

Annual Report 2017



arise

A woman with blonde hair, wearing a dark wide-brimmed hat and a grey zip-up hoodie, stands in a grassy field. Her hair is blowing in the wind, and she has a joyful expression with her eyes closed. The background shows rolling green hills under a cloudy sky. The text "A sustainable investment in green electricity from wind." is overlaid in white serif font across the middle of the image.

A sustainable investment
in green electricity from wind.

Arise manages the entire value chain – from exploration and permitting, to financing, construction, sale and long-term management of its own and customers' wind farms.

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Calendar

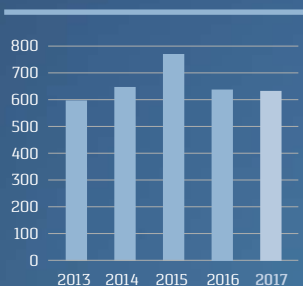
ARISE ANNUAL GENERAL MEETING 2018
The Annual General Meeting will be held on 3 May in Halmstad

FINANCIAL INFORMATION 2018
3 May • Annual General Meeting
3 May • Interim Report for the first quarter
18 July • Interim Report for the second quarter
9 November • Interim Report for the third quarter
15 February 2019 • Interim Report for the fourth quarter

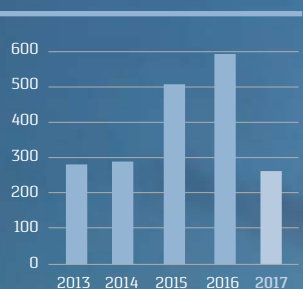
DISTRIBUTION OF THE ANNUAL REPORT 2017

The Annual Report is available from our website, 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 10 450 71 22.

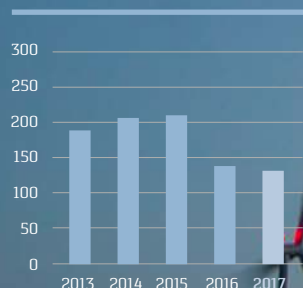
Production, GWh



Total income, MSEK



EBITDA, operating profit before depreciation, MSEK



Q1 Q2

- Preferential rights issue of convertibles amounting to SEK 245 million was completed.
- The acquisition of Kraftö's project portfolio of up to 370 MW was completed.
- All unsecured green bonds 2014/2017 were redeemed corresponding to a total of MSEK 350.
- A 15-year full-service agreement was signed with Vestas, meaning that service and maintenance of all of the company's Vestas wind farms has been outsourced.
- Environmental permits for Kølvalen were denied – Arise is initiating a new permit application process.
- The acquisition and subsequent disposal of the Svartnäs project (115 MW) to a fund managed by BlackRock.



Total
production
635
GWh



Own
wind power
operations
348
GWh

Q3 Q4

- Arise assumed management of the Tellenes wind farm (160 MW) in Norway on behalf of BlackRock.
- The company's own wind farms were impaired by MSEK 139 due to lower long-term market prices and the project portfolio was impaired by MSEK 14 since two projects were abandoned.
- Repurchase of secured bonds at a nominal amount of about MSEK 52.
- An option agreement signed with Dala Vind concerning the right to acquire the Enviksberget project (app. 35 MW).




Co-owned
wind power
operations
287
GWh

2017

in summary

We aim to develop
renewable energy for
a sustainable future!





rise's business concept is to be the obvious partner to investors in wind power and to create added value throughout the life cycle. We aim to maximise the value of our green electricity production through professional operation, management, sales and financing.

We are also one of Sweden's leading players in onshore wind power managing the entire value chain – from exploration and permitting, to financing, construction, divestment and long-term management of its own and outsourced wind farms.

We have divided operations into three segments:

- Development and management which comprises project development, construction and sales of wind farms, and the management of our own and others' wind farms during both construction and operation.
- Own wind power operations. Production and sale of electricity and electricity certificates.
- Co-owned wind power operations. Production and sale of electricity and electricity certificates.

See also our business model in our Sustainability Report on page 28.

Since its start a decade ago, Arise has constructed, or currently has under construction,

about 650 MW of onshore wind power, of which 241 MW is still owned by the company. Arise's own wind farms, in total 10, are all located in the southern Sweden.

Arise's total portfolio of managed wind farms amounts to 770 MW. Of this, 241 MW is for ourselves and 529 MW for external customers. This breaks down into 610 MW in Sweden and 160 MW in Norway, and constitutes a significant share of the total wind power market.

We have developed an efficient business model where we provide complete solutions for our customers, including responsibility for operation and maintenance, technical management, environmental reporting and administration. In the past few years, we have also developed and constructed a number of wind farms for investors and today have customers such as BlackRock, various companies within the German insurance group Allianz, Fortum, Skellefteå Kraft, Whitehelm Capital and municipally-owned company KumBro Vind AB among others. See our portfolio overview on pages 8–9.



Arise Portfolio overview

Own wind power operations

**1. OXHULT,
LAHOLMS MUNICIPALITY**
Turbine type: Vestas V90
Quantity: 12
Yearly production: 56.8 GWh
Commissioned: 2009

**2. RÅBELÖV,
KRISTIANSTAD MUNICIPALITY**
Turbine type: Vestas V90
Quantity: 5
Yearly production: 22.8 GWh
Commissioned: 2010

**3. BRUNSMO,
KARLSKRONA MUNICIPALITY**
Turbine type: GE 2,5 XL
Quantity: 5
Yearly production: 24.5 GWh
Commissioned: 2010

**4. KÅPHULT,
LAHOLMS MUNICIPALITY**
Turbine type: GE 2,5XL
Quantity: 7
Yearly production: 40.6 GWh
Commissioned: 2010/2011

**5. FRÖSLIDA,
HYLTE MUNICIPALITY**
Turbine type: GE 2,5XL
Quantity: 9
Yearly production: 55.4 GWh
Commissioned: 2011

**6. IDHULT,
MÖNSTERÅS MUNICIPALITY**
Turbine type: Vestas V90
Quantity: 8
Yearly production: 36.2 GWh
Commissioned: 2011

**7. SÖDRA KÄRRA,
ASKERSUNDS MUNICIPALITY**
Turbine type: Vestas V100
Quantity: 6
Yearly production: 37.4 GWh
Commissioned: 2011/2012

**8. BLEKHEM,
VÄSTERVIK MUNICIPALITY**
Turbine type: Vestas V100
Quantity: 6
Yearly production: 30.1 GWh
Commissioned: 2011/2012

**9. GETTNABO,
TORSÅS MUNICIPALITY**
Turbine type: Vestas V90
Quantity: 6
Yearly production: 30.3 GWh
Commissioned: 2011

**10. SKÄPPENTORP,
MÖNSTERÅS MUNICIPALITY**
Turbine type: Vestas V112
Quantity: 1
Yearly production: 8.5 GWh
Commissioned: 2012

Managed wind farms

**11. JÄDRAÅS,
OCKELBO MUNICIPALITY**
Turbine type: Vestas V112
Quantity: 66
Commissioned: 2012/2013
Owner: Arise AB/Platina Partners LLP

**12. STJÄRNARP,
HALMSTAD MUNICIPALITY**
Turbine type: Vestas V100
Quantity: 3
Commissioned: 2013
Owner: KumBro Vind AB

**13. BROTORP,
MÖNSTERÅS MUNICIPALITY**
Turbine type: Vestas V126
Quantity: 14
Commissioned: 2015
Owner: Fund managed by BlackRock

**14. STORRUN,
KROKOM MUNICIPALITY**
Turbine type: Nordex N90
Quantity: 12
Commissioned: 2009
Owner: Fund managed by Whitehelm Capital

**15. SKOGABY,
LAHOLMS MUNICIPALITY**
Turbine type: Vestas V100
Quantity: 4
Commissioned: 2013
Owner: Fund managed by Allianz Global Investors

**16. MOMBYÅSEN,
SANDVIKENS MUNICIPALITY**
Turbine type: Vestas V126
Quantity: 10
Commissioned: 2016
Owner: Fund managed by Allianz Capital Partners

**17. RYSSBOL,
HYLTE MUNICIPALITY**
Turbine type: Vestas V110
Quantity: 6
Commissioned: 2016
Owner: KumBro Vind AB

**18. BOHULT,
HALMSTAD MUNICIPALITY**
Turbine type: GE 1,6-100
Quantity: 8
Commissioned: 2014
Owner: Fund managed by Allianz Global Investors

**19. EKEBY,
KUMLA MUNICIPALITY**
Turbine type: Senvion MM100
Quantity: 3
Commissioned: 2016
Owner: KumBro Vind AB

**20. TELLENES,
ROGALAND, NORGE**
Turbine type: Siemens SWT-3,2 MW
Quantity: 50
Commissioned: 2017
Owner: Fund managed by BlackRock

Co-owned wind power operations

**21. JÄDRAÅS,
OCKELBO MUNICIPALITY**
Turbine type: Vestas V112
Quantity: 66
Yearly production: 572 Gwh
Commissioned: 2012/2013
Owner: Arise AB/Platina
Partners LLP (50/50)

20. TELLENES

14. STORRUN

22. SOLBERG

11. JÄDRAÅS

21. JÄDRAÅS

23. SVARNÄS

16. MOMBYÅSEN

19. EKEBY

7. SÖDRA KÄRRA

8. BLEKHEM

6. IDHULT

10. SKÄPPENTORP

13. BROTORP

9. GETTNABO

3. BRUNSMO

17. RYSSBOL

5. FRÖSLIDA

18. BOHULT

12. STJÄRNARP

15. SKOGABY

1. OXHULT

4. KÅPHULT

2. RÅBELÖV

Wind farms under construction

**22. SOLBERG,
ÖRNSKÖLDSDVIKS MUNICIPALITY**
Turbine type: Vestas V126
Quantity: 22
To be commissioned: 2018
Owner: Fortum and Skellefteå
Kraft

**23. SVARNÄS,
FALU MUNICIPALITY**
Turbine type: Vestas V136
Quantity: 32
To be commissioned: 2019
Owner: Fund managed
by BlackRock



MESSAGE FROM THE CEO

Wind power is rapidly gaining ground in Sweden.

Wind power's share of total electricity production is more than 10 per cent and is rising at a good rate. This is shifting us from being a special interest to more and more of a public interest. Quite simply, wind power is fundamental for growth, jobs and green transitioning. We are key to attracting foreign investments in the billions to Sweden, and we are laying the groundwork for Sweden to remain at the forefront of efforts to tackle the climate threat moving forward.

OUR CUSTOMERS – GLOBAL COMPANIES

Our customers who invest in Swedish wind farms are typically global players in the capital market. This capital comes largely from the pension funds of employees from all around the world and insurance premiums. Through our business, we are contributing to foreign capital being invested in green energy in Sweden, which in turn is accelerating Sweden's energy transition and contributing to a reduction in greenhouse gas emissions. And we are giving savers all over the world the opportunity for a good return on their investments. This is not just a pretty thought – it is the reality in which we operate!

EXPANSION OF WIND POWER IN SWEDEN

The expansion of wind power, chiefly in sparsely populated parts of the country, also creates valuable jobs where

depopulation is often a reality. The expansion of wind power is helping to curb and even reverse this trend. And let me stress this: we have only utilised a small part of the geography and wind resources that Sweden has to offer.

We are also a potential new export industry that can assist the climate and energy transition throughout Europe even further. If we can become a green battery for Europe, this will also generate income and provide major, long-term socio-economic benefits for Sweden while creating environmental benefits for other parts of Europe.

Sweden also has a unique opportunity to attract new industries with its sound availability of competitively priced green electricity. This includes battery manufacture and computer centres, but even more so, traditional industries wanting to produce goods with low or zero GHG emissions in order to increase their attractiveness and competitiveness. This is the future! The reality that Arise wants to be part of creating!

ARISE'S BUSINESS CONCEPT

Our new vision is to develop renewable energy for a sustainable future!

Our business concept, which we have redrafted in connection with this year's annual report, is to be the obvious partner for investors in wind power by creating added value throughout the life cycle, and maximising the value of our green electricity production through professional operation, management, sales and financing. We hope that this will make us an even more focused business with a clear profile. We have already taken many important steps towards the vision and mission we have set ourselves. But we are also a company with entrepreneurial roots, and we will never stop searching for new opportunities to do things differently and better.



//

*Our new vision
is to develop
renewable energy
for a sustain-
able future!*

PROJECT DEVELOPMENT

Through our many years of work on the development of wind farms, we have acquired an in-depth knowledge of how projects can and should be developed. Each project is unique, and it's important to understand each component in the projects. Our capacity to do this allows us to instil in our customers the confidence they need when we sell them our construction-ready projects. It is an important prerequisite that we can offer life-long management of wind farms to our customers.

The development of wind power projects has a relatively low capital intensity, with relatively high financial leverage. That is not to say that it is straightforward and that is of course also what justifies our existence. There are risks associated with individual projects of course, but with a large portfolio, vulnerability is reduced and as a whole the portfolio can be very profitable. In the last few years, we have proven our ability to successfully develop projects for our customers and we have a clear ambition to grow in this area. This can be achieved in various ways and we maintain a dialogue with various partners so that we can add new projects to our portfolio. To succeed in our aims, it is very important that our intended partners have confidence in our capacity to deliver.

During the year, we have recruited some important resources to further strengthen our development business. This has given us a solid base from which to grow this part of our operations.

HOW WILL WE ACHIEVE THE IMPORTANT CLIMATE TARGETS?

Investor appetite for wind power is generally positive in the Nordic region. Our excellent wind resources and our great potential projects are attractive. A lot of capital is allocated to infrastructure, which wind farms are generally categorised as, and we see no slowdown in interest, looking to the future. Rather, it appears that the reduction in subsidies in many European countries has boosted the relative attractiveness of Nordic wind power projects.

Although we have many fine opportunities in front of us, challenges remain that will really put us to the test. It takes an unduly long time to obtain a legally binding environmental permit for a wind farm, and a legally binding concession for electricity grid transmission is often required too. Lead times of 5–10 years are not uncommon. This seems quite unreasonable in view of how important the expansion of wind power is to achieving the climate and

energy targets set in Sweden and Europe. Unfortunately, the courts are becoming increasingly restrictive in granting permits for new wind farms. The application of Sweden's Environmental Code and Species Protection Ordinance have been pushed in such an extreme direction that it is threatening the expansion of wind power in the long term.

The overarching challenge ought to be how we are going to deal with greenhouse gas emissions and how we can counteract other threats to the climate. It should be obvious to anyone that electricity from renewable sources has the potential to replace fossil fuels for vehicles. It is also not new that electricity and district heating are actually produced by burning coal in Sweden, even though its share of the market is small. In Europe, coal power is one of the dominant sources of energy. With the positive effects that investments in wind power have on employment, growth and other investment, it ought to be obvious that wind power is treated favourably, with its positive aspects being taken into account by the courts. We have seen a number of examples of this not being the case. Sometimes this is quite astonishing. For example, where such importance is attached to bird species that have been legally hunted in their thousands each year in Sweden that they are allowed to restrain valuable renewable electricity production.

Things have now gone so far that the legislators must intervene! A review of Sweden's Environmental Code and Species Protection Ordinance are needed to come to grips with these aberrations. It is in fact essential if the fine-sounding target of the energy policy agreement of 100 per cent renewable energy by 2040 is to be a realistic idea. If we can come to grips with the permit challenges and achieve a faster and more wind-power friendly expansion of the grid, it would actually be quite easy to achieve this target. There are no legitimate excuses for our politicians not to act.

EMISSIONS TRADING

Toward the end of 2017, important decisions were made by EU institutions to improve the function of the emissions trading scheme for carbon dioxide in the EU. By reducing the free allocation of emission allowances and by nullifying a large portion of the accrued surpluses of emission allowances, the price of emissions will be able to rise and the drivers for more renewable electricity production will increase.

The whole climate transition and phasing out of non-sustainable energy types is an important driver, not only for more renewable energy but also for higher electr-

electricity prices and technological development. If you have to pay for emissions of greenhouse gases, the cost of producing electricity from fossil resources rises. Besides the climate challenge needing to be addressed, more transmission links from the Nordic region to the rest of Europe are now being constructed, and old nuclear and coal-fired power plants are being gradually phased out. We have a fundamentally firm belief in higher electricity prices sooner or later. But we are also aware that the weather and other short-term factors are difficult to predict and that they also have a major impact on electricity prices in the short term.

ELECTRICITY CERTIFICATES

Concerning electricity certificates, during 2017 we have seen a stabilisation of the market after some clarity was brought to bear on the conditions for the next couple of years, even if prices stabilised at lower levels than before. The structural surplus of electricity certificates has started to fall and will fall rapidly in 2018 and 2019. This is because the quota curves and thus demand for electricity certificates have risen. Consequently, this feels positive for electricity certificate prices for the next two years. But it is also very important that a stop rule can be put in place as soon as possible, so that fears that the system will again develop a surplus supply of certificates will not be reawakened. It is high time! In particular if the expansion of wind power in Sweden and Norway continues at a faster rate than anticipated. We sincerely hope that the Swedish Energy Agency and Swedish Government and the Parliament are prepared to shoulder their responsibilities on this important issue. There is otherwise a great risk that investors will lose confidence and that the positive trend for renewable energy will be curbed.

THE PAST YEAR

We have completed the construction in Solberg in line with schedule and budget. The construction of Svartnäs, which we are building for BlackRock, is proceeding according to plan and will be completed in early 2019.

During the year, we procured new 15-year service contracts for our Vestas wind farms, which represent approximately 65 per cent of our own wind power production. For some years, we employed our own service technicians to keep the costs of servicing down. Gradually, competition has improved in the service market, which has made it possible for us to negotiate external 15-year contracts at attractive price levels. The big wins for us are that all of the

component risk has been transferred to our supplier, Vestas, and that we have obtained guarantees of high availability for the whole period. This has a high long-term value for us. We will continue to work actively to improve the long-term value of our wind farms.

We are pleased and proud that during 2017 we continued to increase the number of managed megawatts, and have been awarded the contract to manage the Tellenes wind farm in Norway for BlackRock. We aim to continue to increase our management assignments. This will be achieved primarily by having a strong offering that we market well.

In November 2017, we repurchased just over MSEK 50 of our outstanding secured bond of MSEK 950. In February 2018, we secured a sustainable refinancing of our secured bond. This has been accomplished by issuing a new 3-year bond of MSEK 650 while also obtaining 2–3 year loan financing of MSEK 175 from DNB. In addition, we contributed cash and cash equivalents and our holding in the secured bond to prematurely redeem the secured bond. This is a crucial step in the company's long-term financing. It is our assessment that, with the aid of positive cash flow during the next two to three years, we will have paid back the bank loans and thus achieved a sustainable level of long-term debt. During the three-year term of the secured bond, we can continue working on developing the profitability and value of our wind power assets. Our strategic choices are still an open question. A great advantage of the financing arrangement that we have now chiselled out is that we can be sustainable and will have great scope for generating the maximum value for our shareholders.

This year we are also including a sustainability report. We are in a rather unique position, since our entire business is steeped in sustainability. Our products and services are sustainable and for those who want to invest green, we are an obvious supplier. We are nonetheless a small company, and ask your indulgence that our focus needs to be first and foremost on our contracts in order to be financially sustainable. This means that we are not able to measure up against larger companies on all points, but we are all the more proud that our entire operations are contributing to a more sustainable future!

Halmstad, March 2018

Daniel Johansson
CEO of Arise AB (publ)

MARKET AND BUSINESS ENVIRONMENT

100% renewable
energy. Green
vision for the
future with
great potential.



MARKET CONDITIONS

As a leading player in the Swedish wind power market, Arise is also an important player in global efforts to reduce the threats of climate change. With our experience of planning, building and managing wind farms, and as a producer of renewable energy, we are contributing to the creation of the conditions for a more sustainable future.

DEVELOPMENT IN SWEDISH WIND POWER

According to preliminary estimates, a new record for electricity production from Swedish wind power was set in 2017. The level is estimated to be about 17 TWh, which is about 1.5 TWh more than in the previous year. This rising trend in production has continued over a number of years and 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 good willingness to pay for wind power among these investors. From mid-2017, a number of major investment decisions in Swedish wind power were made, and the rate of expansion now looks likely to increase again compared with 2016, which was a slightly off year. At the end of 2017, the total wind power output in Sweden was estimated to be just over 6,700 MW. *[Sources: Energiföretagen and Swedish Wind Energy Association.]*

DEVELOPMENT OF WIND POWER IN THE NORDIC REGION

Wind power's share of total electricity production in the Nordic region has increased from roughly 2 per cent in 2005 to 9 per cent in 2015 and continues to grow. 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 has recently been the source of an increasing proportion of investments in wind power in the Nordic region.

TREND IN COSTS

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 per cent 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 they 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, cogeneration, 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.

WIND POWER'S POTENTIAL IN SWEDEN, NORWAY AND SCOTLAND

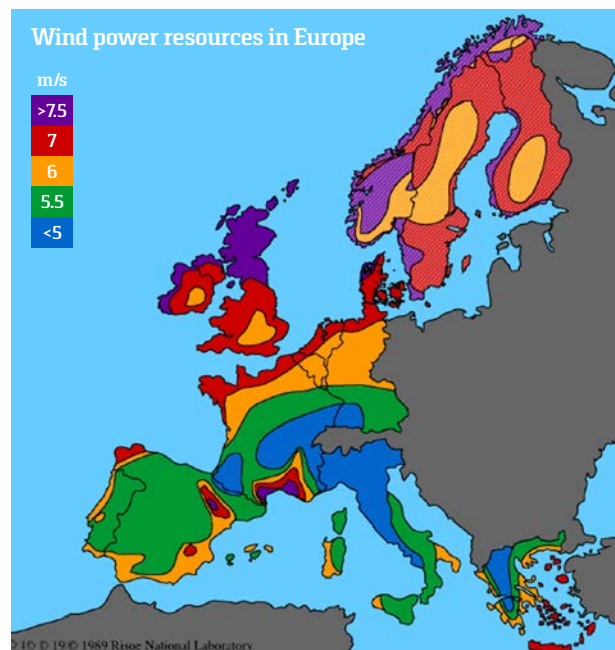
Sweden, Norway and Scotland are suitable countries for wind power due to their potential in the form of large areas with attractive wind conditions. The southern and northern parts of Sweden in particular offer good wind conditions, as can be seen in the adjacent figure, while Norway and Scotland have some of Europe's best wind resources. Furthermore, Norway and Sweden have access to large tracts of land with the potential for development. See picture from last year.

Sweden has comparatively good electrical connection possibilities for new wind power with its well-developed grid. To date, 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, Vattenfall announced the closure of Ringhals 1 and Ringhals 2 during 2019 and 2020, while E.ON has already closed down production in both the Oskarshamn 1 and 2 reactors. 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 with 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 the 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 per cent of total energy is to come from renewable sources, with the corresponding target for 2030 being at least 27 per cent, and Sweden's national target being at least 50 per cent renewable energy by 2020. This national target was already achieved in 2013, due



Source: Technical University of Denmark (DTU Wind Energy)

to the strong growth in wind power in recent years.

Regarding trade in emission allowances, the European Parliament and the Council of Ministers have taken important stands to gradually reduce the supply of emission allowances, which is also important for achieving the set climate targets and achieving them cost-effectively. Partly as a consequence of an assessed reduction in the supply of emission allowances, the prices of allowances rose during 2017. The price at the end of the year was around EUR 8 per tonne, which may be compared with prices around EUR 5 per tonne at the beginning of the year. All other things being equal, a higher price for emission allowances means that the cost of production of electricity produced from fossil energy sources will be higher. This is positive for renewable energy sources such as wind power.

The Swedish energy policy agreement reached between five parliamentary parties in 2016 contains support for nuclear energy and hydroelectric power in the form of abolished and reduced taxes on production. It also extends support for the continued expansion of renewable electricity production after 2020, even if some details are lacking (more on this in the section on electricity certificates). Despite agreement on a target of 100 per cent renewable energy by 2040, there is no plan for how this should become a reality.

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, Nordic Vindkraft, and Vasa Vind.

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 per cent of their electricity consumption from renewable energy sources. In recent years, we have seen a number of transactions in the Norwegian and Swedish markets involving large international corporations entering into long-term contracts with wind power producers to purchase electricity. New areas of application for electricity, such as the transition to more electric powered vehicles and computer centres, as well as new areas of application in industry could result in 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. The need for support for the development of new wind power farms has gradually decreased and throughout Europe subsidies are being phased out. Many European countries have transitioned to auction-based systems, which have rapidly reduced the levels of support provided in these countries.

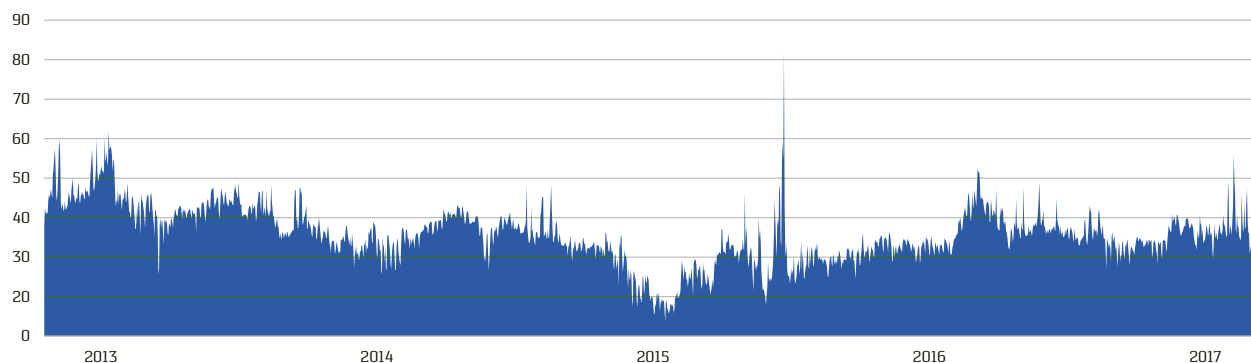
Electricity certificates is primary support scheme for renewable energy used in Sweden and Norway. The system was introduced in Sweden in 2003, and in September 2009, Sweden and Norway agreed on the foundations of a common electricity certificate market which has been in operation since 1 January 2012.

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 industry) are obliged to purchase electricity certificates through electricity suppliers, which creates demand in the market. The market assigns a value to the electricity certificate, which gives the 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 incentive 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,

Historic system price (2013–2017)

EUR/MWh



Source: Macrobond, Nord Pool Spot



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 the third quarter in 2017, there were operational, approved facilities for electricity certificates with a normal annual production of about 19.3 TWh, with around 14.8 TWh of these in Sweden and around 4.5 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 appears to be achievable before the end of 2020.

In spring 2016, the Norwegian government announced 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. However, this agreement lacked detail on how this was to be achieved, worsened by the fact that during autumn 2016, the Swedish Energy Agency tabled an unrealistic proposal that further fuelled uncertainty about the future of the system. This uncertainty contributed to the steep fall in the prices of electricity certificates in early 2017.

In April 2017, the Swedish Government announced a

linear expansion of the electricity certificate system and related quota curve for the years 2022–2030. In addition, a proposal was tabled that would bring forward the quotas and thus increase demand for electricity certificates already from 2018. After this proposal was tabled, the electricity certificates market steadied and the price level has been quite stable, though at a lower level than previously.

There is a structural surplus of electricity certificates in the market, which progressively decreased in 2017 and will continue to decrease in 2018 and 2019. This ought to result in the potential for higher prices over the next two years.

Electricity certificate market, spot SEK/MWh





ELECTRICITY PRICE TREND

During 2017, variable electricity prices were higher than in 2016 and substantially higher than in 2015, which was a so called wet year. Looking at forward contracts, it can be seen that electricity prices showed a positive trend until the beginning of the autumn, with subsequently a slight decline during the last months of the year.

Fundamentally, electricity prices in Europe have risen. Contributing factors has been the rising price of coal, higher price of emission allowances, concerns for French nuclear power, and relatively good economic growth during the year. However, the price difference between the Nordic countries and the rest of Europe has grown, where the Nordic region in general has lagged behind with lower prices than in the rest of Europe. This is mainly due to production being higher than consumption in the Nordic region, which is why the region is referred to as a surplus area.

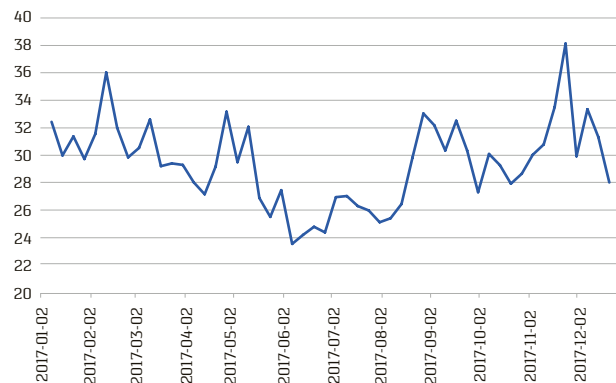
New transmission connections from the Nordic region to the rest of Europe are planned, which it can be assumed will eventually even out the price differences. The phasing out of Swedish nuclear power is also expected to reduce the surplus of electricity in our domestic market. As the threats of climate change become increasingly apparent, we assume that further measures will need to be taken to phase out the use of fossil resources for electricity genera-

tion. Steps in the right direction have been taken at the EU level with its emissions trading scheme for CO₂.

Many exciting developments of a structural nature can be expected to affect electricity prices in the future. Electric cars are now making real inroads in the market. Heavy industry is trying to seriously phase out dependence on fossil energy and transition to the use of electricity for more processes. IT companies perceive good opportunities for access to electricity at competitive prices in the Nordic region, with little effect on the climate, for their computer centres and other facilities. The battery industry has concrete plans to establish manufacturing, with its high demands for electricity, in the Nordic region. Storage options through battery technology will also eventually be able to play a major role in how, when and at what prices electricity can be consumed.

Overall, at Arise our view of electricity prices looking ahead is positive, although we remain aware that prices are highly dependent on weather conditions in the short term.

Electricity market, system spot price EUR/MWh



Electricity market, forward contracts 2020 (system), EUR/MWh





Development and Management

Wind power development and the management of wind farms are key growth areas for Arise. Because the company develops, builds and then continues to manage wind power assets, it has built a long-term, customer-driven business. We manage wind farms with vastly differing geographies, and with different turbine manufacturers. This means that we continually build on our knowledge and experience.

In total, our project portfolio comprises around 800 MW distributed across different parts of Sweden. In addition, we have 150 MW under development in Scotland. We work systematically on expanding our portfolio to include new projects of different size and maturity.

The Development and Management segment generated total income of MSEK 130 (448) during the year. The decrease is attributable to lower turnover from project sales and sales of commissioned wind farms. Operating expenses amounted to MSEK -73 (-414), of which MSEK -42 (-367) is attributable to the cost of sold projects and contracts. Other operating expenses and capitalised work declined MSEK 11, due to lower development costs and allocation effects. Own capitalised work amounted to MSEK 3 (8), increasing EBITDA to MSEK 60 (42). Depreciation amounted to MSEK 0 (-1). In addition, the company's project portfolio has been impaired by MSEK -14 (-6). Net financial items weakened to -21 MSEK (-15) due to refinancing costs for the year and currency effects in the previous year. Profit before tax improved to MSEK 25 (20).

DEVELOPMENT

- During the first quarter of 2017 an option agreement was signed with Bergvik Skog to acquire the Svartnäs project. Arise carried out the final development, design and procurement of the project and already in the second quarter, a contract was signed with a fund managed by BlackRock, the world's biggest asset manager, on the divestment of the project. The construction of the wind farm started in August 2017, where Arise is responsible for project management. Through a management agreement, Arise will also manage the wind farm for BlackRock.
- In December, an option agreement was signed with Dala Vind concerning the right to acquire the Enviksbäret project (app. 35 MW). Arise will complete the development of the project with the intention of acquiring it and then on-selling it in 2018. This is in line with our strategy to acquire and develop attractive wind power projects for onward selling to outside investors.

Process overview

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

- Construction of the project Solberg, 75 MW, for Fortum continued during the year.
- We are working with the Bröcklingberget project in Bräcke Municipality which has a legally binding permit. Procurements and the selling process has been initiated at the beginning of 2018.
- The application for an environmental permit in Kölvalen was denied during the year. A consultation process is working towards a new application which is estimated to be submitted to the county administrative board in autumn 2018.
- The Skaftåsen project in Härjedalen Municipality has a legally binding permit and planning is in progress for the implementation of the project.
- Two projects, Finnåberget in Ragunda and Sollefteå municipalities, and Fasikan in the municipalities of Ånge and Bräcke, are under active consideration by the county administrative board.
- Arise also has a portfolio of about 150 MW in Scotland. After the subsidies for onshore wind power were abolished a couple of years ago, we continuously assess the possibilities of going ahead with the projects based on market conditions.

MANAGEMENT

As stated above under Development, Svartnäs was divested to BlackRock during the year. As Arise has secured both the construction and ongoing management agreement, Svartnäs is the third assignment for BlackRock in our management portfolio, since we already manage Brotorp Wind Farm in

Development and management in figures, MSEK	2017	2016
Income	130	448
Operating expenses and capitalised work	-70	-406
Operating profit before depreciation (EBITDA)	60	42
Underlying operating profit (EBIT before impairment)	59	42
Operating profit (EBIT)	46	35
Profit before tax	25	20

Mönsterås and Tellenes Wind Farm in Rogaland in southwestern Norway for BlackRock.

We have built up a wealth of experience, a project model and effective systems support in the area of wind farm management, which means that we can cost-effectively manage a large number of turbines, thus combining high output with low operating costs. We have experienced asset managers who monitor everything that happens in the wind farms and take any necessary action. The owners of the wind farms also have access to information about all events through our Event Management System (EMS) and can thus monitor the electricity production in their wind farms.

In total, we currently manage around 770 MW (241 MW own production and 629 MW for external customers) of which 610 MW is located in Sweden and 160 MW in Norway. This represents a significant share of the total wind power market, see our portfolio overview on pages 8–9.

Own wind power operations



The segment Own wind power operations includes 10 wind farms totalling 139MW, all located in southern Sweden on either the east or west coast.

During 2017, the winds were stronger than normal but due to divestments, production in our wholly-owned farms was less. In total, production amounted to 348 (353)GWh. Average income from electricity and certificates was SEK 272 per MWh (297) and SEK 109 per MWh (136), respectively. These figures correspond to 12% under the market price for electricity (SE4) and 63% above the market price for certificates (SKM) during the period.

Own wind power operations generated total income of MSEK 137 (153) and an EBITDA of MSEK 83 (107), which means that income declined by 11% while EBITDA was down 22% on 2016. Since fewer wind farms were in operation during the year due to divestments, net sales declined MSEK 2 due to lower production, and MSEK 18 due to lower average prices, compared with 2016. Overall, net sales and EBITDA thus declined MSEK 20 and MSEK 24 respectively, year-on-year. Specific operating expense increased to SEK 156 per MWh (131). The increase was attributable to, for example, new service agreements and impairment of inventories after divesting the service operations. Depreciation amounted to MSEK -77 (-85). There was impairment of MSEK -139 (-12). The impairment was recognised in 2017 due to lower long-term market-price forecasts, while the impairment in 2016 was due to technology-related factors. Net financial items strengthened to MSEK -61 (-71) due to lower borrowings. Total profit before tax fell to MSEK -194 (-61).

Arise is responsible for the management of all of its

Own wind power operations in figures, MSEK	2017	2016
Income	137	153
Operating expenses	-54	-46
Operating profit before depreciation (EBITDA)	83	107
Underlying operating profit (EBIT before impairment)	6	21
Operating profit/loss (EBIT)	-133	10
Profit before tax	-194	-61
Income, SEK/MWh	380	433
Expenses, SEK/MWh	156	131
Average capital employed	1,332	1,706
Return on capital employed (EBIT)	neg.	0.6%
Return on adjusted capital employed (EBITDA)	6.2%	6.3%

own wind farms but no longer for the service operations. In May 2017, a 15-year full-service agreement was signed with Vestas, meaning that the servicing of all of the company's Vestas wind farms has been outsourced to Vestas. This agreement means that Vestas takes full responsibility for all components and also guarantees a high level of minimum availability in the wind farms. While the cost of service will be at a somewhat higher level than historically, all the component risk is transferred to Vestas. The agreement secures a long and cost-effective life with low risk, which is positive for the long-term value of the assets. Since 2016, the company's GE wind farms have been serviced by GE under a 5-year full service agreement.

Co-owned wind power operations

Co-owned wind power operations consist of the Jädraås wind farm which Arise co-owns 50/50 with Platina Partners LLP. The wind farm is located in Ockelbo Municipality in the middle of Sweden and comprises 66 wind turbines with a total output of 203MW.

In autumn 2011, Arise and Platina Partners LLP jointly cut the first turf in Jädraås starting the construction of one of northern Europe's biggest land-based wind farms. A year and a half later, all 66 turbines were in full operation.

Arise is responsible for the operational management of the wind farm and the turbine supplier Vestas is stationed on site with a permanent service team.

During 2017, electricity production amounted to 287 (287) GWh. The average income was SEK 532 per MWh (535), of which SEK 376 per MWh (370) pertained to electricity and SEK 156 per MWh (165) to electricity certificates.

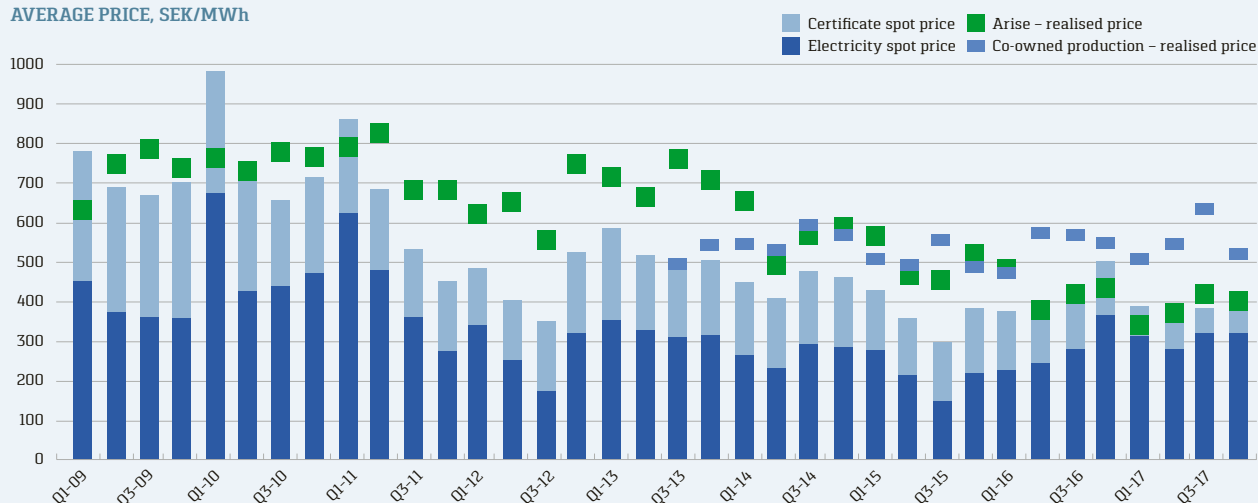
Co-owned wind power operations generated total income of MSEK 153 (154) and an EBITDA of MSEK 124 (118). The increase by MSEK 6 in EBITDA despite lower net sales

Co-owned wind power operations in figures, MSEK	2017	2016
Income	153	154
Operating expenses	-29	-36
Operating profit before depreciation (EBITDA)	124	118
Operating profit (EBIT)	57	53
Profit before tax	15	6
Income, SEK/MWh	532	535
Expenses, SEK/MWh	101	125
Average capital employed	1,263	1,329
Return on capital employed (EBIT)	4.5%	4.0%
Return on adjusted capital employed (EBITDA)	9.8%	8.9%

was due a fall in the specific operating cost to SEK 101 (125) per MWh. This in turn was mainly because previously reserved service payments could be dissolved in connection with a new service agreement being concluded. Depreciation amounted to MSEK -66 (-65) and net financial items improved, amounting to MSEK -42 (-47). Total profit before tax increased to MSEK 15 (6).

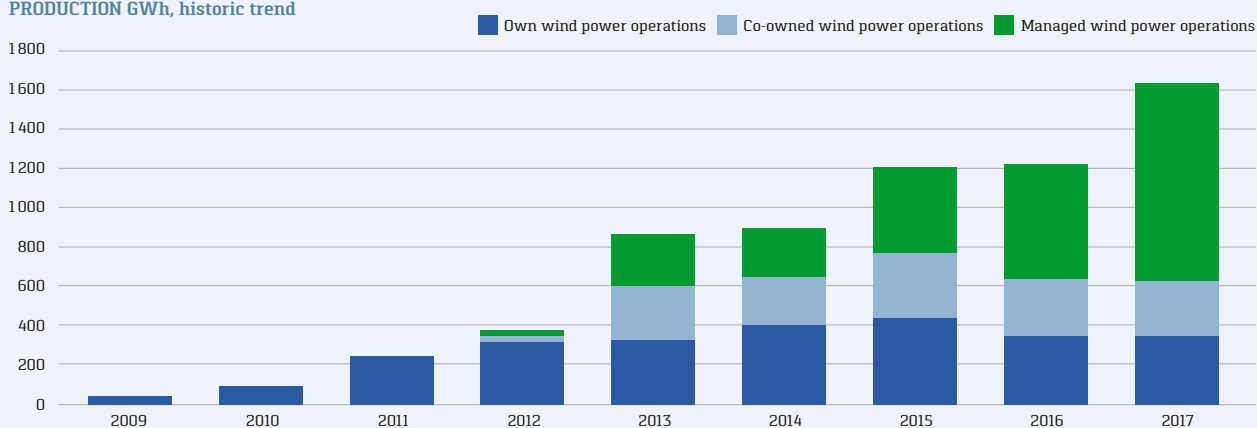
Realised price and spot price for Own and Co-owned wind power

AVERAGE PRICE, SEK/MWh



Historic performance of Own, Co-owned and Managed electricity production

PRODUCTION GWh, historic trend



Hedging table for Own and Co-owned electricity production

PRICE HEDGES AS OF 31 DEC 2017

	2018	2019	2020
Own production, budget, GWh	343	343	343
Hedged electricity production, GWh	101	13	18
Hedged electricity certificate production, GWh	185	105	30
Hedged electricity price, inc. CFD, SEK/MWh ¹⁾	274	261	297
Hedged electricity certificate price, SEK/MWh	148	117	57
Co-owned production, budget, GWh	286	286	286
Hedged electricity production, GWh	178	177	186
Hedged electricity certificate production, GWh	226	140	100
Hedged electricity price, inc. CFD, SEK/MWh	404	320	283
Hedged electricity certificate price, SEK/MWh	152	94	78

Exchange rate applied: SEK 9.8/EUR ¹⁾ Includes CFD for the area hedged price, otherwise system price



Arise helps to make the
world more sustainable!

This is Arise's Sustainability Report and refers to the 2017 financial year. The Sustainability Report includes the Parent Company Arise AB (publ.) [556274-6726] and all units consolidated in Arise's consolidated financial statements for the same period specified in Note 8, Notes to the Parent Company's financial statements. The Sustainability Report has been prepared in accordance with Chapters 6 and 7 of the Swedish Annual Accounts Act.

Our vision is to develop renewable energy for a sustainable future. We achieve this by creating green electricity from our wind farms. Wind, as everyone knows, is an infinite and clean source of energy. This is our main contribution towards making the world sustainable.

WITH GREEN ELECTRICITY, WE CAN ACHIEVE CLIMATE GOALS

World leaders have committed themselves to 17 Sustainable Development Goals (SDGs) to achieve four fantastic things by 2030:

- To end extreme poverty everywhere.
- To reduce inequalities and injustices worldwide.
- To promote peace and justice.
- To solve the climate crisis.

With the SDGs, this can be achieved. In all countries. For all people. Read more about the SDGs on www.globalgoals.org



The scope of content in Arise's Sustainability Report is based on the SDGs, where our operations can contribute towards several of the goals, for example 3, 5, 7, 8, 10, 11, 12, and 13. However, we view Goal 7 as our main focus since our core business consists of creating renewable energy through a continuous development of clean and efficient wind power. We thus also contribute to combating climate change.

Arise is one of Sweden's leading players in onshore wind power. With the environmental benefit, we are contributing to this process through the generation of renewable energy, we play a highly important role in work towards a sustainable

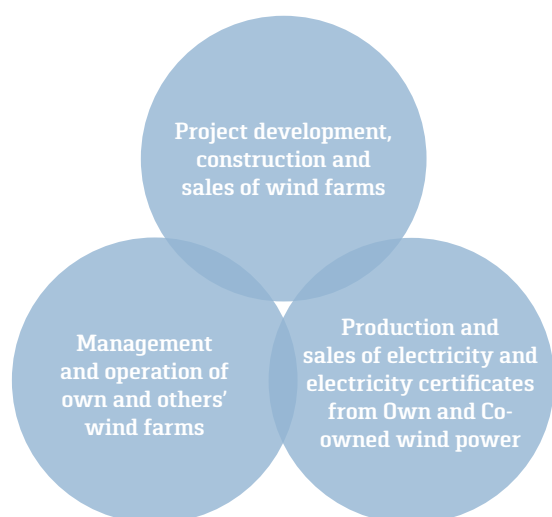
society for future generations. By developing new wind power projects and by then constructing these on behalf of investors, we are constantly creating new renewable electricity production alongside our own wind farms that supply renewable electricity every day. This production helps to push back non-sustainable electricity production technologies, such as coal and nuclear power.

Onshore wind power in the Nordic region is becoming increasingly competitive and is therefore sustainability in both environmental and economic terms. Onshore wind power holds a top global ranking in terms of investment cost per kWh produced. Moreover, wind power has sub-

stantially lower marginal cost for production compared with, for example, nuclear and coal power. This means wind power is helping to phase out other non-sustainable energy types. Sweden also has

relatively good transmission connections for electricity to the rest of Europe, which means the Swedish electricity export contributes to a reduction in climate emissions in the world around us.

It is gratifying that a growing number of investors are rejecting ownership of non-sustainable energy production and in companies that give rise to high emissions. We find ourselves at the opposite end of the spectrum, as we are one of few companies that make a net contribution to reducing greenhouse gas emissions. An investment in Arise is therefore a rare opportunity to make a sustainable investment.



ARISE'S BUSINESS MODEL

Our business model consists of project development, management, and the production of renewable energy from our own and co-owned wind farms.

These areas are reported in three segments:

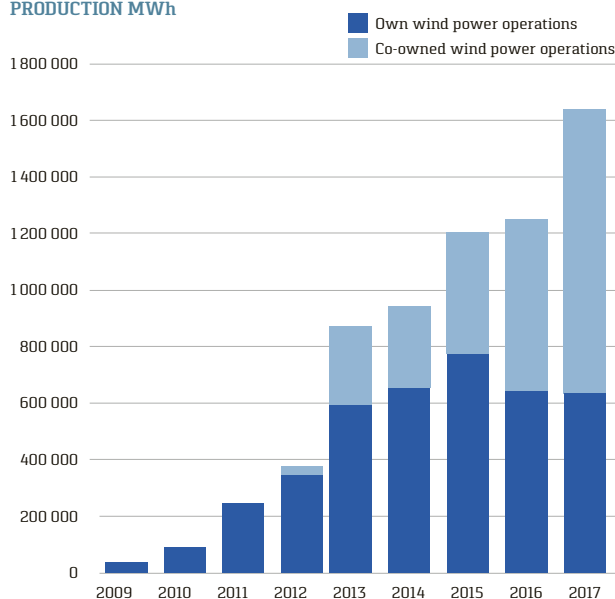
- **Development and Management:** Project development, construction and sales of wind farms, and the management of our own and others' wind farms during both construction and deployment.
- **Own wind power operations:** The production and sale of electricity and electricity certificates.
- **Co-owned wind power operations:** The production and sale of electricity and electricity certificates.

PRODUCTION 2009–2017

In April 2009, Arise commissioned its first wind farm in Oxhult in southern Sweden. Since then, the company has constructed a total of 19 wind farms in Sweden, which

Production per year 2009–2017

PRODUCTION MWh



comprise 234 turbines corresponding to about 649 MW of onshore wind power. Ten of these farms are still owned by the company.

A modern wind turbine can reduce emissions by about 9,000 tonnes of CO₂ per year. This is equivalent to emissions from approximately 3,000 ordinary petrol cars.

Since starting operations in 2009, our wholly-owned farms have until 2017 produced some 2,400,000 MWh (2,400 GWh), corresponding to a reduction by about 1.9 million tonnes of CO₂. To put this in context, it is equivalent to driving 150,000 cars 100,000 kilometres each. This clearly illustrates the significance of an increase in the production of renewable electricity from wind power in the important work to slow climate change.

Over the years, Arise has developed an efficient management model where we provide comprehensive solutions for our customers, including responsibility for operation and maintenance, technical management, environmental reporting, financial management and administration. Arise's total wind power management portfolio of approximately 770 MW (241 MW own and 529 MW external) is distributed between Sweden (610 MW) and Norway (160 MW), and represents a significant share of the total wind power market.

Our ambition in 2018 is to develop our existing projects to commence construction of at least 50–100 MW and to enhance our management business and thereby contribute further to a sustainable development in the future.

ISSUANCE OF GREEN BONDS

In conjunction with the refinancing of Arise's own farms in March 2018, a green bond was issued totalling MSEK 650. This bond received Moody's Green Bond Assessment rating of GB1 (Excellent), which is the highest rating for green bonds according to Moody's Green Bond Assessment System. The farms that were refinanced with the green bond, their production in 2017, and the equivalent reduction in CO₂ emissions, is presented in the table below.

Wind farm:	Production 2017 (MWh) CO ₂ Tonnes	
Oxhult	59,711	20,302
Råbelöv	24,546	8,346
Brunsmo	24,558	8,350
Fröslida	55,306	18,804
Idhult	35,849	12,189
Kåphult	41,797	14,211
Södra Kärna	36,641	12,458
Blekhem	30,152	10,252
Gettnabo	31,809	10,815
Skäppentorp	8,097	2,753
Total	348,466	118,480

SOCIAL RESPONSIBILITY

OUR SOCIAL RESPONSIBILITY

Climate change is a challenge and risk for all members of society. We want our efforts to expand wind power in Sweden to make a contribution to produce even more green electricity and thereby help to reduce carbon emissions.

However, the expansion of wind power and renewable energy can also entail some inconvenience for local residents in terms of noise, flickering shadows, etc. We describe how we are working with these risks in more detail in the section on Establishing new projects and operations on page 31 of our report. Our farm activities are also monitored annually in environmental reports and through other accounting to municipalities and county administrative boards in accordance with the conditions set by the permits for operational power plants.

Ahead of the construction of new projects, a consultation meeting is always held to give local residents affected an opportunity to submit their comments and we always strive to maintain a constructive communication with all parties concerned.

We maintain a continuous dialogue with land owners, local residents' associations, and other associations and involve local residents. In some wind farms, an annual grant is distributed among local projects in a district for the purpose of promoting the district.

Our electricity production also contributes revenue

and job opportunities for local industry. This is the case both during construction and after commissioning, when we use transport companies, businesses, hotels, etc. and we always strive to engage private businesses as close to the project as possible.

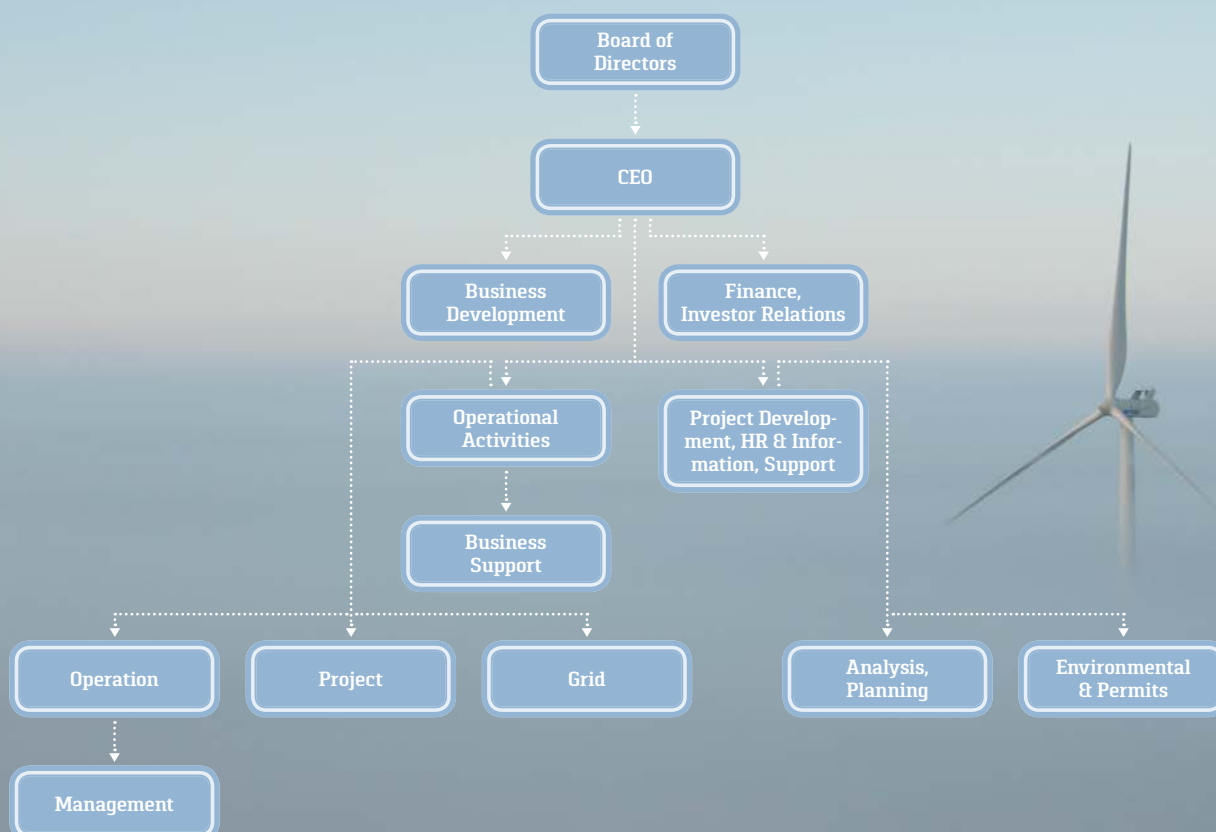
We engage reputable and experienced companies as subcontractors and we have our own project managers in the field to minimise environmental and work environment risks in the construction projects we are responsible for (see also page 32). It is a natural goal that there should be no personal injuries and no environmental impact within the scope of permit conditions. We constantly strive to create the greatest possible consensus on our operational wind farms and our development projects.

A CUTTING-EDGE EMPLOYER

Our aim is to create a healthy workplace where employees can grow and feel motivated. A good, safe and comfortable work environment is important for us and we endeavour to be an employer at the forefront in terms of caring for our employees. In support of this work, we have a Health and Safety Policy, which was updated during the year.

WORK ENVIRONMENT, JOB SATISFACTION, HEALTH AND SAFETY

We work proactively to ensure the well-being of employees and during the year a new agreement was signed with occupational health services, which are available to every-



one, regardless of work location in Sweden. This offers regular health check-ups and specially adapted examinations for work at heights. We also have health care insurance where personnel are offered rapid assistance/health-care. To prevent mental ill health and to handle work duties and one's own well-being during periods of high workload, an external consultant held a course in stress management for both personnel and management during the autumn. An evaluation and follow-up will be conducted in 2018.

Most members of staff have very sedentary jobs. We offer a preventive health care programme in the form of contributions towards the purchase of fitness measures such as gym membership or participation in some other form of physical activity. In 2017, this contribution was SEK 2,500 per employee. The ambition is that at least 75 % of personnel will use the contribution.

Arise has historically had very low sickness absence and our aim is that it shall remain this way. In 2017, we trained a HR manager and health and safety representatives in work environment and we carried out safety inspections. During 2018, we are planning training and a review of ergonomics for all office staff.

Every year we conduct employee surveys with follow-up and remediation programmes that are presented and followed up together with personnel. The 2016 survey indicated a declining trend and an action plan was drawn up and implemented during the year. We are pleased to note that the employee satisfaction index in the latest survey from November 2017 had improved to 7.8 (6.9) as a consequence of the measures implemented during the year. We will continue to work in 2018 with the improvements established in the action plan. Our aim is to maintain the same high level in 2018.

GENDER EQUALITY, DIVERSITY AND HUMAN RIGHTS

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. Our 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.

The result of our employee survey in 2017 indicated that no harassment has taken place at the company. Our ambition is, of course, that it will continue to be obvious that this should not be allowed to happen. Company management and all employees have a responsibility to intervene if they see any violation.

There is currently a slight 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.

At the time of writing, discussions are ongoing with the Swedish Public Employment Service concerning work experience placements for people who have recently arrived in Sweden.

The Board of Arise AB has established a diversity policy that aims to promote diversity on the Board. According to the diversity policy, the Board is to be characterised by diversity and the composition of the Board is to follow item 4.1 of the Code. Efforts are also made to achieve an even gender distribution on the Board.

Composition of the Board of Directors, management, employees

	Number	Gender distribution		Age distribution		
		Women	Men	<29	30-50	>50
Board of Directors	4	1	3			4
Group management	4		4		2	2
Employees	26	8	18	2	12	12

SUPPLIERS AND CONTRACTORS

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

In 2017, we prepared a Code of Conduct for Suppliers that will now be introduced into our procurement procedures, where we demand that all Arise suppliers respect the principles of the Code of Conduct and comply with these in their operations.

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 we emphasise in our Code of Conduct.

We require honesty and integrity in all of the company's activities and expect the same from our customers, suppliers and collaborators.

In line with the Code of Conduct, there should be no bribery and this has not taken place. This is why every form

of compensation to agents, suppliers and partners must only be paid on the basis of confirmed products and services. We are highly restrictive with respect to presents to or from suppliers and business partners. All employees must avoid conflicts of interest between private economic matters and the company's business operations.

ENVIRONMENTAL RESPONSIBILITY

WE PRODUCE CLEAN NATURAL ENERGY

Arise produces green energy from wind power. Our entire business and focus is on delivering sustainable energy

solutions that help to reduce climate emissions. We develop wind power projects for our customers, who are often global, financial institutions who are working to create returns for people's pension capital and to reduce climate emissions.

As we state in the introduction to our report, we have since starting operations in 2009 produced some 2,400,000 MWh, corresponding to a reduction by about 1.9 million tonnes of CO₂. We view the production of renewable electricity as our most important environmental responsibility and this is what we are constantly working to develop. The table on page 28 shows production in 2017 and the resulting reduction in CO₂ emissions from our own farms.

ESTABLISHING NEW PROJECTS & OPERATIONS

Even if new and existing wind farms provide a positive injection of renewable energy, there is still no form of energy which does not in some way affect its surroundings.

When planning new wind farms and also farms that are already operational, operations are strongly governed by prevailing law, particularly environmental legislation with conditions about the location of wind turbines, shadows, noise, wildlife, natural assets, cultural environments and archaeology. We comply with these factors through the following:

Noise: We carry out regular noise measurements in our farms to verify that we are not exceeding limits.

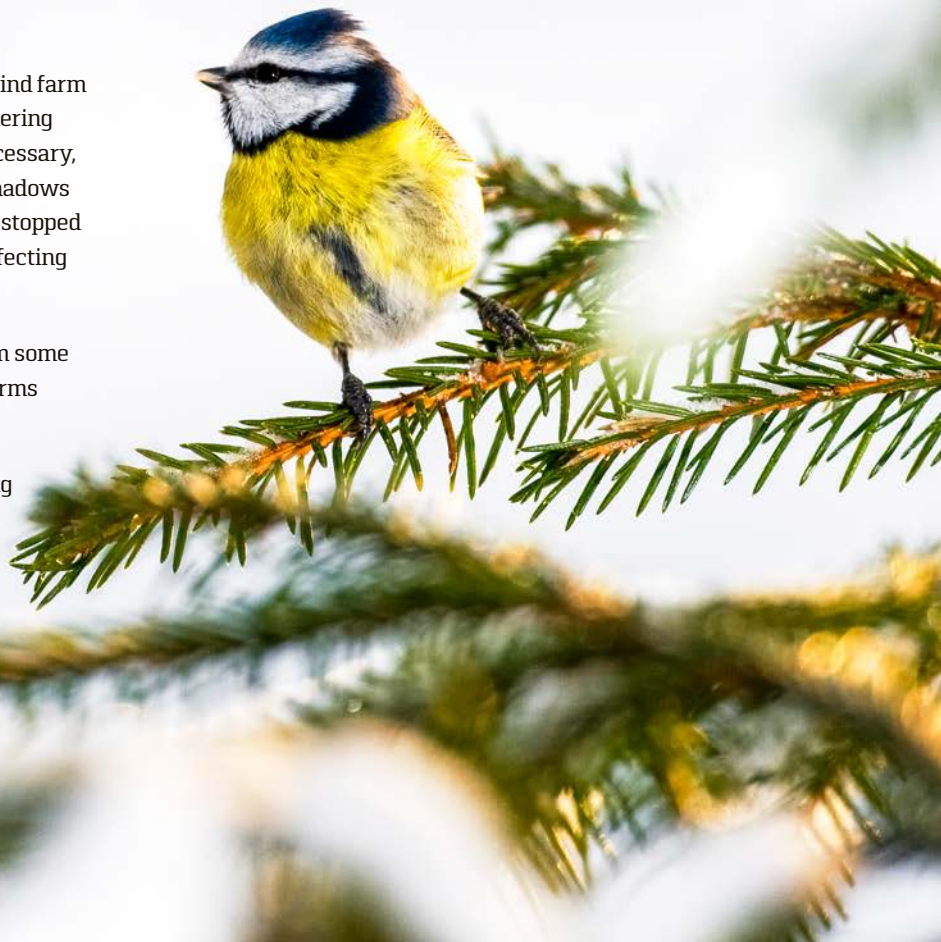
Flickering shadows: When constructing a new wind farm calculations are always conducted about the flickering shadows effect on nearby housing and where necessary, the wind turbines are equipped with flickering shadows mitigation, which means that the wind turbine is stopped when there is a high risk of flickering shadows affecting a residence.

Landscape profile: As the turbines are visible from some distance in open landscapes, we avoid locating farms in sensitive areas.

Wildlife and nature: We use very careful planning when establishing new projects to minimise any

disturbance to wildlife and nature and have carried out a large number of bird, bat and natural asset inventories. Also in operational farms we continuously carry out studies to measure any impact.

Cultural environment and archaeology: Archaeological inventories are always carried out ahead of the establishment of a new project and the impact on ancient monuments is minimised. Sometimes the location of a planned wind farm is moved to avoid impinging on high-value cultural environment assets.



CONTRACTS

Arise's site and plant contractors are primarily located in Sweden and we only engage large, established players in the industry. We make the following demands on contractors ahead of the establishment of new wind farms:

The contractor must:

- have a quality management system that follows SS-EN ISO 9001:2008.
- have an environmental management system that follows SS-EN ISO 14001:2004.
- provide a person who is environmental manager.
- fulfil our demands on waste management and follow the ecocycle guidelines from Kretsloppsrådet for the environmentally sound management of waste at the workplace.
- draw up an environmental plan to be approved by Arise before beginning work at the site. The environmental plan also applies to sub-suppliers and sub-contractors.
- supply documentation and take part in quality and environmental audits periodically conducted by Arise. The audit is to be documented in writing.
- perform internal quality and environmental audits in accordance with the management system for quality and environment. Document in writing and report the results to Arise.

During the year, construction took place (and is still in progress) of wind farms in Solberg and Svartnäs, farms where we provide construction services and management. All of the above demands have been monitored by our project managers at construction meetings and inspections during the year and no discrepancies were identified.

TRAVEL

Arise has offices in both Stockholm and Halmstad (head office), which makes travel between the offices unavoidable. We have business relations, potential investors and customers in Europe. Any reduction in the number of flights is from a time perspective very difficult for us. However, where possible we are striving to use other travel alternatives with the least possible climate impact.

Planning is also underway to introduce Skype for Business, a videoconference system or similar, to avoid unnecessary travel. This not only applies to internal

meetings at the company but also external meetings with authorities, suppliers, etc.

OFFICE ENVIRONMENT

In our office environment, we source separate office paper, corrugated board, batteries, etc. We are also working to find a solution in the near future with our landlord when it comes to other source separation.

We always use light sources with low energy consumption and all personnel understand that all lighting and computers must be turned off when the office is empty.

Arise's sustainability policy is being drawn up and will be introduced to staff in the near future. Our ambition is that staff will be regularly informed and remain well aware of the company's sustainability agenda. This will be achieved by using monthly newsletters to staff and through training and information provided at staff meetings.

FINANCIAL RESPONSIBILITY

Arise is to be the preferred partner for wind power investors and create added value through the life cycle. We are to maximise the value of our green electricity production through professional management, sales and financing.

A key reason for our existence is to generate returns for our owners. Initially, Arise's mission was to develop, construct and own its own wind power production, which was to generate positive earnings. Unfortunately, the price forecasts for electricity and electricity certificates that were used as a basis for this direction developed negatively while interest rates declined, which stimulated investments in infrastructure such as wind power. Since the end of 2014, the company has therefore gradually reduced its dependency on electricity production from own wind farms and expanded by developing wind power for our customers and by managing our customers wind-power assets. The aim is to continue to develop as a company and to make a profit in the long term.

We wish to make a positive contribution to the economy by creating economic growth and jobs. The fact that our entire business concept is green and creates substantial benefits by reducing environmental impact is a strength that we consider key to our future ability to remain economically sustainable and to survive. Ultimately, we must allow the financial realities and challenges we meet be transformed into opportunities. This is the best way we can remain accountable to our owners and to society.



AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

*To the general meeting of the shareholders in Arise AB (publ),
corporate identity number 556274-6726*

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2017 on pages 26–33 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Malmö, 21 March 2018

Öhrlings PricewaterhouseCoopers AB

Magnus Willfors

Authorised Public Accountant



An aerial photograph of a dense forest with a mix of green and yellow trees, suggesting autumn. A thick white diagonal line runs from the bottom left towards the top right. In the far distance, several wind turbines are visible against a pale sky.

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 2017 financial year.

GROUP

Operations

Arise AB is the Parent Company of the Arise Group, which develops, constructs and sells wind farms and asset management of these farms. In addition, the Group mainly includes a number of wholly owned subsidiaries usually named "Arise Wind Farm" followed by a number. These companies own and manage the wind farms where the wind turbines are located, details of which are provided on page 103. Arise Elnät AB, Arise Kran AB and Kølvalen Vind AB were established previously. In 2017, the companies Arise Wind HoldCo 10 AB and Bröcklingeberget Vindkraft AB were established. Arise Wind Farm 2 AB was 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 Jädraås wind farm, comprising a total of 66 turbines each with an output of 3.1MW, which are formally operated by both Jädraås Vindkraft AB and Hällåsen Kraft AB.

The Parent Company's operations comprise project development (project planning to identify suitable wind locations, signing leasehold agreements, producing impact assessments, preparing detailed development plans and permits), selling projects to external investors, building new projects, managing both internal and external projects (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.

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. Arise's vision of the future is available on pages 6–19.

Events in brief

In the first quarter, Kraftö's 370MW project portfolio was acquired and an agreement with an option to acquire the approximately 115MW project in Svartnäs was signed, the Mombyåsen project, which was divested to Allianz Capital Partners, was finalised and an issue of convertible bonds of approximately MSEK 245 was completed. Arise also decided

to call for an early redemption of all unsecured bonds. During the spring, the environmental permit for the Kølvalen project was rejected by the Land and Environment Court of Appeal, and Arise has started a new permit application. The Svartnäs project was acquired and divested to a fund managed by BlackRock. In the latter part of 2017, a nominal MSEK 52 of secured bonds was repurchased and an option agreement was signed with the right to acquire the Enviksbärg project (app. 35MW).

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. Until the first quarter of 2016, several farms were leased out and the rental income accrued on this production was also included in net sales for 2016. When calculating the average income for electricity and electricity certificates, rental income was 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. Fewer farms in operation due to completed divestments resulted in lower total production. Production from Own (including leased capacity) and Co-owned wind power operations during the year amounted to 635GWh (640), down 1%, of which production from Own wind power operations was 348GWh (353). Arise has continued to successfully divest projects and to expand its asset management operations during the year. In total, agreements regarding the sale of 115MW and agreements regarding the management of 115MW were signed.

Net sales amounted to MSEK 257 (594). The decrease was due to lower development and asset management income in 2017 compared with 2016, primarily because an operational wind farm was divested in 2016. Other operating income amounted to MSEK 5 (1). This means that total income amounted to MSEK 261 (594). Capitalised work on own account declined to MSEK 3 (8). Consolidated profit from associates was MSEK 7 (0) pertaining to the company's 50% shareholding in the Sirocco Group.

Operating expenses decreased MSEK 140 (464), of which MSEK 42 (367) was attributable to sales and contracts. The remaining MSEK 98 (97) comprised personnel and other external expenses. Despite lower sales in own production and development and management, EBITDA

declined only MSEK 7 since the revenue recognition margin was higher in development and management. Underlying EBIT improved to MSEK 54 (51) due to lower depreciation. Recognised EBIT fell due to impairment. Net financial items improved due to lower borrowings, bringing profit/loss before and after tax to MSEK -178 (-52) and MSEK -180 (-41), respectively, corresponding to a loss per share of SEK -5.39 (-1.23), both basic and diluted.

Cash flows and investments

Cash flow from operating activities before changes in working capital amounted to MSEK 119 (139). Changes in working capital reduced cash flow by MSEK -23 (46), resulting in cash flow from operating activities of MSEK 96 (185). Investments in, and sales of, property, plant and equipment amounted to MSEK -23 (160), after which cash flow after investments totalled MSEK 73 (344). The change in interest-bearing liabilities reduced cash flow by MSEK -154 (-195). Interest of MSEK -65 (-73) was paid and interest of MSEK 1 (1) was received. Net payments to and from blocked accounts amounted to MSEK 3 (9), after which cash flow for the year amounted to MSEK -143 (86).

Investments in property, plant and equipment amounted to MSEK 60 (43), and sales reduced property, plant and equipment by MSEK 38 (202).

Financing and liquidity

Net debt amounted to MSEK 973 (992). The equity/assets ratio at the end of the period was 39.7% (41.5). Cash and cash equivalents amounted to MSEK 146 (287) and unutilised overdraft facilities amounted to MSEK 50 (50). The adjusted equity/assets ratio amounted to 42.6% (47.0). Adjusted equity/assets ratio is derived by reducing total assets with current cash and cash equivalents. During the year, the exchange-rate difference in cash and cash equivalents amounted to MSEK 2 (-2).

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 26 (28). The total number of employees at year-end

was 26 (29). 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), selling 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.

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 production to Arise at spot prices, which Arise then sells to the spot market. These intra-Group trading activities are recognised gross in profit or loss. 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 182 (409). During the year, the purchase of electricity and certificates, lease of wind power facilities, costs from the sale of projects, personnel and other external expenses, capitalised work on own account, and amortisation/depreciation and impairment of non-current assets totalled MSEK -229 (-434), resulting in an operating loss (EBIT) of MSEK -47 (-25). Net financial items of MSEK -108 (-96), including the divestment of subsidiaries of MSEK 131 (0), impairment of shares in subsidiaries of MSEK 142 (29), the conversion of shareholder loans, which were written down to MSEK 0 of MSEK 58 (24) and Group contributions of MSEK 0 (119), resulted in a loss after tax of MSEK -160 (-12).

ENVIRONMENTAL IMPACT

The Group's core business is to develop and produce renewable electricity without releasing CO₂, 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, activities which comply 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.

Sustainability Report

In accordance with Chapter 6, Section 11, of the Swedish Annual Accounts Act, Arise AB (publ) has chosen to prepare a Sustainability Report as a report separate from the Annual Report. The Sustainability Report is available on pages 26–33 in this printed document. The scope of content in Arise's Sustainability Report is based on the global targets, where our operations can contribute towards several of the goals. However, we view Goal 7, Sustainable Energy for All, as our main focus as our core business consists of creating renewable, sustainable energy through a continuous development of wind power.

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, financing, 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 CO₂ prices to the structural supply and demand scenario. 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 was 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 commitments 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, as sufficient at that time.

For more information, refer to Note 11 in the consolidated financial statements on pages 64–69.

Operational risks

The risk of significant consequences from a complete shut-down 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 92–95. This report and other information regarding corporate governance at Arise are available on Arise's website, www.arise.se.

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

DISCLOSURE REGARDING THE COMPANY'S SHARES

Total number of shares, votes, dividends and new shares

On 31 December 2017, 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 before any conversion of the convertibles issued in March 2017. The warrants are subject to standard conversion conditions in connection with issues, etc. In March 2017, convertibles of approximately MSEK 245 were issued. Each convertible has a nominal amount of SEK 22 and can be converted into an ordinary share at a conversion price per ordinary share of SEK 22. Conversion can take place at any time during the term up until 28 February 2022. At full conversion, the number of shares in the company will increase to 44,552,695, corresponding to a dilution of about 25 % without taking into account outstanding warrants.

Authorisation

The Annual General Meeting held on 4 May 2017 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 legisla-

tion. 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 96. The company has two shareholders with a direct or indirect participation representing more than 10% of the votes, which are Brihan Invest AB and Johan Claesson with 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 the company's bond agreements and loan agreements applies, under which the bond holder has the right to claim redemption of the bonds including accrued interest and the bank has the right to call for the repayment of loans 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 and partners are also expected to respect our Code of Conduct for suppliers and undertake to work proactively to meet these demands in both their own operations and in the supply chain.

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 4 May 2017, 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. Variable remuneration for 2017 will be paid to senior executives in 2018 in an amount totalling MSEK 0.4.

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 6 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 2018. A more detailed

description of the guidelines is found on the company's website under Corporate Governance.

EVENTS AFTER BALANCE SHEET DATE

A decision was taken to refinance the company's secured bonds for a nominal amount of MSEK 950. The refinancing was undertaken through an issue of a new secured bond of MSEK 650, raising a bank loan of MSEK 100 with the same collateral as the new bond, raising a bank loan of MSEK 75 and by utilising the company's holding of the secured bonds as well as parts of the company's existing cash and cash equivalents.

PROPOSED APPROPRIATION OF PROFITS

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

Parent Company

Accumulated loss from preceding year	-394,428,293
Share premium reserve non-restricted equity	1,368,475,008
Profit/loss for the year	-159,709,782
Total unappropriated earnings, SEK	814,336,933

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

To be carried forward, SEK	814,336,933
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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	2017	2016
Net sales		257	594
Other operating income		5	1
Total income	2	261	594
Capitalised work on own account	2	3	8
Personnel costs	4	-36	-36
Other external expenses	5	-105	-428
Profit from associates	10	7	-
Operating profit before depreciation (EBITDA)		131	138
Depreciation and impairment of property, plant and equipment	9	-230	-105
Operating profit/loss (EBIT)		-99	33
Financial income	6	5	1
Financial expenses	6	-85	-86
Profit/loss before tax		-178	-52
Tax on profit/loss for the year	7	-1	11
Profit/loss for the year		-180	-41
Earnings are 100% attributable to the Parent Company shareholders			
Earnings per share (SEK)			
Basic		-5.39	-1.23
Diluted		-5.39	-1.23
Treasury shares held by the company, amounting to 54,194 shares, were not included in the calculation.			
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 (2016: 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	2017	2016
Profit/loss for the year	-180	-41
Other comprehensive income		
<i>Items that may be reclassified to the income statement</i>		
Translation differences for period	1	-1
Cash flow hedges	36	-18
Net investment in foreign currency	13	3
Share of other comprehensive income in associates, after tax	-42	-17
Income tax attributable to components of other comprehensive income	-10	3
Other comprehensive income for the year, net after tax	-2	-30
Total comprehensive income for the year	-182	-71

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

Consolidated balance sheet

Amounts to the nearest MSEK	NOTE	2017	2016
ASSETS			
Non-current assets			
Property, plant and equipment	9	1,398	1,565
Participating interests in associates	10	5	–
Receivables from associates	22	418	446
Deferred tax assets	7	47	59
Other financial non-current assets	12	10	12
Total non-current assets		1,878	2,082
Current assets			
Inventories	13	4	19
Accounts receivable	15	7	6
Receivables from associates	22	–	–
Other current receivables	14	22	13
Derivative assets	11	2	1
Prepaid expenses and accrued income	16	65	52
Cash and cash equivalents		146	287
Total current assets		247	378
TOTAL ASSETS		2,124	2,460
EQUITY			
Share capital	17	3	3
Other contributed capital		1,327	1,321
Reserves		–105	–102
Retained earnings/accumulated loss		–381	–201
Total equity		843	1,020
LIABILITIES			
Non-current liabilities			
Non-current interest-bearing liabilities	18	1,079	943
Provisions	19	46	20
Total non-current liabilities		1,124	962
Current liabilities			
Current interest-bearing liabilities	18	50	348
Accounts payable		8	20
Derivative liabilities	11	54	75
Other liabilities	11	1	1
Accrued expenses and deferred income	20	43	33
Total current liabilities		157	477
TOTAL EQUITY OCH LIABILITIES		2,124	2,460

Consolidated cash flow statement

Amounts to the nearest MSEK	NOTE	2017	2016
Operating activities			
Operating profit/loss (EBIT)		-99	33
Adjustment for non-cash items	8	226	108
Tax paid		-8	-2
Cash flow from operating activities before changes in working capital		119	139
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in inventories		14	43
Increase (-)/Decrease (+) in operating receivables		-21	75
Increase (+)/Decrease (-) in operating liabilities		-16	-72
Cash flow from operating activities		96	185
Investing activities			
Investments in property, plant and equipment		-60	-43
Sales of property, plant and equipment		38	202
Cash flow from investing activities		-23	160
Financing activities			
Change in interest-bearing liabilities		-154	-195
Interest paid		-65	-73
Interest received		1	1
Deposits to/payments from blocked accounts		3	9
New share issues/warrants		-	1
Cash flow from financing activities		-216	-258
Cash flow for the year		-143	86
Cash and cash equivalents at beginning of year		287	203
Exchange-rate difference in cash and cash equivalents		2	-2
Cash and cash equivalents at year-end		146	287
Interest-bearing liabilities at year-end		1,129	1,291
Blocked cash and cash equivalents at year-end		-10	-12
Net debt		973	992

Change in liabilities in financing activities

Amounts to the nearest MSEK	31 Dec 2016	Cash flow	Non-cash impairment	31 Dec 2017
Bond loans	1,291	-398	3	896
Convertible loan	-	244	-11	233
Total	1,291	-154	-8	1,129

Refer to Note 1 Accounting policies, which describes the basis for the preparation of the consolidated cash flow statements.

Group equity

Amounts to the nearest MSEK	Share capital	Other contributed capital	Reserves	Retained earnings/accumulated deficit	Total equity
Opening balance on 1 Jan 2016	3	1,320	-73	-160	1,090
Profit/loss for the year				-41	-41
Other comprehensive income for the year			-30	0	-30
Value adjustment, issued warrants		1			1
Closing balance on 31 Dec 2016	3	1,321	-102	-201	1,020
Opening balance on 1 Jan 2017	3	1,321	-102	-201	1,020
Profit/loss for the year				-180	-180
Other comprehensive income for the year			-2		-2
Value adjustment, issued warrants		1			1
Convertible loan		5			5
Other adjustment				-1	-1
Closing balance on 31 Dec 2017	3	1,327	-105	-381	843

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 debt

Interest-bearing liabilities less cash and restricted 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 debt as a percentage of equity.

Equity/assets ratio

Equity as a percentage of total assets.

Capital employed

Equity plus net 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 2017 were approved by the Board of Directors on 21 March 2018, and will be presented to the Annual General Meeting for adoption on 3 May 2018.

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

New standards and amendments – effective from 1 January 2017

The new and amended standards and interpretations that have been published and are to be adopted for the first time for the financial years beginning on or after 1 January 2017 are presented below:

Amendments in IAS 7. A company must explain changes in liabilities relating to financing activities. This includes changes relating to cash flow (for example raising and repaying loans) and items that do not affect cash flow such as acquisitions, divestments, accrued interest and unrealised exchange rate differences. Changes in financial assets must be included in the disclosures if the cash flow is part of (or will become part of) cash flow from financing activities. This may occur, for example, when assets are used as collateral on liabilities arising from financing activities. Companies may include changes in other items as part of these disclosures, for example, by including a reconciliation of net debt. Items not arising from financing activities must in such cases be recognised separately. The information should be submitted in the form of a table as an analysis of opening and closing balance in the consolidated cash-flow statement.

New standards and interpretations not yet adopted by the Group

The new and amended standards and interpretations that have been published but which come into effect after 31 December 2017.

IFRS 9 Financial Instruments

IFRS 9 replaces those parts of IAS 39 addressing the classification and measurement of financial instruments. IFRS 9 retains a variable measurement approach but simplifies this approach in some respects. There will be three measurement categories for financial assets – amortised cost, fair value over other comprehensive income, and fair value through profit or loss. The classification of an instrument depends on the company's business model and the characteristics of the instrument. Investments in debt instruments is measured at amortised cost if: a) the purpose of the holding is to obtain contractual cash flows and b) the contractual cash flows solely comprise interest and amortisation. All other debt and equity instruments, including investments in complex instruments, is to be measured at fair

value. All changes in fair value of financial assets are recognised through profit or loss, with the exception of investments in equity instruments held for trading, for which there is an alternative to recognise changes in fair value in other comprehensive income. No reclassification to profit or loss will then occur on the divestment of the instrument. For financial liabilities measured at fair value, companies must recognise the portion of the change in value attributable to changes in the company's own credit risks in other comprehensive income. The new hedge accounting rules in IFRS 9 offer the company a better opportunity to reflect its applicable risk management strategies. Generally speaking, it will now be simpler to qualify for hedge accounting. The new standard increases disclosure requirements and introduces certain changes to the presentation. IFRS 9 also introduces a new model for the calculation of credit loss reserve based on anticipated credit losses. The new model for impairment consists of a three-stage model based on changes to credit quality of the financial assets. The different stages govern how a company measures and recognises impairment and how it applies the effective interest rate method. For financial assets with a material financing component, for example normal accounts receivable and lease assets, simplified rules exist that mean the company can directly recognise a reserve for the asset's total maturity and therefore does not need to identify when a material deterioration of creditworthiness occurs.

The transition to IFRS 9 has been analysed by the company and is not deemed to have any material, quantitative effect on the company's accounts other than additional disclosure requirements. The company has selected a prospective transition period that entails that comparative figures are not restated.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is the new standard for revenue recognition. IFRS 15 supersedes IAS 18 Revenue and IAS 11 Construction Contracts and all related interpretative statements (IFRIC and SIC). Income is recognised when control of the sold good or service is passed to the customer – replacing the previous principle that income is recognised when the risks and benefits have been transferred to the purchaser. The basic principle for IFRS 15 is that the company recognises revenue in a manner than best reflects that transfer of the product or service promised to the customer. This recognition is effected using a five-step model;

Step 1: identify the contract with a customer

Step 2: identify the performance obligations in the contract

Step 3: determine the transaction price

Step 4: allocate the transaction price to the performance obligations in the contract

Step 5: recognise revenue when the entity satisfies a performance obligation

The main changes compared with current rules are:

- Distinct products or services in integrated contracts must be recognised as separate obligations and any discounts must, as a general rule, be allocated to the separate obligations.
- If the transaction price contains variable consideration (such as performance bonuses, discounts, royalties, etc.) then revenue can be recognised earlier than under current rules. This is to be estimated and included in the transaction price to the extent it is highly probable that its inclusion will not result in a reversal.
- The date when the revenue is to be recognised can change: certain revenue that is currently recognised when a contract is finalised may need to be recognised allocated across the contract period or the opposite may be the case.
- There are new specific rules for licenses, guarantees, payments on account that are not refunded and consignment contracts.
- The standard also involves enhanced disclosure requirements. Changes to financial reporting can in turn influence the Group's business systems, processes and controls, compensation and bonuses, contracts, tax planning and communication with investors.

The transition to IFRS 15 has been evaluated by the company by reviewing the company's revenue streams and analysing material types of contracts. The transition is not deemed to have any material effect on when the company recognises its income, and is only expected to entail additional disclosure requirements. The company has selected a prospective transition period that entails that comparative figures are not restated.

IFRS 16 Leases

IFRS 16 will primarily impact reporting by the lessee and will mean that almost all lease agreements will be recognised in the balance sheet. The standard makes no distinction between operational and financial agreements. An asset (the right to utilise a leased asset) and financial liability corresponding to the commitment the company has to pay lease fees is to be recognised for almost all leasing commitments. One exception is for short contracts and contracts of low-value. Profit or loss will also be affected as costs are normally higher during the first years of a lease and then decline. In addition, costs are to be recognised as interest expenses and amortisation instead of other external expenses. This will impact key ratios, such as EBITDA. The cash-flow statement will be influenced as cash flow from operating activities will increase when the largest share of payments related to the lease liability are classified as financing activities. Only the portion of payments per-

taining to interest can continue to be included in operating activities. Recognition for lessors will remain unchanged in all material aspects. Certain differences may however arise as a result of new guidance in assessing what constitutes a lease agreement. Under IFRS 16, a contract is a lease agreement if the contract entails the right to use an identified asset for a specified period in return for compensation.

The Group is yet to complete its analysis of the potential impact of the implementation of IFRS 16.

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 profit or loss.

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, 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.

Segment reporting

An operating segment, which for Arise entails Own wind power operations, Co-owned wind power operations and Development and management, is part of the Group that conducts business operations from which it generates revenues and incurs costs and for which independent financial

information is available. An operating segment's earnings are reported to the chief operating decision maker, who at Arise is the CEO, for more information refer to Note 3.

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, and
- 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 measured 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 thus recognised at the corresponding 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 sales of non-current assets and other 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 Own wind power operations segment, from the date of commissioning. Income from the lease of wind farms in 2016 is recognised in the period in which the electricity was 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. Management income is recognised according to contract based on monthly and quarterly invoices.

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.

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 no finance leases.

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 was lessor, and these leases are also classified as operating leases. All leasing income was variable and based on the turbine's production. The lease payments are recognised as income in line with actual production.

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.

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 impair-

ment is no longer deemed to be necessary. Reversals of previous impairments are assessed individually and recognised in the income statement.

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.

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).

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 receivable and accounts receivable

Loans receivable 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 receivable and accounts receivable comprise "Receivables from associates," "Accounts receivable," "Other receivables" and "Cash and cash equivalents" in the balance sheet.

Loans receivable 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 hedge 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 in-

come. 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.

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.

Borrowing and borrowing costs

Liabilities to credit institutions and credit facilities are categorised as "Other interest-bearing 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.

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, refer to Note 19.

Cash flow statement

The consolidated cash flow statement was prepared in accordance with the indirect method. The change in cash in hand for the year is classified as operating, investing and financing activities. The basis for the indirect method is operating profit (EBIT) adjusted by transactions that did not entail inward or outward payments.

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 pages 40–41.

Share-based payment

On 31 December 2017, 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. The Group previously had an incentive programme with synthetic warrants. As the share price on the exercise date of 10 January 2017 fell below the previously established value of SEK 25, Arise did not make any cash payment related to the synthetic warrants and the programme was thus discontinued.

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.

Earnings per share

Basic earnings per share is calculated by dividing:

- profit attributable to the Parent Company's shareholders.
- using a weighted average number of outstanding ordinary shares during the period, adjusted for the bonus issue element in ordinary shares issued during the year and excluding repurchased shares held as treasury shares by the Parent Company, Note 17.

In calculating diluted earnings per share, the amount used in calculating the basic earnings per share is adjusted by to reflect:

- The effect, after tax, of dividends and interest expenses on potential ordinary shares, and
- the weighted average of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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 assumptions about the future. The resulting accounting estimates will, by defini-

tion, 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 this note.

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.

In 2017, projects in the Development and management segment were impaired in the amount of MSEK 14 (6), projects were impaired because it has been deemed that it will not be possible to realise them. Wind farms in the Own wind power operations segment were impaired in the amount of MSEK 139 (12), after which the value in use amounted to MSEK 1,276 (1,501). Impairment was recognised in 2017 due to lower long-term market-price forecasts, while impairment in 2016 was due to technology-related factors. The discount rate amounted to 6.8 % (7.0).

The continuing average useful life is estimated at 18.2 years and is consistent with the company's assessment of the total useful life (see below). A normal production year is estimated at 343GWh and is based on production outcome. The Board's and company management's assumption regarding the future price trend of electricity and electricity

certificates is based on observable forward curves for the first five years and thereafter 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. For more information regarding the company's non-current assets, refer to Note 9.

Valuation of loss carry-forwards

Deferred tax assets attributable to loss carry-forwards recognised in the Group amount to MSEK 26 (31), 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 2018 may amount to a maximum of MSEK 23. If a cancellation would materialise in 2018, 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 restora-



tion 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 46 (20) 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, and the remaining 50% is owned by Sydvästanvind AB. Company management has analysed the degree of influence which the Group exercises over Sirocco Wind Holding AB and has determined that it has a significant influence, but does not exercise control. 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. Among other factors, the analysis is based on the fact that Arise does not have sole operational responsibility or operational control over the associate. The approach set out in the partnership agreement between Arise and Sydvästanvind is that decisions are made jointly as it is a 50/50 venture. Furthermore, there is a shareholder agreement that governs how operations are to be conducted and this makes clear that the parties must be in agreement on decisions that concern relevant activities. The shareholder agreement addresses the governance of operations and states that the Board of Directors must comprise four members, of which the owners appoint two each and the position of Chairman is alternated on an annual basis, etc. This verifies that no individual party has a majority. The agreement also stipulates a number of reserved matters that detail the issues that require that the parties are in agreement, i.e. that require consensus. Certain of these issues are protective rights, such as changes to the articles of association, a reduction in share capital and dividends. While others concern substantive rights, meaning issues concerning the governance of operations or decisions about relevant activities in the company. Such rights include investment decisions (when these are relatively small amounts) and approval of the budget. As none of these decisions can be made by a single party, but require agreement, then Arise considers the parties have joint control.

For information regarding Arise's loans to Sirocco Wind Holding AB, refer to Note 22.

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 0 (22) for income from electricity and MSEK 0 (12) for income from electricity certificates. Net sales also include development income from sold projects, management income and other remuneration from wind-farm leases. Management income is recognised according to contract based on monthly and quarterly invoices. 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 thus recognised at the corresponding amount as though the company had recognised the profit on the sale at net value.

	2017	2016
Electricity	95	83
Electricity certificates	38	36
Rental income	–	34
Development and management income	124	441
Net sales	257	594

Realised derivatives impacted net sales by MSEK –5 (0).

BlackRock accounted for more than 10 % of development and management income in 2017 and in 2016 Allianz Global Investors and KumBro Vind AB each accounted more than 10 %.

Electricity production in Own wind power operations (including leased operations) amounted to 348.4 GWh (352.8) for the year. Average income for electricity was SEK 272 (297) per MWh and for electricity certificates was SEK 109 (136) per MWh, meaning an average income per produced MWh of SEK 380 (433).

The following items are included in other operating income:

	2017	2016
Gains on sales of non-current assets	0	–
Other items	5	1
Other operating income	5	1

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

NOTE 3 • SEGMENT REPORTING

Accounting policies

An operating segment is part of the company that provides goods and services and that by nature differs from other operating segments. The returns and profitability of an operating segment are monitored by the company's chief operating decision maker, which for Arise is the CEO. 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.

Segment division

The division of segment reporting is based on the Group's products and services, meaning the grouping of operations. The purpose of the Development and management segment is to develop, construct, sell and manage wind farms. 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 Unallocated revenue/expenses pertains to the Group's shared expenses.

	Development and management		Own wind power operations		Co-owned wind power operations		Unallocated rev./expenses		Eliminations		Group	
Amounts to the nearest MSEK	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net sales, external	124	441	133	153	153	154	-	-	-153	-154	257	594
Net sales, internal	6	8	-	-	-	-	-	-	-6	-8	-	-
Other operating income Note a	0	0	4	0	-	-	0	0	-	-	5	1
Total income	130	448	137	153	153	154	0	0	-158	-161	261	594
Capitalised work on own account	3	8	-	-	-	-	-	-	0	-	3	8
Operating expenses	-73	-414	-54	-46	-29	-36	-19	-11	35	43	-140	-464
Profit/loss from associates	-	-	-	-	-	-	7	-	-	-	7	-
Operating profit/loss before depr./imp (EBITDA)	60	42	83	107	124	118	-12	-11	-124	-118	131	138
Depreciation	0	-1	-77	-85	-66	-65	0	-1	66	65	-78	-87
Impairment	-14	-6	-139	-12	-	-	-	-	-	-	-152	-18
Operating profit/loss (EBIT)	46	35	-133	10	57	53	-12	-12	-57	-53	-99	33
Net financial items Note b	-21	-15	-61	-71	-42	-47	2	1	42	47	-80	-85
Profit/loss before tax (EBT)	25	20	-194	-61	15	6	-10	-11	-15	-6	-178	-52
Property, plant and equipment	80	63	1,318	1,502	1,317	1,469	0	0	-1,317	-1,469	1,398	1,565

BlackRock accounted for more than 10 % of development and management income in 2017 and in 2016 Allianz Global

Investors and KumBro Vind AB each accounted more than 10 %.

	Development and management		Own wind power operations		Co-owned wind power operations		Unallocated rev./expenses		Eliminations		Group	
Amounts to the nearest MSEK	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Not a – Other operating income												
Gains on sales of non-current assets	0	–	2	–	–	–	–	–	–	–	2	–
Other items	0	0	2	0	–	–	0	0	–	–	3	1
	0	0	4	0	–	–	0	0	–	–	5	1
Note b – Net financial items												
Total net financial items	-21	-13	-61	-73	-70	-74	2	1	70	74	-80	-85
Less interest expenses on shareholder loans	–	-2	–	2	27	27	–	–	-27	-27	–	–
Net financial items excl. shareholder loans	-21	-15	-61	-71	-42	-47	2	1	42	47	-80	-85

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

All operations are conducted in Sweden. The eliminations 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	2017			2016		
	Women	Men	Total	Women	Men	Total
Parent Company	8	16	24	7	20	26
Subsidiaries	0	2	2	0	2	2
Group total	8	18	26	7	22	28
Salaries and other remuneration	Board and CEO	of which variable remuneration	Other employees	Board and CEO	of which variable remuneration	Other employees
Parent Company ¹⁾	4.0	0.2	17.0	3.9	–	17.6
Subsidiaries	1.0	–	1.2	1.1	–	0.7
Group total	5.0	–	18.1	5.0	–	18.3
Salaries and other remuneration	Salaries and remuneration	Social security contributions	of which pension costs	Salaries and remuneration	Social security contributions	of which pension costs
Parent Company	20.9	12.2	4.4	21.5	13.6	5.4
Subsidiaries	2.2	1.7	0.8	1.8	1.4	0.6
Group total	23.1	13.8	5.1	23.2	15.0	6.0

¹⁾ 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.

2017

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				
Total remuneration of the Board	1.68				
Daniel Johansson, CEO		2.1	0.2	0.1	0.6
Other senior executives (3 individuals)		4.5	0.3	0.2	1.3
Total remuneration of CEO and senior executives		6.6	0.4	0.3	1.9

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				
Total remuneration of the Board	1.68				
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
Total remuneration of CEO and senior executives		6.8	–	0.3	1.9

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 2017.

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 overall targets for 2017 were not achieved and, as a result, only a limited amount of variable remuneration amounting to MSEK 0.4 was paid (MSEK 0 in the preceding year). No other payments or remuneration with a dilution effect were made.

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 following redemption price, volatility of 25.6 %, expected dividend of 0 %, expected maturity of the warrants of 2.75 years, and an annual risk-free rate of interest 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. 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 2017, the pension premium averaged 28 % (28) of the basic salary. Variable remuneration is not pensionable for the CEO or for senior executives. All pensions are vested, meaning that they are not conditional upon future employment.

Financial instruments

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

Severance pay

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 6 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 2017 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 of management and other matters that are the duty of the Remuneration Committee in accordance with its formal work plan and within the framework of the remuneration policy approved by the AGM. The Committee met on two occasions in 2017.

Gender distribution among senior executives

	2017				2016			
	Women		Men		Women		Men	
	No. of	%	No. of	%	No. of	%	No. of	%
Board	1	25%	3	75%	1	25%	3	75%
Group management	0	0%	4	100%	0	0%	4	100%

NOTE 5 • EXTERNAL EXPENSES

Other external expenses	2017	2016
Operating expenses	45	39
Cost of goods and contracts sold	42	367
Other external expenses ¹⁾	17	22
Total	105	428

¹⁾ Refer to the table below for a specification of auditing fees.

Auditing fees	2017	2016
Öhrlings PricewaterhouseCoopers		
Audit assignment	1.5	1.1
Audit activities not included in the audit assignment	0.1	0.1
Tax consultancy services	0.0	0.0
Other services	0.1	0.1
Total	1.6	1.3

NOTE 6 • FINANCIAL INCOME AND EXPENSES

	2017	2016
Interest income	4	1
Exchange rate gains	1	0
Total financial income	5	1
Interest expenses	-85	-95
Exchange rate losses	-	9
Total financial expenses	-85	-86



NOTE 7 • TAXES

Tax on profit/loss for the year	2017	2016
Deferred tax	-1	11
Recognised tax	-1	11
Deferred tax		
Attributable to unutilised loss carry-forwards ¹⁾	26	31
Derivatives at fair value	12	17
Non-current assets	10	12
Other items	-1	-
Total recognised deferred tax	47	59
Reconciliation of recognised tax in the Group		
Profit/loss before tax	-178	-52
Tax 22%	39	11
Tax effects of: Non-deductible expenses/ non-taxable income	-14	7
Loss carry-forwards for which no tax asset was recognised	-26	-8
Recognised tax, profit/loss for the year	-1	11
Change in deferred tax		
Opening amount, net	59	41
Recognised deferred tax on profit/loss for the year	-1	11
Other items	0	4
Tax items recognised directly in other comprehensive income ²⁾	-11	3
Closing amount, net	47	59

¹⁾ Total loss carry-forwards for the legal entities amounted to MSEK 521 (307), of which MSEK 307 is blocked from utilisation until the 2023 income year against new companies in the Group. Of the tax loss carry-forwards, a total of MSEK 401 is not expected to be utilisable against future taxable profits. The remaining MSEK 120 is expected to be utilisable against future taxable profits, arising from operating surpluses, and 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 on property, plant and equipment. Loss carry-forwards are subject to no time limits on use.

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



Change in deferred tax 2017

	Attributable to:				
	Loss carry-forward	Non-current assets	Cash flow hedges	Other items	Total
Opening amount, net	31	12	17	-	59
Reported deferred tax on profit/loss for the year	-4	-2	5	0	-1
Other items	-	-	0	-	0
Tax items recognised directly in other comprehensive income	-	-	-10	-1	-11
Closing amount, net	26	10	12	-1	47

NOTE 8 • ADDITIONAL DISCLOSURES TO THE CASH FLOW STATEMENT

Cash and cash equivalents comprise cash and bank balances.

Adjustment for non-cash items	2017	2016
Depreciation and impairment of property, plant and equipment	230	105
Items attributable to holdings in associates	-7	-
Capital gains/losses on sales of non-current assets	3	3
Total	226	108

NOTE 9 • PROPERTY, PLANT AND EQUIPMENT

	Land and buildings ¹⁾		Wind power, foundations and electrical installations		Equipment, tools and fittings		Advances and construction in progress		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Opening cost	1	1	2,140	2,323	14	15	126	144	2,282	2,483
Purchases/investments	-	-	34	26	0	-	41	17	74	42
Sales/disposals	-	-	-8	-208	-5	-1	-9	-36	-22	-244
Reclassifications	-	-	-	-	-	-	-	-	-	-
Closing cost	1	1	2,166	2,140	9	14	157	126	2,334	2,282
Opening accumulated depreciation and impairment	0	0	-638	-576	-13	-14	-65	-58	-716	-648
Depreciation for the year	0	0	-78	-86	0	0	0	0	-78	-87
Impairment for the year ²⁾	-	-	-139	-12	-	-	-14	-6	-152	-18
Sales/disposals	-	-	6	35	5	1	0	0	11	36
Closing accumulated depreciation and impairment	0	0	-849	-638	-9	-13	-78	-65	-936	-716
Closing residual value according to plan ³⁾	1	1	1,318	1,502	1	1	79	61	1,398	1,565

¹⁾ Land and buildings includes land with a carrying amount of MSEK 1 (1). 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.

²⁾ Information on impairment and the calculation of recoverable amounts can be found in Note 1, Point 3.

³⁾ Of the property, plant and equipment referred to above, leased wind farms constitute MSEK 0 (0) of the cost and MSEK 0 (0) of the accumulated depreciation. Depreciation for the year of leased wind farms amounted to MSEK 0 (16). The lease was discontinued in the first quarter of 2016.

Finance leases

Company cars are leased under cancellable leases with a term of three years. The residual value according to plan includes finance 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 leases

	2017	2016
Within 1 year	3	4
Within 2 to 5 years	12	14
Within 6 to 20 years	22	32
Total	37	50

Operating lease costs for the year were MSEK 7 (8), of which variable fees amounted to MSEK 4 (4) and minimum lease payments to MSEK 3 (4).

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 NPI, 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 the first quarter of 2016, the company had operating leases as lessor for leases of wind farms, for the amount refer to Note 2. 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 were recognised as income in line with actual production.

NOTE 10 • HOLDINGS IN ASSOCIATES

Holdings in associates	2017	2016
Opening carrying amount	-	-
Share of profit/loss in associates	-11	-7
Impairment	-	-
Conversion from loan to shareholders' contribution	58	24
Exchange rate differences	-	-
Derivative items ¹⁾	-42	-17
Closing carrying amount	5	-
Profit/loss from associates		
Share of profit/loss in associates (net after tax, 22%)	-11	-7
Impairment	-	-
Financial income from associates (gross before tax)	27	27
Less uncapitalised share	-10	-20
Impairment of receivable	-	-
Total	7	-

¹⁾ Items attributable to other comprehensive income.

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 83. 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.

Financial income from associates is attributable to loans provided to associates. For information regarding Arise's loans to Sirocco Wind Holding AB, refer to Note 22.

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 9.8442 (9.5525) and the average rate of SEK/EUR 9.6438 (9.4713), and the amounts are presented in MSEK.

Condensed information from the balance sheet	2017	2016
Non-current assets	2,660	2,693
Current assets	123	221
Total assets	2,783	2,914
Non-current liabilities ¹⁾	2,625	2,782
Current liabilities	147	216
Total liabilities	2,773	2,998
Net assets	11	-84
¹⁾ Of which, shareholder loans	912	948

In accordance with IAS 28, no negative participating interests in associates were recognised in 2016.

Condensed information from income statement and statement of comprehensive income	2017	2016
Total income	305	307
Total profit/loss for the year	-22	-33
Other comprehensive income	-18	-99
Total comprehensive income	-39	-132

In 2017, MEUR 12 (5), corresponding to approximately MSEK 116 (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.

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, can be 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. 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 hedge 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 is conducted in the current price area or for the system price. In conjunction with price hedging, the aim is to limit price area risk.

Regarding issues related to electricity, the Group cooperates with service providers 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 service providers as "balancing energy". Through the joint storage of electricity with service providers 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 supply of electricity certificates is not conducted regularly during the year, which means a "contingency stock" of certificates must be created to ensure delivery in accordance with the hedging agreements. Sales can only be made of electricity certificates held beyond this "contingency stock."

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 the broker (such as Svensk 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 sale of projects and where applicable the purchase of wind turbines and the translation of balance sheet items in foreign currency (translation exposure). These transactions usually take place in EUR.

Transaction exposure

Currency exposure on sales arises when electricity is sold in EUR on Nord Pool. Sales of electricity and electricity certificates, and bilateral sales contracts signed directly with the end users of electrical energy are, however, normally denominated in SEK and 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 partially 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. Hedging of wind power investments in foreign currencies takes the form of forward cover entered into in conjunction with the investment decision or through the purchase of currency which is deposited in an account.

The 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 differ-

ences 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 exists in conjunction with the investment in the Jädraås project, since the accounting currency of the associate is EUR. This translation exposure is not hedged. Other items are not significant and are not currency-hedged.

Interest rate risk

Interest rate risk is defined as the risk of 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.

Sensitivity analysis

A change in any of the variables below has an impact on profit/loss before tax for 2017 (in MSEK) as follows:

Variable	Change	Impact on profit/loss before tax
Production	+/-10%	+/- 12
Electricity price	+/-10%	+/- 9
Electricity certificate price	+/-10%	+/- 4
Interest	+/-1pp	+/- 2
EUR/SEK for electricity prices	+/-10%	+/- 11

Note that the impact on profit/loss before tax is based on the electricity hedges reported by the Group in 2017.

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

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

	2017			2016		
	Interest-bearing		Non-interest-bearing	Interest-bearing		Non-interest-bearing
	Fixed rate	Variable rate		Fixed rate	Variable rate	
Non-current receivables	418	–	0	446	–	0
Blocked cash and cash equivalents	–	9	–	–	12	–
Current receivables	–	–	–	–	–	9
Cash and cash equivalents	–	146	–	–	287	–
Non-current liabilities	-1,119	31	10	-682	-268	7
Current liabilities	-50	–	-64	-350	–	-94
Total	-751	186	-54	-586	31	-78

dividend policy and the target equity/assets ratio on page 96. The Group's equity/assets ratio adjusted for cash and cash equivalents should be in the interval 40–50 %. The equity/assets ratio adjusted for cash and cash equivalents is derived by reducing total assets with current cash and cash equivalents. On 31 December 2017, the equity/assets ratio amounted to 39.7 % (41.5) and the adjusted equity/assets ratio was 42.6 % (47.0).

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 sufficient liquidity should be available at any given time, including unutilised overdraft facilities.

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 future contracts, as well as net investments in foreign currency. 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	2017	2016
Electricity futures	0	-7
Interest rate swaps 1-2 years	-25	-
Interest rate swaps 3-5 years	-2	-44
Interest rate swaps 6-10 years	-26	-22
Outstanding derivative contracts	-52	-74

Netting of derivatives 31 Dec 2017	Assets	Liabilities
Gross amount	9	-61
Nettable amount	-6	6
Net amount	2	-54

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 -4 [-1].

Electricity future contracts

The nominal amount of electricity future contracts outstanding, including half of the electricity futures for Jädraås, totalled MSEK 215 (274). The hedged, highly 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 on the balance sheet date totalled MSEK 0 [0]. 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 1,750 (1,769). The fixed interest rates fluctuate between 4.4 % and 5.8 % (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.

Hedging table for Own and Co-owned electricity production

PRICE HEDGES AS OF 31 DEC 2017			
	2018	2019	2020
Own production, budget, GWh	343	343	343
Hedged electricity production, GWh	101	13	18
Hedged electricity certificate production, GWh	185	105	30
<i>Hedged electricity price, inc. CFD, SEK/MWh ¹⁾</i>	274	261	297
<i>Hedged electricity certificate price, SEK/MWh</i>	148	117	57
Co-owned production, budget, GWh	286	286	286
Hedged electricity production, GWh	178	177	186
Hedged electricity certificate production, GWh	226	140	100
<i>Hedged electricity price, inc. CFD, SEK/MWh</i>	404	320	283
<i>Hedged electricity certificate price, SEK/MWh</i>	152	94	78
Exchange rate applied SEK 9.8/EUR ¹⁾ Includes CFD for the area hedged price, otherwise system price			

CLASSIFICATION OF FINANCIAL INSTRUMENTS

The tables below present the classification of the financial instruments in the balance sheet in 2017 and 2016.

2017

Assets

	Derivatives measured at fair value	Cash and cash equivalents measured at fair value	Loans and accounts receivable	Total
Receivables from associates	–	–	418	418
Blocked accounts	–	–	10	10
Current assets				
Accounts receivable	–	–	7	7
Derivative assets	2	–	–	2
Other receivables	–	–	10	10
Cash and cash equivalents	–	146	–	146
Total current assets	2	146	17	165
Total assets	2	146	444	592

	Derivatives measured at fair value	Other financial liabilities	Total
Liabilities			
Non-current interest-bearing liabilities	–	1,079	1,079
Current liabilities			
Current interest-bearing liabilities	–	50	50
Accounts payable	–	8	8
Derivative liabilities	54	–	54
Other liabilities	–	1	1
Total current liabilities	54	59	114
Total liabilities	54	1,138	1,193

2016

Assets

	Derivatives measured at fair value	Cash and cash equivalents measured at fair value	Loans and accounts receivable	Total
Receivables from associates	–	–	446	446
Blocked accounts	–	–	12	12
Current assets				
Accounts receivable	–	–	6	6
Derivative assets	1	–	–	1
Other receivables	–	–	2	2
Cash and cash equivalents	–	287	–	287
Total current assets	1	287	8	297
Total assets	1	287	466	755

Liabilities	Derivatives measured at fair value	Other financial liabilities	Total
Non-current interest-bearing liabilities	–	943	943
Current liabilities			
Current interest-bearing liabilities	–	348	348
Accounts payable	–	20	20
Derivative liabilities	75	–	75
Other liabilities	–	1	1
Total current liabilities	75	369	445
Total liabilities	75	1,312	1,388

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 adjusted equity/assets ratio, calculated as shareholders' equity divided by total assets less current cash and cash equivalents. The Group's equity/assets ratio adjusted for cash and cash equivalents should be in the interval 40–50 %. On 31 December 2017, the equity/assets ratio amounted to 39.7 % (41.5) and the adjusted equity/assets ratio was 42.6 % (47.0).

NOTE 12 • OTHER FINANCIAL NON-CURRENT ASSETS

	2017	2016
Blocked cash and cash equivalents	10	12
Other receivables	–	0
Total	10	12

NOTE 13 • INVENTORIES

	2017	2016
Electricity certificates	4	15
Spare parts	0	4
Total	4	19

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

NOTE 14 • OTHER CURRENT RECEIVABLES

	2017	2016
Current tax assets	9	7
Other receivables	14	6
Total	22	13

NOTE 15 • ACCOUNTS RECEIVABLE AND OTHER CURRENT RECEIVABLES

	2017	2016
Accounts receivable	15	14
Accumulated impairment of accounts receivable	–8	–8
Accounts receivable – net	7	6
Receivables from related parties (Note 22)	418	446
Other receivables (Note 12)	–	0
Other receivables (Note 14)	22	13
Less non-current portion	–418	–446
Current portion	29	19

As of the balance sheet date, MSEK 10 (13) referred to accounts receivable which were overdue, and a provision for bad debt losses of MSEK 0 (0) has been made. Of this amount, MSEK 9(9) remains unpaid, of which MSEK 8 has been impaired and is under investigation as the facts are not clear. A maturity analysis of these receivables is provided below.

	2017	2016
Not fallen due/Due in less than 3 months	6	4
3–6 months	–	–
6 months or later	9	9
Total	15	14

NOTE 16 • PREPAID EXPENSES AND ACCRUED INCOME

	2017	2016
Accrued electricity and certificate income	5	8
Accrued development income	56	36
Other prepaid expenses	4	8
Total	65	52

NOTE 17 • SHARE CAPITAL

Number of registered shares in Parent Company	2017	2016
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. Treasury shares amount to 54,194 shares.

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 2017 amounted to 560,000.

	Number of warrants
Warrants 2017	560,000
Entitling subscription to the following number of shares	560,000
Subscription price (SEK)	18.70

Valuation

The outstanding warrant programme in 2017 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. For more information, refer to Note 4.

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.

Convertibles

In the first quarter of 2017, a preferential rights issue was performed of convertibles of about MSEK 245, with a loan duration of five years. The loan is represented by convertibles each with a nominal amount of SEK 22 (or whole multiples thereof). The loan falls due for payment on 31 March 2022 unless it is converted prior to this date

Terms and conditions of subscription

Each convertible can be converted into an ordinary share at a conversion price per share of SEK 22. Conversion can take place at any time during the term up until 28 February 2022.

Dilution

At full conversion of issued convertibles, the number of shares in the company will increase from 33,428,070 to 44,552,695, corresponding to a dilution of about 25 % without taking into account outstanding warrants 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 bond loans totalled MSEK 900 (1,300) on 31 December 2017. During the year, the company completed the early redemption of its unsecured bond totalling MSEK 350, of which MSEK 50 had already been repurchased. The company repurchased secured bonds at a nominal amount of about MSEK 52 during the year. The company also has unutilised credit lines of MSEK 50 (50). 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 3.1 years (3.4). 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 5.7 % (5.8). During the spring, the company conducted an issue of convertible bonds, which amounted to MSEK 239 (0) on 31 December 2017. The term to maturity of the loan is five years.

Interest-bearing liabilities	2017	2016
Non-current portion	1,079	943
Current portion	50	348
Total	1,129	1,291

Fair value of liabilities

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

	Carrying amount		Fair value	
	2017	2016	2017	2016
Bond loans	900	1,300	900	1,300
Convertible loan	239	–	239	–
Total	1,138	1,300	1,138	1,300

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 5.8 %, (2016: 3.0 to 6.0 %), 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 *	12	84	888	19	12	1,015
Convertible loan	4	11	28	256	–	299
Accounts payable	8	0	0	–	–	8
Total	23	95	917	275	12	1,322

* 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 the Nasdaq Stockholm has a nominal value of MSEK 1,100, of which MSEK 900 (1,000) is outstanding, and bears a variable interest rate of STIBOR (3 months) + 3.00 percentage points. The bond loan matures in April 2019.

The convertible loan has a nominal value of MSEK 245, and an annual rate of interest of 5.75%. The loan falls due for payment on 31 March 2022 unless it is converted prior to this date.

NOTE 19 • PROVISIONS

	2017	2016
At the beginning of the year	20	22
Additional provisions	–	–
Reversed amounts pertaining to divested turbines ¹⁾	–	-2
Revaluation of restoration costs due to changed estimates and assessments	26	–
At year-end	46	20

¹⁾ In November 2016, Bohult wind farm was divested to Allianz Global Investors.

The item relates to a provision for restoration costs for operational wind turbines, the provision follows the wind farms' useful life. The amount designated is the most reliable estimate by the company of the amount required to settle the existing commitment on the balance sheet date. Risks and uncertainties associated with the commitment have been taken into account. In 2017, the company conducted a new calculation of the expected costs. This calculation used information and data from dismantling and recycling companies of expected costs. With the current assumptions, provisions are expected to result in payments between 2034 and 2037. For further information about provisions, please refer to Note 1.

NOTE 20 • ACCRUED EXPENSES AND DEFERRED INCOME

	2017	2016
Accrued financial expenses	9	11
Accrued personnel-related expenses	7	8
Deferred income	2	2
Accrued property tax	6	7
Other accrued expenses	19	5
Total	43	33

NOTE 21 • PLEDGED ASSETS AND CONTINGENT LIABILITIES

	2017	2016
Pledged assets		
Pledged shares in subsidiaries	390	518
Collateral transfer of wind turbines, land leases and operating agreements	1,276	1,501
Total	1,667	2,019
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 2018 may amount to a maximum of MSEK 23. If a cancellation is necessary in 2018, 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 Jädraås Vindkraft AB and Hällåsen Kraft AB. Together, this group of companies forms the "Jädraås project", which consists of 66 turbines totalling 203 MW in Jädraås, outside Gävle. In 2017, the holding companies JVAB Holding AB and HKAB Holding AB merged with Sirocco Wind Holding AB.

The following transactions with related parties took place

	2017	2016
Project management and administrative services	3	3
Total	3	3

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

	2017	2016
Loans to associates:		
At the beginning of the year	446	445
Accrued interest	27	27
Exchange rate differences	13	18
Provisions/impairment	-10	-20
Conversion from loan to shareholders' contribution	-58	-24
Loans paid during the year	-1	-1
At year-end	418	446
Of which non-current portion:	418	446
Of which current portion:	-	-

Arise has non-current receivables from related parties in the Sirocco Group in the form of a commercial loan carrying interest at 5.8% of the outstanding amount. There is no pre-determined maturity date, though the loan is repayable on request and has an interest rate corresponding to a normal and market-based borrowing interest rate. The loan may also be repaid by the borrower at any time. As the intention is that the loan will be repaid and has market-based interest terms, this indicates overall that it is commercial borrowing rather than an investment in an associate and the company therefore does not view this receivable as part of net investments.

The fair value of these loans is based on discounted cash flows at a rate of approximately 5.8%. 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 (27) which has been recognised in the income statement. Interest was reserved in the amount of MSEK 10 (20) 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

A decision was taken to refinance the company's secured bonds for a nominal amount of MSEK 950. The refinancing was undertaken through an issue of a new secured bond of MSEK 650, raising a bank loan of MSEK 100 with the same collateral as the new bond, raising a bank loan of MSEK 75 and by utilising the company's holding of the secured bonds as well as parts of the company's existing cash and cash equivalents.





Parent company income statement

Amounts to the nearest MSEK	NOTE	2017	2016
Sales of electricity and electricity certificates		154	154
Leasing of wind farms		–	39
Development and management income		28	215
Other operating income		0	0
Total income	2	182	409
Capitalised work on own account		1	–2
Purchase of electricity and certificates		–160	–160
Lease of wind power facilities		–	–39
Cost of sold projects and contracts		–7	–169
Personnel costs	3	–32	–33
Other external expenses	4	–18	–22
Operating profit/loss before depreciation (EBITDA)		–33	–16
Depreciation and impairment of property, plant and equipment	7	–14	–10
Operating profit/loss (EBIT)		–47	–25
Financial income	5	162	36
Financial expenses	5	–271	–132
Profit/loss after net financial items		–155	–121
Group contributions		–	119
Profit/loss before tax		–155	–2
Tax on profit/loss for the year	6	–4	–10
Profit/loss for the year		–160	–12

Parent company balance sheet

Amounts to the nearest MSEK	NOTE	2017	2016
ASSETS			
Non-current assets			
Property, plant and equipment	7	46	32
Shares in subsidiaries	8	1,505	1,745
Holdings in associates	9	–	–
Receivables from associates	18	418	446
Deferred tax assets	6	8	14
Other financial non-current assets	10	9	12
Total non-current assets		1,986	2,248
Current assets			
Inventories	11	2	7
Receivables from Group companies		54	60
Receivables from associates	18	–	–
Accounts receivable		6	4
Other current receivables		19	9
Prepaid expenses and accrued income	12	53	12
Cash and cash equivalents		81	187
Total current assets		216	279
TOTAL ASSETS		2,201	2,527
EQUITY			
Restricted equity			
Share capital		3	3
Statutory reserve		0	0
Other restricted equity		5	–
Non-restricted equity			
Share premium reserve		1,368	1,368
Accumulated losses		-394	-382
Profit/loss for the year		-160	-12
Total equity		822	976
LIABILITIES			
Non-current liabilities			
Non-current interest-bearing liabilities	13	1,079	943
Total non-current liabilities		1,079	943
Current liabilities			
Current interest-bearing liabilities	13	50	348
Liabilities to Group companies		226	220
Accounts payable		2	17
Other liabilities		1	1
Accrued expenses and deferred income	14	22	22
Total current liabilities		300	608
TOTAL EQUITY OCH LIABILITIES		2,201	2,527

Parent company cash flow statement

Amounts to the nearest MSEK	NOTE	2017	2016
Operating activities			
Operating profit/loss (EBIT)		-47	-25
Adjustment for non-cash items	15	14	10
Tax paid		-1	0
Cash flow from operating activities before changes in working capital		-35	-16
Cash flow from changes in working capital			
Increase (-) / decrease (+) in inventories		4	39
Increase (-) / decrease (+) in operating receivables		1	-14
Increase (+) / decrease (-) in operating liabilities		151	-32
Cash flow from operating activities		121	-23
Investing activities			
Investments in/sales of property, plant and equipment		-25	14
Investments in/divestment of subsidiaries		11	-7
Cash flow from investing activities		-14	7
Financing activities			
Bond loans		-154	-35
Deposits to/payments from blocked accounts		3	1
Interest paid		-65	-72
Interest received		1	10
Group contributions received		-	147
New share issues/warrants paid		-	1
Cash flow from financing activities		-215	51
Cash flow for the year		-108	36
Cash and cash equivalents at beginning of year		187	154
Exchange-rate difference in cash and cash equivalents		2	-2
Cash and cash equivalents at year-end		81	187

Parent company equity

Amounts to the nearest MSEK	Restricted equity			Non-restricted equity		
	Share capital	Statutory reserve	Other restricted equity	Share premium reserve	Acc. profit/loss incl. profit/loss for the year	Total equity
Opening balance on 1 Jan 2016	3	0	–	1,367	–382	987
Profit/loss for the year					–12	–12
Warrants				1		1
Closing balance on 31 Dec 2016	3	0	–	1,368	–394	976
Opening balance on 1 Jan 2017	3	0	–	1,368	–394	976
Profit/loss for the year					–160	–160
Warrants				1		1
Convertible loan			5			5
Closing balance on 31 Dec 2017	3	0	5	1,368	–554	822



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 in 2016 includes income from leased production facilities. Income from the lease of wind farms is recognised in the period in which the electricity is produced. The lease expired in the first quarter of 2016.

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.

Management income is recognised according to contract based on monthly and quarterly invoices.

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, management services to external customers and income from sales of projects. 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. Management income is recognised according to contract based on monthly and quarterly invoices. Loss from financial derivatives is recognised net in an amount of MSEK -1 [-2].

NOTE 3 • PERSONNEL

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

NOTE 4 • AUDITING FEES

	2017	2016
Öhrlings PricewaterhouseCoopers		
Audit assignment	0.8	0.7
Audit activities not included in the audit assignment	0.1	0.0
Tax consultancy services	0.0	0.0
Other services	0.1	0.1
Total	1.0	0.8

NOTE 5 • FINANCIAL INCOME AND EXPENSES

	2017	2016
Gain on divestment of subsidiaries	131	8
Interest income	18	10
Exchange rate gains	14	18
Total financial income	162	36
Impairment of shares in subsidiaries	-142	-29
Impairment of shares in associates	-58	-24
Interest expenses	-71	-76
Exchange rate losses	-	-3
Total financial expenses	-271	-132

NOTE 6 • TAXES

Tax on net profit for the year	2017	2016
Deferred tax	-4	-10
Recognised tax	-4	-10
Deferred tax		
Attributable to unutilised loss carry-forwards ¹⁾	10	14
Other items	-1	-
Total recognised deferred tax	8	14
Reconciliation of recognised tax		
Profit/loss before tax	-155	-2
Tax 22%	34	1
Tax effects of: Non-deductible expenses/ non-taxable income	-15	-10
Loss carry-forwards for which no tax asset was recognised	-23	-1
Recognised tax, profit/loss for the year	-4	10
Change in deferred tax		
Opening amount, net	14	24
Recognised deferred tax on profit/loss for the year regarding loss carry-forwards	-4	-10
Other items	-1	-
Closing amount, net	8	14

¹⁾ The Parent Company's total loss carry-forwards amounted to MSEK 152 (66), of which MSEK 66 is blocked from utilisation for new companies in the Group until the 2023 income year. The tax loss carry-forwards are expected to be utilisable 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 ¹⁾		Equipment, tools and fittings		Advances and construction in progress		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Opening cost	1	1	17	18	94	108	112	127
Purchases/investments	–	–	1	0	37	9	37	9
Sales/disposals	–	–	–5	–1	–9	–24	–14	–25
Reclassifications	–	–	–	–	–	–	–	–
Closing cost	1	1	13	17	121	94	135	112
Opening accumulated depreciation and impairment	0	0	–17	–15	–63	–57	–80	–72
Depreciation for the year	0	0	0	–3	–	–	0	–3
Impairment for the year ²⁾	–	–	–	–	–14	–6	–14	–6
Sales/disposals	–	–	5	2	–	0	5	2
Closing accumulated depreciation and impairment	0	0	–12	–17	–77	–63	–89	–80
Closing residual value according to plan	1	1	1	1	44	30	46	32

¹⁾ Land and buildings includes land with a carrying amount of MSEK 1 (1). 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.

²⁾ 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 2018 may amount to a maximum of MSEK 23. 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

	2017	2016
Opening carrying amount	1,745	1,743
Investments in subsidiaries	0	36
Impairment of shares	-142	-29
Liquidation of subsidiaries ¹⁾	-98	-5
Closing carrying amount	1,505	1,745

¹⁾ Company liquidated during the year is Arise Wind Farm 2 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%	1	1
Arise Kran AB	556758-8966	Halmstad	1,000	100%	5	5
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	12
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%	1,480	1,480
Arise Wind HoldCo 10 AB	559075-2746	Halmstad	500	100%	0	0
Total					1,505	1,514

NOTE 9 • SHARES IN ASSOCIATES

	2017	2016
Opening carrying amount	0	0
Reclassification	58	24
Impairment of shares	-58	-24
Closing carrying amount	0	0

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	100
– Jädraås Vindkraft AB	556733-6481	Stockholm	1,000	100%	–	–
– Hällåsen Kraft AB	556864-2077	Stockholm	50,000	100%	–	–
Total					0	100

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

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

	2017	2016
Blocked cash and cash equivalents	9	12
Other shares and participations	–	0
Total	9	12

NOTE 11 • INVENTORIES

	2017	2016
Electricity certificates	2	3
Spare parts	0	4
Total	2	7

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

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

	2017	2016
Accrued development income	49	9
Accrued electricity income	3	1
Prepaid expenses	1	2
Total	53	12

NOTE 13 • INTEREST-BEARING LIABILITIES

	2017	2016
Bond loans	900	1,300
Convertible loan	239	–
Bank charges	-10	-9
	1,129	1,291
Current portion	-50	-348
Non-current portion	1,079	943

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

	2017	2016
Accrued personnel-related expenses	6	7
Accrued interest expenses	12	11
Other accrued expenses	3	4
Total	22	22

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

Cash and cash equivalents comprise cash and bank balances.

Adjustment for non-cash items	2017	2016
Depreciation and impairment of property, plant and equipment	14	10
Capital gains/losses on sales of non-current assets	0	–
Total	14	10

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

Pledged assets	2017	2016
Shares in subsidiaries	1,480	1,715
Total	1,480	1,715
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 2018 may amount to a maximum of MSEK 23. 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:

	2017	2016
Sales of goods and services to subsidiaries	13	61
Purchases of goods and services from subsidiaries	149	184
Transactions with other senior executives	–	–

The Parent Company's transfer of projects and charging of services to its subsidiaries amounted to MSEK 13 (61). 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 149 (184) and consist of electricity and electricity certificates 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 of 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.

NOTE 19 • PROPOSED APPROPRIATION OF PROFITS

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

Parent Company

Accumulated loss from preceding year	-394,428,293
Share premium reserve non-restricted equity	1,368,475,008
Profit/loss for the year	-159,709,782
Total unappropriated earnings, SEK	814,336,933

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

To be carried forward, SEK	814,336,933
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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.

THE INCOME STATEMENTS AND BALANCE SHEETS WILL BE PRESENTED FOR ADOPTION AT THE ANNUAL GENERAL MEETING ON 3 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, 21 March 2018

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 21 March 2018
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 (publ) for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 34–85 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 2017 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 2017 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.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

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. This includes that, based on the best of my [our] knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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 judgment, 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 53 in the annual report "Significant estimates and assumptions for accounting purposes", and note 9 on page 62 "Property, plant and equipment".

As at 31 December 2017 the value of owned windpower farms in operation amounts to 1,276 MSEK. 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 139 MSEK. 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 assumptions and judgements performed by management in conjunction with the impairment test are complex such as future cash flows and other circumstances and have a large impact on the calculated value-in-use. In particular the assumptions of the future price levels on electricity and certificates as well as the weighted average cost of capital (WACC), where small deviations can result in large impact on the calculated value-in-use.

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*Valuation of deferred tax assets*

Reference to note 1 on page 53 in the annual report "Significant estimates and assumptions for accounting purposes", and note 7 on page 61 "Taxes".

As of the 31 December, 2017, the Group's total tax loss carry forwards amounted to 521 MSEK, of which MSEK 120 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 26 MSEK.

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.

HOW OUR AUDIT ADDRESSED THE KEY MATTER

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.

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 management's judgements and reviewed the support for their assumptions. We have analysed the profits from sale of wind park farms during 2017, 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.

We have identified no significant deviations in conjunction with our audit procedures.

Transactions – selling of projects

Arise business concept implies potential acquisitions and selling of one or several projects directly or through a company.

During the year the company have sold subsidiaries containing the projects Svartnäs, continuing building the project Solberg and final settlement of the project Mombyåsen. 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.

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.

Our audit focus on that the performed transactions are treated correctly in the accounting records.

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:

- Audited the Company's capital gain through a reconciliations against the selling agreement.
- Audited the company's accounting records with regards to the selling on company level.
- Audited the company's accounting records with regards to the selling on group level.
- Audited that the classification for the capital gain has been treated correctly in accordance with the accounting principles for the company.

We have identified no significant deviations in conjunction with our audit procedures.



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 1–32 and pages 96–104. The Board of Directors and the CEO 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 CEO

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 Revisorsinspektionen's website www.revisorsinspektionen.se/revisornsansvar. 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 CEO of Arise AB (publ) for the year 2017 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 CEO 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 CEO

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 CEO 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 CEO 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. This description is part of the auditor's report.

Öhrlings PricewaterhouseCoopers AB, was appointed auditor of Arise AB (publ) by the general meeting of the shareholders on the 4th May 2017 and has been the company's auditor since 2008. The company has been a company of public interest since the listing, 24 March 2010.

Malmö 21 March 2018

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 2017 financial year. Arise's Articles of Association and other information regarding corporate governance in Arise are available on our website, www.arise.se.

Application of the Code

Corporate governance in Arise complies with the Code and is, therefore, based on the principles stated in applicable legislation, listing agreements, guidelines and good practice. Deviations from the Code are presented in the relevant sections of this Corporate Governance Report. In 2017, 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 3,452 shareholders on 29 December 2017. The company has two shareholders with a direct or indirect participation representing more than 10 % of the votes which are Briban Invest AB (15.8 %), and Johan Claesson with companies (14.0 %). Further information on major shareholders is also available from Arise's website, www.arise.se.

Shares

The share capital in Arise as per 31 December 2017 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 4 May 2017 in Halmstad. At the Annual General Meeting, resolutions were passed regarding the 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 3 May 2018 in Halmstad.

Shareholders wishing to add items to the agenda of the Annual General Meeting may send a written request to Arise AB (publ), Att: 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 4 May 2017 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 2018 Annual General Meeting comprised Johan Claesson (Johan Claesson and companies), 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.

In its work, the Nomination Committee applied the diversity policy adopted by the Board. Item 4.1 of the Code comprises part of this diversity policy. The result of the work on the diversity policy is that the Nomination Committee has

taken into account that, considering Arise's operations, stage of development, prevailing business and social conditions and other circumstances, the Board is to be characterised by diversity and breadth in the expertise, experience and background of the Board members elected by the General Meeting. Efforts have also been made to achieve an even gender distribution on the Board. By applying the above, the Nomination Committee has a solid basis for determining whether the Board's composition is appropriate and whether Arise's needs for expertise, experience and diversity on the Board have been met. As a result, the Nomination Committee has proposed the re-election of Board members Joachim Gahm, Maud Olofsson, Jon Brandsar and Peter Gyllenhammar prior to the Annual General Meeting on 3 May 2018. Furthermore, the Nomination Committee has proposed the re-election of Joachim Gahm as Chairman of the Board. The Nomination Committee's proposal entails that 25% of the Board members elected by the General Meeting are women.

The Nomination Committee will present a description of its activities at the Annual General Meeting on 3 May 2018. Shareholders wishing to submit proposals and opinions to the Nomination Committee are requested to contact the Chairman of the Nomination Committee: Arise AB (publ), Att: 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 4 May 2017, 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 2017 financial year, the Board of Directors held 13 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 2018 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 98. Remuneration and other benefits to the Board of Directors are described in Note 4 on page 58. 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.

AGM-elected Board members' attendance, 2017 financial year

	Number of meetings	Present at	Attendance, %
Joachim Gahm	13	13	100
Jon Brandsar	13	12	92
Maud Olofsson	13	13	100
Peter Gyllenhammar	13	10	76

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 2017, 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 and secretary. 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.

Diversity

The Board has established a diversity policy that aims to promote diversity on the Board. The Board believes that diversity in the Board and management contributes to greater understanding of the company's organisation and operations, and allows decisions to be constructively and independently questioned and creates a more open climate to new ideas and approaches.

According to the diversity policy, the Board is to be characterised by diversity and the composition of the Board is to

follow item 4.1 of the Code. Efforts are also made to achieve an even gender distribution on the Board. The policy is a governing document for the Nomination Committee that is to be applied when preparing proposals for Board members.

Remuneration Committee

Up to the Annual General Meeting 2018, 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 held two meetings in 2017 and each meeting was attended by all members. The Committee's areas of responsibility are to present proposals regarding overall policy on salaries, remuneration and other terms of employment of the company's Group management and potential warrant programmes. The Remuneration Committee is to provide proposals on individuals salaries and other remuneration of the CEO and, following proposals from the CEO, decide on individuals salaries and other remuneration to managers who report to the CEO. 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 of senior executives. The Committee's work follows a written formal work plan adopted by the Board. The Committee does not have its own right of decision other than within the remuneration policy that the AGM resolves on for senior executives.

Audit Committee

Up to the Annual General Meeting 2018, the Audit Committee consists of the Board members Maud Olofsson (Chairman), Joachim Gahm and Peter Gyllenhammar. The Company's CFO Linus Hägg reports to the Committee. The Audit Committee held five meetings in 2017 and each meeting was attended by all members. The Audit Committee is responsible for preparing the Board's work on ensuring the quality of the company's financial reporting. Quality assurance normally takes place by the Committee addressing all critical accounting matters and drafts of the financial statements that the company publishes. The Audit Committee also addresses matters concerning, for example, financial reporting, risks, governing documents, KPIs, accounting rules and internal control. The Audit Committee also maintains a continuous dialogue with the auditor. The Committee's work follows a written formal work plan adopted by the Board and the Board does not have its own right of decision.

Group management

Arise's Group management and Group management's holdings of shares and warrants are described on page 99.

Appointment of auditors

At the 2017 Annual General Meeting (as at the 2016 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 control. 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 2017

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

Halmstad, 21 March 2018

Joachim Gahm
Chairman

Jon G Brandsar
Board member

Maud Olofsson
Board member

Daniel Johansson
CEO

Peter Gyllenhammar
Board member

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders in Arise AB (publ), corporate identity number 556274-6726

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2017 on pages 92–95 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Malmö, 21 March 2018
Öhrlings PricewaterhouseCoopers AB

Magnus Willfors
Authorized 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

The company's financial policy states that the Group's equity/assets ratio adjusted for cash and cash equivalents should be in the interval 40–50 %. The equity/assets ratio adjusted for cash and cash equivalents entails a reduction in total assets using current cash and cash equivalents. On 31 December 2017, the equity/assets ratio amounted to 39.7 % (41.5) and the adjusted equity/assets ratio was 42.6 % (47.0). A condition in one of the company's loan agreements stipulates that no dividends may be paid to shareholders. After this loan has been repaid, the aim is to create the conditions over time to pay dividends to shareholders, if so resolved by the General Meeting.

LARGEST SHAREHOLDERS

Ownership structure as of 29 December 2017	Shares	Share of votes and capital, %
Briban Invest AB	5,273,917	15.8
Johan Claesson with companies	4,683,014	14.0
Third Swedish National Pension Fund	3,340,133	10.0
Peter Gyllenhammar with companies	1,510,000	4.5
Ernström Finans AB	1,500,000	4.5
Svenska Handelsbanken for PB	1,359,000	4.1
Leif Jansson with companies	1,235,833	3.7
Olof Andersson Förvaltnings AB	1,203,000	3.6
Försäkringsbolaget Avanza Pension	870,317	2.6
Catella Funds	800,103	2.4
Ten largest shareholders	21,775,317	65.2
Other shareholders	11,652,753	34.8
Total number of registered shares	33,428,070	100.0

HISTORICAL DEVELOPMENT OF SHARE CAPITAL

		Number of shares	Accumulated number of shares	Share capital, SEK	Accumulated share capital, SEK
1986	Formation of the Company	50,000	50,000	50,000.00	50,000.00
1997	Split	950,000	1,000,000		50,000.00
1998	Bonus issue		1,000,000	50,000.00	100,000.00
2007	New issue	473,077	1,473,077	47,307.70	147,307.70
2008	New issue	1,420,000	2,893,077	142,000.00	289,307.70
2008	Bonus issue		2,893,077	867,923.10	1,157,230.80
2008	Split	11,572,308	14,465,385		1,157,230.80
2008	New issue	51,000	14,516,385	4,080.00	1,161,310.80
2008	New issue ¹⁾	937,500	15,453,885	75,000.00	1,236,310.80
2009	New issue	5,972,185	21,426,070	477,774.80	1,714,085.60
2010	New issue	135,000	21,561,070	10,800.00	1,724,885.60
2010	New issue	10,000,000	31,561,070	800,000.00	2,524,885.60
2011	New issue	227,500	31,788,570	18,200.00	2,543,085.60
2011	New issue	15,000	31,803,570	1,200.00	2,544,285.60
2011	New issue	50,000	31,853,570	4,000.00	2,548,285.60
2011	New issue	1,574,500	33,428,070	125,960.00	2,674,245.60

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

SHARE DEVELOPMENT



Arise's Board of Directors



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

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: Adviser at 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: 10,000 shares.

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 and Visita Service AB. Member of the Board and the Executive Board of the Confederation of Swedish Enterprise, member of Mcquarie Advisory Board and Board member of 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, Chairman of the Board of Duroc AB and the working owner of Peter Gyllenhammar AB. Peter Gyllenhammar is a former Board member of Catella AB (publ).

EDUCATION: Upper-secondary school education.

HOLDINGS, OWN AND VIA COMPANY: 1,510,000 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 2017.

Arise's Group management



From the left: Per-Erik Eriksson, Daniel Johansson, Leif Jansson and Linus Hägg.

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 of Arise's subsidiaries and Board member of the Swedish Wind Energy Association. Deputy Board of CapViva Wind Skogaby AB and AREF II Wind Bohult AB.

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

HOLDINGS: 20,000 shares, 10,000 convertibles and 300,000 warrants.

Linus Hägg, born 1976

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

OTHER DIRECTORSHIPS AND POSITIONS: Deputy Board member of several of Arise's subsidiaries. Chairman of the Board of Sirocco Wind Holding AB, Hällåsen Kraft AB, Jädraås Vindkraft AB, Board member of CapViva Wind Skogaby AB and AREF II Wind Bohult AB.

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

HOLDINGS: 125,000 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 School of Economics (1978).

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

Per-Erik Eriksson, born 1963

Head of Operations and responsible for Arise's operations. Per-Erik has 30 years' experience within the energy industry, including project management, operation and management of 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: CEO of Arise Elnät AB and Board member of several of Arise's subsidiaries. Board member of Sirocco Wind Holding AB, Hällåsen Kraft AB and Jädraås Vindkraft AB. Chairman of the Board of CapViva Wind Skogaby AB and AREF II Wind Bohult AB.

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

HOLDINGS: 125,000 warrants.

The information concerning shareholdings, convertibles and warrants refers to the situation as of 31 December 2017.



Annual General Meeting and 2018 calendar

Annual General Meeting

Shareholders are invited to attend Arise's Annual General Meeting to be held at Scandic Hallandia, Halmstad, Sweden on Thursday, 3 May 2018, 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, 26 April 2018 and register their attendance along with that of any assistants not later than Thursday, 26 April 2018, preferably before 4:00 p.m., by e-mail to info@arise.se. It is also possible to register for the Annual General Meeting by telephone, +46 10 450 71 22, 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 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,

26 April 2018. 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, not later than 12 April 2018. 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 as soon as it has been released. In 2018, financial information will be published as follows:

First quarter: 3 May 2018

Second quarter: 18 July 2018

Third quarter: 9 November 2018

Fourth quarter: 15 February 2019

Annual Report

The Annual Report is available from our website, www.arise.se. It is sent by post to shareholders who have notified the company that they wish to receive a copy. Printed copies of the report can be ordered via the form found on the website or through Arise's switchboard, +46 010 450 71 22. The 2017 Annual Report is expected to be available in early April 2018.

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	2017	2016	2015	2014	2013
Income statements (summary)					
Net sales*	257	594	487	258	264
Operating profit before amortisation/depreciation (EBITDA)**	131	138	193	197	211
Operating profit/loss (EBIT) **	-99	33	-58	91	117
Profit/loss before tax	-178	-52	-164	-24	32
Profit/loss for the year	-180	-41	-156	-25	29
Balance sheets (summary)					
Total non-current assets	1,878	2,082	2,345	2,701	2,867
Cash and cash equivalents	146	287	203	157	191
Equity	843	1,020	1,090	1,178	1,240
Total assets	2,124	2,460	2,767	2,967	3,231
Net debt	973	992	1,248	1,449	1,438
Cash flows (summary)					
Cash flow from operating activities	96	185	170	162	213
Cash flow from investing activities	-23	160	116	-22	-292
Cash flow from financing activities	-216	-258	-241	-174	-71
Cash flow for the year	-143	86	46	-34	-150
Key ratios					
Installed capacity at the end of the period, MW	241	241	254	261	253
Electricity production during the period (Own and Co-owned), GWh	635	640	774	650	599
Number of employees at the end of the period	26	29	31	31	31
Basic earnings per share, SEK	neg	neg	neg	neg	0.86
Diluted earnings per share, SEK	neg	neg	neg	neg	0.86
EBITDA margin, %	50.1	23.2	37.9	68.4	75.6
Operating margin, %	neg	5.5	neg	31.7	42.0
Return on capital employed (EBIT), %	neg	1.5	neg	3.4	4.6
Return on adjusted capital employed (EBITDA), %	6.8	6.3	7.7	7.3	8.2
Return on equity, %	neg	neg	neg	neg	2.4
Capital employed, MSEK	1,817	2,013	2,338	2,626	2,678
Average capital employed, MSEK	1,935	2,203	2,502	2,713	2,573
Average equity, MSEK	948	1,048	1,150	1,216	1,202
Equity/assets ratio, %	39.7	41.5	39.4	39.7	38.4
Interest coverage ratio, times	neg	0.4	neg	0.8	1.4
Debt/equity ratio, multiple	1.2	1.0	1.1	1.2	1.2
Equity per share, SEK	25	31	33	35	37
Equity per share after dilution, SEK	25	31	33	35	36
No. of shares at the end of the period, excl. treasury shares	33,373,876	33,373,876	33,373,876	33,373,876	33,373,876
Average number of shares	33,373,876	33,373,876	33,373,876	33,373,876	33,373,876
Average no. of shares after dilution***	33,933,876	33,793,876	33,379,876	33,909,876	34,086,276

* 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."

*** In the calculation of earnings per share and equity per share, dilution from options, whose exercise price is higher than the company's share price during the period, was not included.

Overview of wind farms

Own wind power operations	Nominal capacity, MW	Expected production during a normal year, GWh ¹⁾	Full capacity hours, MWh/year	Capacity factor, %	Price area	Commissioned year	Carrying amount as of 31 December 2017, MSEK	Carrying amount as of SEK/normal annual production, MSEK	Carrying amount as of 31 December 2017, KWh	Number of turbines	Manufacturer	Model	Municipality	Country
Oxhult	24.0	56.8	2,367	27%	IV	2009	211	3.7	8.8	12	Vestas	V 90	Laholm	Sweden
Råbelöv	10.0	22.8	2,280	26%	IV	2010	83	3.6	8.3	5	Vestas	V 90	Kristianstad	Sweden
Brunsmo	12.5	24.5	1,960	22%	IV	2010	79	3.2	6.3	5	GE	2.5 XL	Karlskrona	Sweden
Kåphult	17.5	40.6	2,320	26%	IV	2010/2011	149	3.7	8.5	7	GE	2.5 XL	Laholm	Sweden
Fröslida	22.5	55.4	2,462	28%	IV	2011	201	3.6	8.9	9	GE	2.5 XL	Hylte	Sweden
Idhult	16.0	36.2	2,263	26%	IV	2011	136	3.8	8.5	8	Vestas	V 90	Mönsterås	Sweden
Södra Kärra	10.8	37.4	3,463	40%	III	2011/2012	137	3.7	12.7	6	Vestas	V 100	Askersund	Sweden
Blekhem	10.8	30.1	2,787	32%	IV	2011/2012	133	4.4	12.3	6	Vestas	V 100	Västervik	Sweden
Gettnabo	12.0	30.3	2,525	29%	IV	2011	114	3.7	9.5	6	Vestas	V 90	Torsås	Sweden
Skäppentorp	3.1	8.5	2,764	32%	IV	2012	34	4.0	11.2	1	Vestas	V 112	Mönsterås	Sweden
Total	139.2	342.6	2,462	28%			1,276	3.7	9.2	65				
Own wind power operations under construction														
No ongoing construction projects within Own wind power operations														
Total Own wind power operations	139.2	342.6	2,462	28%			1,276	3.7	9.2	65				
Co-owned wind power operations														
Jädraås ²⁾	101.5	286.0	2,818	32%	III	2012/13	1,317	4.6	13.0	33	Vestas	V 112	Ockelbo	Sweden
Total	101.5	286.0	2,818	32%			1,317	4.6	13.0	33				
Co-owned wind power operations under construction														
No ongoing construction projects within Co-owned wind power operations														
Total Own and Co-owned wind power operations	101.5	286.0	2,818	32%			1,317	4.6	13.0	33				
TOTAL OWN AND CO-OWNED WIND POWER OPERATIONS	240.7	628.6	2,612	30%			2,594	4.1	10.8	98				
External projects under construction and/or management														
Jädraås (client Platina Partners) ³⁾	101.5	286.0	2,818	32%	III	2012/13	n/a	n/a	n/a	33	Vestas	V 112	Ockelbo	Sweden
Stjärnarp (client KumBro Vind AB)	5.4	n/a	n/a	n/a	IV	2013	n/a	n/a	n/a	3	Vestas	V 100	Halmstad	Sweden
Brotorp (client, fund managed by BlackRock)	46.2	n/a	n/a	n/a	IV	2015	n/a	n/a	n/a	14	Vestas	V 126	Mönsterås	Sweden
Storrön (client, fund managed by Whitehelm Capital)	30.0	n/a	n/a	n/a	II	2009	n/a	n/a	n/a	12	Nordex	N90	Krokom	Sweden
Skogaby (client, fund managed by 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
Mombysåsen (client, fund managed by 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, fund managed by 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 managed by BlackRock)	160.0	n/a	n/a	n/a		2017	n/a	n/a	n/a	50	Siemens	SWT-3.2MW	Rogaland	Norway
Svartnäs (under construction, client, fund managed by BlackRock)	115.0	n/a	n/a	n/a	III		n/a	n/a	n/a	32	Vestas	V 136	Falun	Sweden
Total external projects under construction and/or management	529.1	n/a	n/a	n/a						175				
TOTAL OWN AND CO-OWNED WIND POWER OPERATIONS INCL. MANAGEMENT	769.7	n/a	n/a	n/a						273				

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



Arise is committed to sustainability throughout its operations. That is why this report is printed on eco-labelled paper, Munken Kristall from Arctic Paper. It is both FSC and PEFC-certified, which promotes sustainable forestry.

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