445
Other receivables (Note 12)	0	1
Other receivables (Note 14)	13	37
Less non-current portion	–446	–445
<b>Current portion</b>	<b>19</b>	<b>53</b>

As of the balance sheet date, MSEK 9 (9) referred to accounts receivable which were overdue, and a provision

for bad debt losses of MSEK 8 (8) has been made. Of this amount, MSEK 9 (9) 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.

	2016	2015
Not fallen due/Due in less than 3 months	4	14
3–6 months	–	2
6 months or later	9	7
<b>Total</b>	<b>14</b>	<b>23</b>

## NOTE 16 • PREPAID EXPENSES AND ACCRUED INCOME

	2016	2015
Accrued electricity and certificate income	8	7
Accrued development income	36	73
Other prepaid expenses	8	9
<b>Total</b>	<b>52</b>	<b>89</b>

## NOTE 17 • SHARE CAPITAL

Number of registered shares in Parent Company	2016	2015
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 2016, warrants were issued for shares in Arise AB in a programme directed to employees. The total number of warrants issued on 31 December 2016 amounted to 560,000.

	Number of warrants
Warrants 2016	560,000
Entitling subscription to the following number of shares	560,000
Subscription price (SEK)	18.70

### Valuation

The outstanding warrant programme in 2016 comprised one series. The acquisition price of these warrants directed to employees is based on the estimated market price on the subscription date according to the Black & Scholes valuation model.

### Terms and conditions of subscription

A warrant entitles the holder to subscribe for one share in Arise AB during the subscription period from 4 March 2019 up to and including 15 March 2019 at an subscription price specified in the table above.

### Dilution

On full utilisation of the warrants, the company's share capital will increase by SEK 44,800 by issuing 560,000 ordinary shares, corresponding to dilution of approximately 2% based on the number of ordinary shares in the company.

## 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 key ratios. These clauses, called covenants, reflect the requirements 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 were breached during the year.

The Group's total bond loans on 31 December 2016 amounted to MSEK 1,300 (1,491). The company also has unutilised credit lines of MSEK 50 (18). 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 3.4 years (3.6). The financing cost is based on the agreed fixed interest rate and agreed margin. The Group's average effective interest rate for the year amounted to 5.8% (5.5).

Interest-bearing liabilities	2016	2015
Non-current portion	943	1,415
Current portion	348	58
<b>Total</b>	<b>1,291</b>	<b>1,474</b>





**Fair value of liabilities**

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

	Carrying amount		Fair value	
	2016	2015	2016	2015
Bank loans	–	141	–	139
Bond loans	1,300	1,350	1,300	1,343
<b>Total</b>	<b>1,300</b>	<b>1,491</b>	<b>1,300</b>	<b>1,482</b>

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 3.0 % and 6.0 %, [2015: 3.3 to 6.3 %], entailing 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	Within 2–3 years	Within 4–5 years	After 5 years	Total contracted cash flow
Bond loans *	17	396	1,026	20	21	1,481
Accounts payable	20	–	–	–	–	20
<b>Totalt</b>	<b>37</b>	<b>396</b>	<b>1,026</b>	<b>20</b>	<b>21</b>	<b>1,501</b>

\* When calculating interest payments, the effect of interest rate swaps was taken into account in determining the interest rate, based on circumstances at year-end.

The secured bond loan is listed on Nasdaq Stockholm has a nominal value of MSEK 1,100, of which MSEK 1,000 (1,050) is outstanding, and bears a variable interest rate of STIBOR (3 months) + 3.00 percentage points. The bond loan matures in April 2019.

The senior unsecured bond loan is listed on Nasdaq Stockholm, has a nominal value of MSEK 350, of which MSEK 50 has been repurchased, and bears 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 operational wind turbines amounting to MSEK 20 (22). The provision corresponds to the useful life of the wind farms.

**NOTE 20 • ACCRUED EXPENSES AND DEFERRED INCOME**

	2016	2015
Accrued financial expenses	11	11
Accrued personnel-related expenses	10	18
Accrued property tax	7	13
Other accrued expenses	5	7
<b>Total</b>	<b>33</b>	<b>49</b>

## NOTE 21 • PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets	2016	2015
Pledged shares in subsidiaries	518	554
Collateral transfer of wind turbines, land leases and operating agreements	1,501	1,749
<b>Total</b>	<b>2,019</b>	<b>2,303</b>
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. Based on current purchasing plans and forecasts, company management's assessment is that potential cancellation fees in 2017 may amount to a maximum of MSEK 22. If a cancellation is necessary in 2017, it is management's assessment that the total will be lower than this 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 22 • RELATED-PARTY TRANSACTIONS

Arise AB co-owns 50 % of Sirocco Wind Holding AB together with Sydvästanvind AB (50 %), which, in turn, is controlled by the UK 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 "Jädraås project", which consists of 66 turbines totalling 203 MW in Jädraås, outside Gävle.

The following transactions with related parties took place	2016	2015
Project management and administrative services	3	3
<b>Total</b>	<b>3</b>	<b>3</b>

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

Loans to related parties	2016	2015
<b>Loans to associates:</b>		
At the beginning of the year	445	442
Accrued interest	27	26
Exchange rate differences	18	-11
Provisions/impairment	-20	-8
Conversion from loan to shareholders' contribution	-24	-
Loans paid during the year	-1	-4
<b>At year-end</b>	<b>446</b>	<b>445</b>
Of which non-current portion:	446	445
Of which current portion:	-	-

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. Accrued interest on the balance sheet date amounted to MSEK 27 (26) which has been recognised in the income statement. Interest was reserved in the amount of MSEK 20 (0) for the year.

For information regarding remuneration of 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 END OF THE REPORTING PERIOD

In order to proactively develop Arise's position in the market and to strengthen its financial flexibility, the Board of Arise has decided, after authorisation by the Annual General Meeting on 3 May 2016, that the company will raise a convertible loan with a maximum nominal amount of approximately MSEK 245 through a new issue of convertibles with preferential rights for the company's existing shareholders.

Arise has completed the previously announced acquisition of Kraftö AB's project portfolio of up to 370 MW.

An option agreement to acquire the project Svartnäs, approx. 100 MW, was entered into.







## Parent company income statement

Amounts to the nearest MSEK	NOTE	2016	2015
Sales of electricity and electricity certificates		154	154
Leasing of wind farms		39	135
Development and management income		215	79
Other operating income		0	1
<b>Total income</b>	<b>2</b>	<b>409</b>	<b>369</b>
Capitalised work on own account		-2	13
Purchase of electricity and certificates		-160	-158
Lease of wind power facilities		-39	-135
Cost of sold projects and contracts		-169	-60
Personnel costs	3	-33	-45
Other external expenses	4	-22	-28
<b>Operating profit/loss before depreciation (EBITDA)</b>		<b>-16</b>	<b>-43</b>
Depreciation and impairment of property, plant and equipment	7	-10	-35
<b>Operating profit/loss (EBIT)</b>		<b>-25</b>	<b>-78</b>
Financial income	5	36	29
Financial expenses	5	-132	-393
<b>Profit/loss after financial items</b>		<b>-121</b>	<b>-442</b>
Group contributions		119	138
<b>Profit/loss before tax</b>		<b>-2</b>	<b>-304</b>
Tax on profit/loss for the year	6	-10	0
<b>Profit/loss for the year and comprehensive income</b>		<b>-12</b>	<b>-304</b>

# Parent company balance sheet

Amounts to the nearest MSEK	NOTE	2016	2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	32	55
Shares in subsidiaries	8	1,745	1,743
Receivables from Group companies		–	47
Holdings in associates	9	–	–
Receivables from associates	18	446	445
Deferred tax assets	6	14	24
Other financial non-current assets	10	12	13
<b>Total non-current assets</b>		<b>2,248</b>	<b>2,327</b>
<b>Current assets</b>			
Inventories	11	7	46
Receivables from Group companies		60	75
Receivables from associates	18	–	–
Accounts receivable		4	13
Other current receivables		9	4
Prepaid expenses and accrued income	12	12	7
Cash and cash equivalents		187	154
<b>Total current assets</b>		<b>279</b>	<b>299</b>
<b>TOTAL ASSETS</b>		<b>2,527</b>	<b>2,626</b>
<b>EQUITY</b>			
<b>Restricted equity</b>			
Share capital		3	3
Statutory reserve		0	0
<b>Non-restricted equity</b>			
Share premium reserve		1,368	1,367
Accumulated deficit		-382	-78
Profit/loss for the year		-12	-304
<b>Total equity</b>		<b>976</b>	<b>987</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bond loans	13	943	1,318
<b>Total non-current liabilities</b>		<b>943</b>	<b>1,318</b>
<b>Current liabilities</b>			
Current portion of bond loan	13	348	50
Liabilities to Group companies		220	178
Advance payments from customers		–	41
Accounts payable		17	22
Other liabilities		1	1
Accrued expenses and deferred income	14	22	29
<b>Total current liabilities</b>		<b>608</b>	<b>320</b>
<b>TOTAL EQUITY OCH LIABILITIES</b>		<b>2,527</b>	<b>2,626</b>



## Parent company cash flow statement

Amounts to the nearest MSEK	NOTE	2016	2015
<b>Operating activities</b>			
Operating profit/loss (EBIT)		-25	-78
Adjustment for non-cash items	15	10	35
Tax paid		0	0
<b>Cash flow from operating activities before changes in working capital</b>		<b>-16</b>	<b>-43</b>
<b>Cash flow from changes in working capital</b>			
Increase (-) / decrease (+) in inventories		39	-37
Increase (-) / decrease (+) in operating receivables		-14	49
Increase (+) / decrease (-) in operating liabilities		-34	56
<b>Cash flow from operating activities</b>		<b>-25</b>	<b>24</b>
<b>Investing activities</b>			
Investments in/sales of property, plant and equipment		14	-6
Investments in/divestment of subsidiaries		-7	-
<b>Cash flow from investing activities</b>		<b>7</b>	<b>-6</b>
<b>Financing activities</b>			
Bond loans		-35	-36
Deposits to/payments from blocked accounts		1	-3
Interest paid		-72	-77
Interest received		10	4
Dividends		-	2
Group contributions received		147	139
New share issues/warrants paid		1	-
<b>Cash flow from financing activities</b>		<b>51</b>	<b>28</b>
<b>Cash flow for the year</b>		<b>33</b>	<b>47</b>
Cash and cash equivalents at beginning of year		154	107
Cash and cash equivalents at year-end		187	154

## Parent company equity

Amounts to the nearest MSEK	Share capital	Statutory reserve	Share premium reserve	Accumulated loss	Total equity
Opening balance on 1 Jan 2015	3	0	1,367	-78	1,292
Profit/loss for the year and comprehensive income			0	-304	-304
Closing balance on 31 Dec 2015	3	0	1,367	-382	987
Opening balance on 1 Jan 2016	3	0	1,367	-382	987
Profit/loss for the year and comprehensive income			0	-12	-12
Warrants			1		1
Closing balance on 31 Dec 2016	3	0	1,368	-394	976



# Notes to the Parent company's financial statements

## NOTE 1 • ACCOUNTING POLICIES

### ACCOUNTING POLICIES FOR THE PARENT COMPANY

The Parent Company has prepared its Annual Report 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 states that the Parent Company, in its preparation of the Annual Report for the legal entity, applies all of the IFRSs and 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 policies as those described referring to the Group. The Parent Company applies the exemption rule in IAS 39, meaning that financial instruments are measured at cost. Other differences between the Group's and the Parent Company's accounting policies are described below.

#### Income

Net sales include the sale of generated electricity, earned and sold electricity certificates, gains and losses from electricity and currency derivatives attributable to the hedged production, and income from leased production facilities. Net sales also include development income from sold projects and management. These income streams are recognised in the same manner as for the Group, with differences in revenue recognition are described below.

The Parent Company's income includes income from leased production facilities. Income from the lease of wind power facilities is recognised in the period in which the electricity is produced.

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. Accordingly, such sales are recognised gross with the carrying amount of the non-current asset comprising the cost of goods sold, with the corresponding income amount recognised gross as net sales. Capital gains/losses are thus recognised at the corresponding 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 not subject to taxation until 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 comprises sales of generated electricity and electricity certificates, income from electricity sold but not yet generated, gains and losses from electricity and currency derivatives attributable to hedged production, income from leased production facilities in the first quarter of 2016, consulting expenses invoiced internally in the Group and income from sales of projects and management. Sales of projects are considered to constitute sales of inventory assets. Accordingly, such sales are recognised gross with the carrying amount of the non-current asset comprising the cost of goods sold, with the corresponding income amount recognised gross as net sales. Capital gains/losses are thus recognised at the corresponding 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 from financial derivatives is recognised net in an amount of MSEK 2 [2].



**NOTE 3 • PERSONNEL**

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

**NOTE 4 • AUDITING FEES**

	2016	2015
<b>Öhrlings PricewaterhouseCoopers</b>		
Audit assignment	0.7	0.5
Audit activities not included in the audit assignment	0.0	0.2
Tax consultancy services	0.0	0.1
Other services	0.1	0.2
<b>Total</b>	<b>0.8</b>	<b>1.0</b>

**NOTE 5 • FINANCIAL INCOME AND EXPENSES**

	2016	2015
Dividends from subsidiaries	–	2
Impairment of shares in subsidiaries	–	-2
Gain on divestment of subsidiaries	8	–
Interest income	10	29
Exchange rate gains	18	–
<b>Total financial income</b>	<b>36</b>	<b>29</b>
Impairment of shares in subsidiaries	-29	-208
Impairment of shares in associates	-24	-96
Interest expenses	-76	-78
Exchange rate losses	-3	-11
<b>Total financial expenses</b>	<b>-132</b>	<b>-393</b>

**NOTE 6 • TAXES**

<b>Tax on net profit for the year</b>	<b>2016</b>	<b>2015</b>
Deferred tax	-10	0
<b>Recognised tax</b>	<b>-10</b>	<b>0</b>
<b>Deferred tax</b>		
Attributable to unutilised loss carry-forwards <sup>1)</sup>	14	24
<b>Total recognised deferred tax</b>	<b>14</b>	<b>24</b>
<b>Reconciliation of recognised tax</b>		
Profit before tax	-2	-304
Tax 22%	1	67
Tax effect of: Loss carry-forwards for which no tax assets have been recognised	-1	–
Other additional and deductible items	-10	-67
<b>Recognised tax, net profit for the year</b>	<b>-10</b>	<b>0</b>
<b>Change in deferred tax</b>		
Opening amount, net	24	24
Recognised deferred tax on net profit for the year attributable to loss carry-forwards	-10	0
<b>Closing amount, net</b>	<b>14</b>	<b>24</b>

<sup>1)</sup> The Parent Company's total loss carry-forwards amounted to MSEK 64 (108). Of this amount, MSEK 28 is blocked for use until the 2018 income year. The tax loss carry-forwards are expected to be used against future taxable profits, primarily arising from operating surpluses, but also from gains on sales of wind farms. Loss carry-forwards are subject to no time limits on use.

## NOTE 7 • PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <sup>1)</sup>		Equipment, tools and fittings		Advances and construction in progress		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Opening cost	1	2	18	17	108	108	127	127
Purchases/investments	–	–	0	0	9	19	9	19
Sales/disposals	–	0	–1	–	–24	–13	–25	–13
Reclassifications	–	–	–	–	–	–6	–	–6
<b>Closing cost</b>	<b>1</b>	<b>1</b>	<b>17</b>	<b>18</b>	<b>94</b>	<b>108</b>	<b>112</b>	<b>127</b>
Opening accumulated depreciation and impairment	0	0	–15	–12	–57	–25	–72	–38
Depreciation for the year	0	0	–3	–3	–	–	–3	–3
Impairment for the year <sup>2)</sup>	–	–	–	–	–6	–31	–6	–31
Sales/disposals	–	0	2	–	0	–	2	0
<b>Closing accumulated depreciation and impairment</b>	<b>0</b>	<b>0</b>	<b>–17</b>	<b>–15</b>	<b>–63</b>	<b>–57</b>	<b>–80</b>	<b>–72</b>
<b>Closing residual value according to plan</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>30</b>	<b>51</b>	<b>32</b>	<b>55</b>

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

<sup>2)</sup> Information on impairment and the calculation of recoverable amounts can be found in Note 1, Point 3 of the consolidated financial statements.

The company has concluded framework agreements for the purchase of wind turbines, which include a clause on cancellation fees to apply under certain circumstances. Based on current purchasing plans and forecasts, company management's assessment is that potential cancellation fees in 2017 may amount to a maximum of MSEK 22. 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, comprising certain guarantee commitments regarding roads, foundations and the internal electricity grid.

## NOTE 8 • SHARES IN SUBSIDIARIES

	2016	2015
<b>Opening carrying amount</b>	<b>1,743</b>	<b>1,952</b>
Investments in subsidiaries	36	–
Impairment of shares	–29	–210
Divestment of subsidiaries <sup>1)</sup>	–5	–
<b>Closing carrying amount</b>	<b>1,745</b>	<b>1,743</b>

<sup>1)</sup> Companies liquidated during the year are Arise Drift & Förvaltning AB, Arise JV AB and Arise Wind HoldCo 4 AB.

## PARENT COMPANY'S HOLDINGS

Name	Corporate Identity Number	Registered offices	Number of shares	Participating interest %	Carrying amount of holdings	Equity
Arise Elnät AB	556747-2641	Halmstad	1,000	100%	3	3
Arise Kran AB	556758-8966	Halmstad	1,000	100%	7	5
Arise Wind Farm 2 AB	556758-9113	Halmstad	1,000	100%	98	165
Arise Wind Farm 9 AB	556833-5813	Halmstad	1,000	100%	0	0
Arise Wind HoldCo 1 AB	556869-2114	Halmstad	500	100%	0	0
Arise Wind HoldCo 2 AB	556867-9913	Halmstad	500	100%	4	4
Arise Wind HoldCo 3 AB	556867-9798	Halmstad	500	100%	15	15
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%	1,617	1,618
<b>Total</b>					<b>1,745</b>	<b>1,810</b>

## NOTE 9 • SHARES IN ASSOCIATES

	2016	2015
<b>Opening carrying amount</b>	<b>0</b>	<b>89</b>
Reclassifications	24	8
Impairment of shares	–24	–96
<b>Closing carrying amount</b>	<b>0</b>	<b>0</b>

## PARENT COMPANY'S HOLDINGS

Name	Corporate Identity Number	Registered offices	Number of shares	Participating interest %	Carrying amount of holdings	Equity
Sirocco Wind Holding AB	556864-8058	Stockholm	6,000	50%	0	57
– 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%	–	–
<b>Total</b>					<b>0</b>	<b>57</b>

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



**NOTE 10 • OTHER FINANCIAL  
NON-CURRENT ASSETS**

	2016	2015
Blocked cash and cash equivalents	12	12
Other shares and participations	0	1
<b>Total</b>	<b>12</b>	<b>13</b>

**NOTE 11 • INVENTORIES**

	2016	2015
Electricity certificates	3	3
Spare parts	4	3
Construction in progress	–	40
<b>Total</b>	<b>7</b>	<b>46</b>

Inventories are recognised according to the Group's accounting policies as described in Note 1.

**NOTE 12 • PREPAID EXPENSES AND  
ACCRUED INCOME**

	2016	2015
Accrued development income	9	6
Accrued electricity income	1	–
Prepaid expenses	2	1
<b>Total</b>	<b>12</b>	<b>7</b>

**NOTE 13 • INTEREST-BEARING LIABILITIES**

	2016	2015
Bond loans	1,300	1,382
Bank charges	–9	–14
	<b>1,291</b>	<b>1,368</b>
Current portion	–348	–50
<b>Non-current portion</b>	<b>943</b>	<b>1,318</b>

**NOTE 14 • ACCRUED EXPENSES  
AND DEFERRED INCOME**

	2016	2015
Accrued personnel-related expenses	7	16
Accrued interest expenses	11	11
Other accrued expenses	4	1
<b>Total</b>	<b>22</b>	<b>29</b>

**NOTE 15 • ADDITIONAL DISCLOSURES  
REGARDING CASH FLOW STATEMENT**

Cash and cash equivalents comprise cash and bank balances.

Adjustment for non-cash items	2016	2015
Depreciation and impairment of property, plant and equipment	10	35
<b>Total</b>	<b>10</b>	<b>35</b>

**NOTE 16 • PLEDGED ASSETS  
AND CONTINGENT LIABILITIES**

Pledged assets	2016	2015
Shares in subsidiaries	1,715	1,719
<b>Total</b>	<b>1,715</b>	<b>1,719</b>
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 in 2017 may amount to a maximum of MSEK 22. 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, comprising certain guarantee commitments regarding roads, foundations and the internal electricity grid.

## NOTE 17 • RELATED-PARTY TRANSACTIONS

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

	2016	2015
Sales of goods and services to subsidiaries	61	88
Purchases of goods and services from subsidiaries	184	233
Transactions with other senior executives	–	–

The Parent Company's transfer of projects and charging of services to its subsidiaries amounted to MSEK 61 (88). Services sold refer primarily to consulting fees relating to permits and planning work, invoiced administrative expenses and management services to subsidiaries that own operational wind farms. The Parent Company's purchases of goods and services from subsidiaries amounted to MSEK

184 (233) and consist of electricity and electricity certificates, rental charges for wind power which the Parent Company has leased 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 ASSOCIATES

For information on receivables from associates, 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 4 MAY.

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, 20 March 2017

**Joachim Gahm**  
Chairman

**Jon G Brandsar**  
Board member

**Maud Olofsson**  
Board member

**Daniel Johansson**  
CEO

**Peter Gyllenhammar**  
Board member

Our audit report was submitted on 20 March 2017  
Öhrlings PricewaterhouseCoopers AB

**Magnus Willfors**  
Authorised Public Accountant





# Auditor's report

## To the general meeting of the shareholders of Arise AB (publ)

Corporate identity number 556274-6726

### REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

#### Opinions

We have audited the annual accounts and consolidated accounts of Arise AB for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 38–89 in this document.

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 parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (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 accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

#### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

#### Our audit approach

##### Audit scope

We designed our audit by determining materiality and

assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

All subsidiaries that have statutory requirements are covered in our audit. The group audit team have, in addition to that audited the parent company, consolidations, annual report and material assessments and judgements. Based on the performed audit procedures stated above, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

##### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually

and in aggregate on the financial statements as a whole.

### Key audit matters

Key audit matters of the audit are those matters that, in our professional judgement, were of most significance in our

audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

#### KEY AUDIT MATTER

##### *Impairment test of owned windpower farms in operation*

Reference to note 1 on page 57 in the annual report "Significant estimates and assumptions for accounting purposes", and note 9 on page 66 "Property, plant and equipment".

As at 31 december 2016 the value of owned windpower farms in operation amounts to MSEK 1,502. During recent years the market prices for electricity and electricity certificate has decreased significantly and remains on a relatively low level. Decreasing market prices represents indications of changes in factors that may affect the valuation of the owned wind power farms in operation. These conditions triggered the company to perform an impairment test, which resulted in an impairment charge of MSEK 12. Our audit was focused to ensure that the impairment test performed by the company, is true and fair and that no further requirements for impairment charges are required.

The impairment test is based on assumptions regarding future cash flows and circumstances which are complex and involve a high degree of judgement, changes in these factors can result in additional impairment requirement.

Group management's assumptions regarding expected future market prices for electricity, electricity prices and weighted average cost of capital (WACC), involve a high degree of judgement, changes in these factors can result in additional impairment requirement.

#### HOW OUR AUDIT ADDRESSED THE KEY MATTER

We have obtained and reviewed the impairment tests performed by the company. These include the prognosis of future cash flow made by the Group management based on the discount rate they selected. Assumptions regarding future market prices for electricity and electricity certificates are based on market price projections made by external expertise.

We have developed an understanding how the development of macroeconomic factors impact Arise. We have also assessed the process through which, the Group management and Board of Directors gather the necessary macro market data to support their assumptions and decisions.

Our review of the impairment tests has included:

- Assessed the calculation model applied by management.
- Assessed and checked the mathematical accuracy of the WACC applied by management
- Reconciled input data regarding future revenues against external data, forward prices and opinions from external expertise.
- Assessed and challenged input data regarding planned production volumes and reconciled them against the company's projections and against historical performance
- Assessed and challenged input data regarding estimated operating cost and other data, and reconciled them against the company's projections and against historical performance.
- Performed sensitivity analysis for changes in key assumptions, such as market price development for electricity, electricity certificates and the discount rate applied.

Based on the performed audit activities, we have noted no significant deviations from Group management's conclusions regarding the assessment of an impairment requirement.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY MATTER
<p><i>Valuation of deferred tax assets</i></p> <p>Reference to note 1 on page 57 in the annual report "Significant estimates and assumptions for accounting purposes", and note 7 on page 65 "Taxes".</p> <p>As of the 31 December, 2016, the Group's total tax loss carry forwards amounted to MSEK 311, of which MSEK 140 has been considered when calculating deferred tax. Tax loss carry forwards are considered in this calculation if they are expected to be utilizable against future taxable profits. Deferred tax assets related to the tax loss carry forwards amounts to MSEK 31.</p> <p>According to IFRS a judgement of the probability of the utilisation of tax loss carry forwards against future taxable profits, should be made on a regular basis. We consider this to be a key audit matter based on the high complexity and level of judgement involved, in assessing the value of deferred tax assets.</p>	<p>In our audit we focused on assessing the judgement by Group management, to which extent the tax loss carry forwards can be utilised against future taxable profits.</p> <p>The projected future profits is to a high degree related to profits from sale of wind park farms. Sale of wind park farms can either be through the sale of a fixed asset which result in a taxable profit or through the sale of a wind park farm packaged in a legal company, which results in a non-taxable profit. The Group management has made assumptions regarding which proportion of future profits from sale of wind park farms, will be related to sale of fixed assets versus sale of companies. We have challenged the Group managements judgements and reviewed the support for their assumptions. We have analysed the profits from sale of wind park farms during 2016, in relation to which taxable profits will be required in the future in order to utilize the tax loss carry forwards included as deferred tax assets. Our tax experts has been involved to discuss and consider potential impacts from any advertised changes to local tax legislation. We have also assessed the correctness of the disclosures in Note 1 and 7.</p> <p>We have identified no significant deviations in conjunction with our audit procedures.</p>
<p><i>Transactions – selling of projects</i></p> <p>Arise business concept implies potential acquisitions and selling of one or several projects directly or through a company.</p> <p>During the year the company have sold subsidiaries containing the projects Solberg and Bohult. Each separate transaction is individual and the contracts contains specific terms of agreements which stipulates, amongst others, model for payments and the respective parts commitments and requirements during the durations time of the agreements.</p> <p>The business arrangement and accompanying agreements are complex areas in which interpretation of the performed transaction and the accompanying terms of agreements might have a material effect on the accounting records and the revenue recognition.</p> <p>Our audit focus on that the performed transactions are treated correctly in the accounting records.</p>	<p>Each separate agreement with regards to selling a company or a project is individual and the contracts contains specific terms of agreements. We have in our audit:</p> <ul style="list-style-type: none"> <li>• Audited the company's capital gain through a reconciliations against the selling agreement.</li> <li>• Audited the company's accounting records with regards to the selling on company level.</li> <li>• Audited the company's accounting records with regards to the selling on group level.</li> <li>• Audited that the classification for the capital gain has been treated correctly in accordance with the accounting principles for the company.</li> </ul> <p>We have identified no significant deviations in conjunction with our audit procedures.</p>



### Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–37. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as

a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden's website: [www.revisorsinspektionen.se/rn/showdocument/documents/rev\\_dok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf). This description is part of the auditor's report.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

#### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Arise AB for the year 2016 and the proposed appropriations of the company's profit or loss.

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

#### Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.



The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

#### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: [www.revisorsinspektionen.se/rn/showdocument/documents/rev\\_dok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf). This description is part of the auditor's report.

Malmö 20 March 2017  
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 Nasdaq Stockholm. Accordingly, Arise applies the Swedish Corporate Governance Code (the "Code"). This Corporate Governance Report has been established in accordance with the provisions included in the Code, Chapter 6, Sections 6–9 of the Swedish Annual Accounts Act and Chapter 9, Section 31 of the Swedish Companies Act, and refers to the 2016 financial year. Arise's Articles of Association and other information regarding corporate governance in Arise are available on our website, [www.arise.se](http://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 presented in the relevant sections of this Corporate Governance Report. In 2016, the company did not contravene any regulations applied in the regulated market in which the company's shares are quoted for trading, nor did it, in any other manner, deviate from accepted practice in the securities market.

## Shareholders

According to the shareholder register maintained by Euroclear Sweden AB, Arise had approximately 3,410 shareholders on 30 December 2016. 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](http://www.arise.se).

## Shares

The share capital in Arise as per 31 December 2016 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 not earlier than six weeks and not 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 3 May 2016 in Halmstad. At the Annual General Meeting, resolutions were passed regarding the establishment of a warrant programme for the employees in Arise and authorisation of 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 4 May 2017 in Halmstad. Shareholders wishing to add items to the agenda of the Annual General Meeting may send a written request to Arise AB (publ), Attn: Chairman of the Board, Box 808, SE-301 18 Halmstad, Sweden. Such requests must reach the Board of Directors not 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 3 May 2016 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 four largest shareholders as of the start of October as well as the Chairman of the Board. The Nomination Committee prior to the 2017 Annual General Meeting comprised Johan Claesson (CA and others), Bengt Hellström (Third Swedish National Pension Fund), Jan Barchan (Briban Invest), Peter Gyllenhammar (privately and via companies) and 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 on 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 4 May 2017, the Nomination Committee has proposed the re-election of 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. The Nomination Committee will present a description of their activities at the Annual General Meeting on 4 May 2017. Shareholders wishing to submit proposals to the Nomination Committee are requested to contact the Chairman of the Nomination Committee: Arise AB (publ), Attn: Chairman of the Nomination Committee, Box 808, SE-301 18 Halmstad, Sweden.

## 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 is to comprise not fewer than three and not 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 3 May 2016, a Board was elected consisting of the members Joachim Gahm (Chairman), Maud Olofsson, Jon Brandsar and Peter Gyllenhammar. 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 2016 financial year, the Board of Directors held nine meetings, with minutes taken at each meeting. The Board members' attendance at the meetings is presented in the table below. Two meetings have taken place thus far during the 2017 financial year. 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 62. All members of the Board appointed by the Annual General Meeting have been independent in relation to the company and 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](http://www.arise.se).

### Board members' attendance, 2016 financial year

	Number of meetings	Present at	Attendance, %
Joachim Gahm	9	9	100
Jon Brandsar	9	9	100
Maud Olofsson	9	9	100
Peter Gyllenhammar	9	9	100

### The work of the Board

Meetings of the Board of Directors should ideally be held by physical attendance at Arise's head office. However, additional meetings may be conducted over the telephone. In 2016, 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 at the meeting. The proposed agenda is prepared by the CEO in consultation with the Chairman. The matters presented to the Board are presented for the purposes of information, discussion or decision. Decisions are taken after discussions and after all members of the Board in attendance at 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 formal work plan 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 2017, the Remuneration Committee comprises 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 2016, with all members attending all meetings. The Committee's areas of responsibility are to present proposals on overall policies for salaries, remuneration and other terms of employment for the company's Group management and any warrant programmes. The Remuneration Committee is to prepare proposals on individual salaries and other remuneration for

the CEO and, following proposals from the CEO, decide on individual salaries and other remuneration for managers who report directly to the CEO. In special cases, decisions on these salaries and other remuneration can be made solely by the Chairman of the Remuneration Committee. 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 2017, 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 2016 and each meeting was attended by all members. The Audit Committee is responsible for the preparation of the Board's work on assuring the quality of the company's financial reporting. This quality assurance normally takes place by the Board addressing all critical accounting issues and examining drafts of financial statements published by the company (for the second quarter and the full-year). The Audit Committee also prepares 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 Group management's holdings of shares and warrants are described on page 103.

### Appointment of auditors

At the 2016 Annual General Meeting (as at the 2015 Annual General Meeting), Öhrlings PricewaterhouseCoopers AB was appointed as the company's 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 con-

trol. Arise's control environment comprises, for example, sound core values, integrity, competence, a leadership philosophy, an organisational structure, responsibility and authorities. Arise's formal work plans, instructions, policies, guidelines and manuals provide guidance to the employees. Arise ensures a clear division of roles and responsibilities for the effective management of operational risks through, for example, its formal work plans for the Board of Directors and committees, as well as through terms of reference to the CEO. During the company's day-to-day operations, the CEO is responsible for the system of internal controls required to create 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 ongoing 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 employee compliance with the policies and guidelines.

### Internal control over financial reporting

Internal control over financial reporting is part of the internal control within Arise and its aims include providing reasonable assurance of the reliability of the company's external financial reporting in the form of interim reports, annual reports and year-end reports, and ensuring 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

The Board of Directors evaluates the information provided by Company management on an ongoing basis. In the activities of the Board of Directors and the Audit Committee, great importance is attached to the work involved in 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 financial 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 have been communicated to the employees by the management group. Furthermore, for communication with external parties, there is a policy stipulating 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

Taking into account the size of the company, in combination with the Audit Committee's work, and the fact that sound control procedures have been established and applied, the Board of Directors has not deemed it necessary to establish a separate internal audit function. However, the matter of whether a separate internal audit function is required will be addressed on an annual basis.

### Activities in 2016

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

Halmstad, 20 March 2017

**Joachim Gahm**  
Chairman

**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 2016 on pages 96–99 and for ensuring that the Corporate Governance Report has been 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, 20 March 2017  
Öhrlings PricewaterhouseCoopers AB

**Magnus Willfors**  
Authorised Public Accountant



# Ownership structure

## Share capital

The share capital of Arise AB totals approximately MSEK 2.7, distributed between 33,428,070 shares. All shares entitle the holder to one vote and an equal right to the assets and profits of the company.

## Dividend policy and target equity/assets ratio

Provisions in the company's bond agreements allow for dividends to amount to an equivalent of 50% of the previous year's positive cash flow, on the condition that the company's equity/assets ratio amounts to at least 30% and that the company otherwise fulfills the covenants of the bond agreements.

The company's financial policy states that the Group's equity/assets ratio is to exceed 25%. Arise's ambition is to create the conditions over time to pay dividends to shareholders, subject to the resolution of the annual general meeting.

## LARGEST SHAREHOLDERS

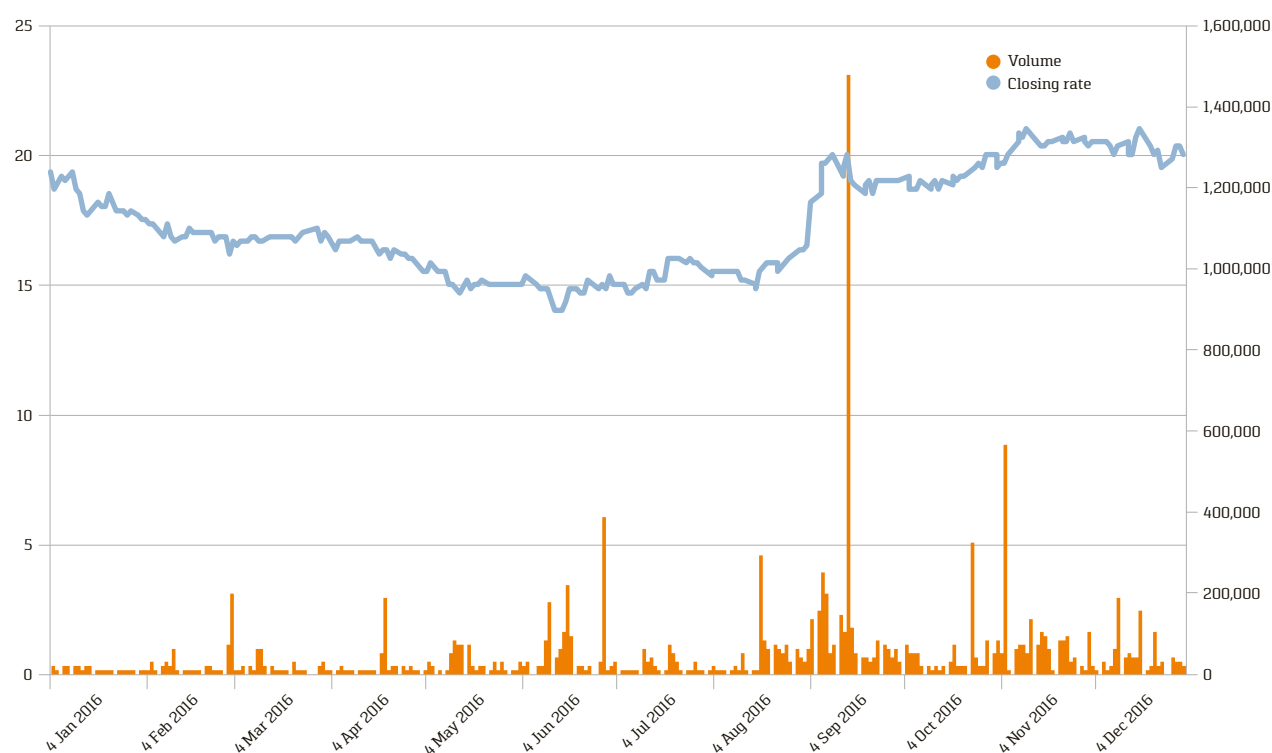
Ownership structure as of 30 December 2016	Shares	Share of votes and capital, %
Claesson & Anderzén with companies	4,156,501	12.4
Third Swedish National Pension Fund	3,340,133	10.0
Nordea Livförsäkring Sverige AB	3,077,938	9.2
Statkraft AS	2,495,613	7.5
Catella Fondförvaltning	1,508,737	4.5
Ernstström Finans AB	1,500,000	4.5
Peter Gyllenhammar with companies	1,500,000	4.5
Svenska Handelsbanken för PB	1,369,000	4.1
AB Traction	1,319,196	3.9
Leif Jansson with companies	1,235,833	3.7
<b>Ten largest shareholders</b>	<b>21,502,951</b>	<b>64.3</b>
Other shareholders	11,925,119	35.7
<b>Total number of registered shares</b>	<b>33,428,070</b>	<b>100.0</b>

## 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 <sup>1)</sup>	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

<sup>1)</sup> 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:** Chairman of the Board of Sustainable Growth Capital SGC AB. Board member of S & A Sverige AB, 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 and 100,000 warrants

**INDEPENDENCE/DEPENDENCE:** Joachim Gahm is independent in relation 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:** Board member of Forsen Vind DA and adviser to Statkraft AS. Former Executive Vice President Wind Power and Technologies at Statkraft AS with responsibility for onshore wind power, offshore wind power, district heating, innovation and small-scale hydropower. Former Group Chief Executive at Trondheim Energiverk, Technology Director at Statkraft, Department Manager at Statkraft Engineering and Department Manager at ABB.

**EDUCATION:** Electrical Engineering at GIH Gjøvik (1977).

**HOLDINGS:** –

**INDEPENDENCE/DEPENDENCE:** Jon G Brandsar is independent in relation 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 Service AB. Board member of Visita, the Confederation of Swedish Enterprise, Diös Fastigheter AB, Envac AB and ÅF 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.

**EDUCATION:** Upper-secondary school education.

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

**INDEPENDENCE/DEPENDENCE:** Maud Olofsson is independent in relation 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 Galjaden Holding AB. Peter Gyllenhammar is the working owner of Peter Gyllenhammar AB. Former Board member of Catella AB (publ).

**EDUCATION:** Upper-secondary school education.

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

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

The information concerning shareholdings and warrants refers to the situation as of 31 December 2016.



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

# Arise's Group management



## **Daniel Johansson, born 1970**

CEO since January 2016. Daniel has extensive expertise and experience in the field of energy. He previously served as

State Secretary in the Alliance government and held various positions in the finance industry.

**OTHER DIRECTORSHIPS AND POSITIONS:** Chairman of the Board of several Arise subsidiaries and Svensk Vindenergi.

**EDUCATION:** International Economics specialising in Eastern Europe from Uppsala University (1995).

**HOLDINGS:** 12,000 shares and 300,000 warrants



## **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 previously held several leading positions, including CEO.

**OTHER DIRECTORSHIPS AND POSITIONS:** Chairman of the Board and Board member of several of Arise's subsidiaries. Board member of L Energy Holding AB and LJ Energy Holding AB.

**EDUCATION:** M.Sc. in Business and Economics from Stockholm University (1978).

**HOLDINGS, WITH COMPANY:** 1,235,883 shares



## **Linus Hägg, born 1976**

Head of Corporate Finance since October 2011 and CFO since 2015. Linus has extensive experience working in capital mar-

kets as well as mergers and acquisitions. Before joining Arise, he worked at ABG Sundal Collier.

**OTHER DIRECTORSHIPS AND POSITIONS:** Deputy Board member of several Arise subsidiaries. Board member of Sirocco Wind Holding AB, HKAB Holding AB, Hällåsen Kraft AB and Jädraås Vindkraft AB.

**EDUCATION:** M.Sc. in Financial Economics from Växjö University (2001).

**HOLDINGS:** 125,000 warrants



## **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 energy trading. Before joining Arise he worked for the SCA Group, where he was Global Head of Energy.

**OTHER DIRECTORSHIPS AND POSITIONS:** Board member of several Arise subsidiaries. Chairman of the Board of Sirocco Wind Holding AB, HKAB Holding AB, JVAB Holding AB, Hällåsen Kraft AB and Jädraås Vindkraft AB. Board member of CapViva Wind Skogaby AB.

**EDUCATION:** Degree in Energy Engineering from Mälardalen University (1988).

**HOLDINGS:** 125,000 warrants

The information concerning shareholdings and warrants refers to the situation as of 31 December 2016.



# Annual General Meeting and 2017 calendar

## Annual General Meeting

Shareholders are invited to attend Arise's Annual General Meeting to be held at Scandic Hallandia, Halmstad, Sweden on Thursday, 4 May 2017, at 11:00 a.m. Light refreshments will be served before the Meeting and lunch will be served after the Meeting.

## Registration

Shareholders wishing to attend the Annual General Meeting must be registered in the shareholder register maintained by Euroclear Sweden AB on Thursday, 27 April 2017 and register their attendance along with that of any assistants not later than Thursday, 27 April 2017, preferably before 4:00 p.m., by e-mail to [info@arise.se](mailto:info@arise.se). It is also possible to register for the Annual General Meeting by telephone, +46 35 20 20 900, by fax +46 35 22 78 00, or by post to Arise AB (publ), Bolagsstämman, Box 808, SE-301 18 Halmstad, Sweden. 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 not later than at the Annual General Meeting, although a copy should be sent in advance, if possible. The proxy shall be valid for a maximum of five years if this is specified. If no validity is specified, the proxy is valid for a maximum of one year. Authorisation forms will be available at [www.arise.se](http://www.arise.se) and from the head office in Halmstad, Kristian IV:s väg 3, and will be 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 not later than Thursday, 27 April 2017. 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 Directors' proposed appropriation of profits and other complete proposals will be available from the company's website, [www.arise.se](http://www.arise.se), not later than 13 April 2017. Copies of the documents will be sent upon request to shareholders providing their address.

## Calendar of financial information

All financial information is published on [www.arise.se](http://www.arise.se) as soon as it has been released. In 2017, financial information will be published as follows:

*First quarter:* 4 May 2017

*Second quarter:* 19 July 2017

*Third quarter:* 10 November 2017

*Fourth quarter:* 16 February 2018

## Annual Report

The Annual Report is available from our website, [www.arise.se](http://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, +46 35 20 20 900. The 2016 Annual Report is expected to be available in early April 2017.

## IR contact

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

### Daniel Johansson, CEO

Tel. +46 702 244 133

### Linus Hägg, CFO

Tel. +46 702 448 916



## Financial information in summary

MSEK	2016	2015	2014	2013	2012	2011
<b>Income statements (summary)</b>						
Net sales*	594	487	258	264	236	222
Operating profit before amortisation/depreciation and impairment (EBITDA)**	138	193	197	211	186	179
Operating profit/loss (EBIT)**	33	-58	91	117	64	105
Profit/loss before tax	-52	-164	-24	32	-22	65
Profit/loss for the year	-41	-156	-25	29	-16	47
<b>Balance sheets (summary)</b>						
Total non-current assets	2,082	2,345	2,701	2,867	2,753	2,615
Cash and cash equivalents	287	203	157	191	341	137
Equity	1,020	1,090	1,178	1,240	1,152	1,243
Total assets	2,460	2,767	2,967	3,231	3,207	2,869
Net interest-bearing debt	992	1,248	1,449	1,438	1,265	1,192
<b>Cash flows (summary)</b>						
Cash flow from operating activities	182	170	162	213	170	211
Cash flow from investing activities	160	116	-22	-292	-176	-822
Cash flow from financing activities	-258	-241	-174	-71	210	498
Cash flow for the year	84	46	-34	-150	204	-113
<b>Key ratios</b>						
Installed capacity at the end of the period, MW	241	254	261	253	139	136
Electricity production during the period (Own and Co-owned), GWh	640	774	650	599	351	247
Basic earnings per share, SEK	neg	neg	neg	0.86	neg	1.46
Diluted earnings per share, SEK	neg	neg	neg	0.86	neg	1.46
EBITDA margin, %	23.2	37.9	68.4	75.6	75.0	70.1
Return on capital employed (EBIT), %	1.5	neg	3.4	4.6	2.6	5.2
Return on adjusted capital employed (EBITDA), %	6.3	7.7	7.3	8.2	7.6	8.8
Return on equity, %	neg	neg	neg	2.4	neg	3.9
Equity/assets ratio, %	41.5	39.4	39.7	38.4	35.9	43.3
Number of employees at the end of the period	29	31	31	31	44	35

\* 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 profits in associates."

Overview of wind farms

Overview of wind farms

	Nominal capacity, MW	Expected production during a normal year, GWh <sup>1)</sup>	Full capacity hours, MWh/	Capacity factor, %	Price area	Commissioned year		Carrying amount as of 31 December 2016, MSEK	Carrying amount as of 31 December 2016, SEK/normal annual production, KWh	Carrying amount as of 31 December 2016, MSEK/MW	Number of turbines	Manufacturer	Model	Municipality	Country
Own wind power operations															
Oxhult	24.0	56.8	2,367	27%	IV	2009		252	4.4	10.5	12	Vestas	V 90	Laholm	Sweden
Råbelöv	10.0	22.8	2,280	26%	IV	2010		100	4.4	10.0	5	Vestas	V 90	Kristianstad	Sweden
Brunsmo	12.5	24.0	1,920	22%	IV	2010		103	4.3	8.3	5	GE	2.5 XL	Karlskrona	Sweden
Kåphult	17.5	40.6	2,320	26%	IV	2010/2011		187	4.6	10.7	7	GE	2.5 XL	Laholm	Sweden
Fröslida	22.5	55.4	2,462	28%	IV	2011		253	4.6	11.2	9	GE	2.5 XL	Hylte	Sweden
Idhult	16.0	36.2	2,263	26%	IV	2011		162	4.5	10.1	8	Vestas	V 90	Mönsterås	Sweden
Södra Kärra	10.8	37.4	3,463	40%	III	2011/2012		145	3.9	13.4	6	Vestas	V 100	Askersund	Sweden
Blekhem	10.8	30.1	2,787	32%	IV	2011/2012		141	4.7	13.1	6	Vestas	V 100	Västervik	Sweden
Gettnabo	12.0	30.3	2,525	29%	IV	2011		121	4.0	10.1	6	Vestas	V 90	Torsås	Sweden
Skäppentorp	3.1	8.5	2,764	32%	IV	2012		36	4.3	11.8	1	Vestas	V 112	Mönsterås	Sweden
Total	139.2	342.1	2,458	28%				1,501	4.4	10.8	65				
Own wind power operations under construction															
No ongoing construction projects within Own wind power operations															
Total Own wind power operations	139.2	342.1	2,458	28%				1,501	4.4	10.8	65				
Co-owned wind power operations															
Jädraås <sup>2)</sup>	101.5	286.0	2,818	32%	III	2012/13		1,343	4.7	13.2	33	Vestas	V 112	Ockelbo	Sweden
Total	101.5	286.0	2,818	32%				1,343	4.7	13.2	33				
Co-owned wind power operations under construction															
No ongoing construction projects within Co-owned wind power operations															
Total Co-owned wind power operations	101.5	286.0	2,818	32%				1,343	4.7	13.2	33				
TOTAL OWN AND CO-OWNED WIND POWER OPERATIONS	240.7	628.1	2,610	30%				2,844	4.5	11.8	98				
External projects under construction and/or management															
Jädraås (client Platina Partners) <sup>3)</sup>	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 fund administered by 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 fund administered by 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 (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 (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
Bohult (client Allianz Global Investors)	12.8	n/a	n/a	n/a	IV	2014		n/a	n/a	n/a	8	GE	1.6-100	Halmstad	Sweden
Ekeby (client KumBro Vind AB)	6.0	n/a	n/a	n/a	III	2016		n/a	n/a	n/a	3	Senvion	MM100	Kumla	Sweden
Tellenes (client fund administered by BlackRock)	160.0	n/a	n/a	n/a		2017		n/a	n/a	n/a	50	Siemens	SWT-3.2MW	Rogaland	Norway
Total external projects under construction and/or management	414.1	n/a	n/a	n/a							143				
TOTAL OWN AND CO-OWNED WIND POWER OPERATIONS INCL. MANAGEMENT	654.7	n/a	n/a	n/a							241				

<sup>1)</sup> Expected production +/- 5% in a normal wind year.   <sup>2)</sup> Corresponds to the carrying amount of Arise's share of 50%.   <sup>3)</sup> Management 50% for Platina Partners LLP in Jädraås.





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