



Interim Report for period 1 January – 30 September 2014

Third quarter (1 July – 30 September 2014)

- Net sales during the quarter amounted to MSEK 45 (41).
- Operating profit before depreciation (EBITDA) amounted to MSEK 22 (25) of which MSEK -15 (-12) represented Arise's share of profits in associated companies (after depreciation/amortisation, interest expenses and tax).
- Profit/loss before tax amounted to MSEK -33 (-15), including non-recurring items of MSEK -3 (-).
- Profit/loss after tax amounted to MSEK -29 (-15) equivalent to SEK -0.86 (-0.44) per share.
- Power production amounted to GWh 117 (103), of which the segment Own wind power operations produced 79 (54) GWh and Co-owned wind power operations produced 38 (49) GWh.
- Average income from Own wind power operations amounted to SEK 569 (759) per MWh with SEK 338 (476) per MWh from electricity and SEK 231 (284) per MWh from electricity certificates.
- The Company's overall goal has changed from that of expanding its operations to achieving a good return on the operations.
- The unsecured bond loan of MSEK 350 has been re-financed on largely identical terms.

First nine months (1 January – 30 September 2014)

- Net sales for the first half year amounted to MSEK 162 (143).
- Operating profit before depreciation (EBITDA) amounted to MSEK 92 (123), of which MSEK -28 (3) represented Arise's share of profits in the associated company owning the Jädraås project, (after depreciation/amortisation, interest expenses and tax).
- Profit/loss before tax amounted to MSEK -50 (1) including non-recurring items totalling MSEK -12(-).
- Profit/loss after tax amounted to MSEK -45 (1), equivalent to SEK -1.35 (0.04) per share.
- Power production amounted to 441 (363) GWh, divided between Own wind power operations, 276 (204) GWh and Co-owned wind power operations, 165 (160) GWh.
- Average income from Own wind power operations totalled SEK 587 (704) per MWh, with SEK 365 (420) per MWh from electricity and SEK 222 (283) per MWh from electricity certificates.

Significant events after the end of the reporting period

- The wind farm, Brotorp, which is comprised of 14 turbines with a total output of 46.2 MW and which is ready for construction has been sold to BlackRock. The construction of the wind farm will start forthwith with Arise as project leader during the construction phase and as manager during the operating phase.

About Arise

Arise is one of Sweden's leading onshore wind power companies. The Company's business concept is to develop, build and manage wind farms for its own account and on behalf of investors, with the aim of selling electricity produced by onshore wind turbines. Arise is listed on NASDAQ OMX Stockholm.

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Comments from the CEO

Agreement signed with BlackRock

The wind farm, Brotorp in the Municipality of Mönsterås, which is comprised of 14 turbines with a total output of 46.2 MW has been sold to BlackRock. Pursuant to the agreement, Arise assumes the responsibility for project management during the construction phase and for the management of the farm when it becomes operational. The total investment is budgeted at MSEK 650 which will be financed by BlackRock and through a project loan from SEB. The deal implies that Arise will be remunerated for the project development, the project management and the management of the operational wind farm. Construction is to start immediately and Arise's remuneration will be recognised in income in pace with the progress of the project. The final amount of the remuneration depends on the success of the project. Assuming that the project follows the development plan in place and is completed during 2015, the remuneration for project is expected to have a positive impact on income of approximately MSEK 9 for the current year and a further approximate MSEK 37 in 2015. In terms of cash flow, Arise has received approximately MSEK 15 and a further approximate MSEK 46 is expected to be received during 2015.

BlackRock is one of the world's largest fund management companies and we are enormously pleased, and consider it a vote of confidence, that a company of this stature has chosen Arise as its partner for a planned expansion within the wind power sector in Sweden. Our hope is that the Brotorp deal will be followed by several co-operative similar arrangements.

With its primary focus on short-term cash flow effects, rather than on growth, in our proprietary project portfolio, this deal is an example of our revised business model. Nonetheless, we are convinced that the strategy of producing and selling renewable energy, ourselves, is the right path for us and we intend also to increase our production capacity with time. Our strategy in this respect is that the required equity contributions will be financed with the Company's own cash flows.

Our ambition is to create good cash flows and value for shareholders in both the short and long-term through income from a combination of project development, wind farm management and sales of Company-generated, environmentally-friendly electricity.

Electricity production

The third quarter is usually not a particularly windy period during the financial year, and this proved to be the case for the current year. High-pressure conditions during the summer led to pleasant weather and weak winds, and the quarter, as a whole, concluded approximately 10% under budget. It is, however, pleasing to note that the cash flow was positive in spite of a weak quarter in terms of production.

Viewed over the course of year, the wind has been weaker than usual. Production in the Company's own wind farms is approximately 10% under planned levels (-30 GWh), while production in co-owned projects (Jädraås) is approximately 20% under (-40 GWh for our share), giving a total of approximately 70

GWh under budget. This represents the primary reason for the year's disappointing financial performance, to date. On a positive note, production during October was somewhat better than anticipated (+4 GWh). We will hopefully be able to regain some of the lost production during the remaining months of the year. However, it is likely that total production for the current year will come in under budget.

Sale of Stjärnarp wind farm

As previously announced, the sale of Stjärnarp wind farm (3 turbines) has been delayed following an appeal. The Administrative Court has now rejected the appeal and the transaction can be completed, assuming that the ruling is confirmed and is not appealed to the Administrative Court of Appeal, which would be the claimant's final available course of action.

Other project development

Arise has acquired a project with permits in place for 10 turbines, and this project is situated approximately 4 km south of the Jädraås wind farm. A licence application for a new link/up to the electrical grid has been submitted. The potential synergies with the Jädraås farm are substantial, implying that the project's financial conditions are positive even with the prevailing low prices for electricity and electricity certificates.

The Company has been in dialogue with the authorities in Scotland regarding a major project involving 20 to 30 turbines along the Scottish north coast. The authorities have a positive view of this project, and the permit application process has been initiated. The wind conditions at the site are excellent and there are good premises for connections to the electrical grid.

Future prospects

The Company's focus is now on the construction of the Brotorp wind farm to be undertaken together with BlackRock. The goal is that the entire park will be operational before the end of next year.

In line with our new strategy, discussions are also underway regarding the sale of a number of new projects in the "Permits received" stage. Capital freed up through such sales will be used to reduce the Company's borrowings and will also be used to invest in new, efficient wind farms, with both measures strengthening the Company's cash flow and profitability.

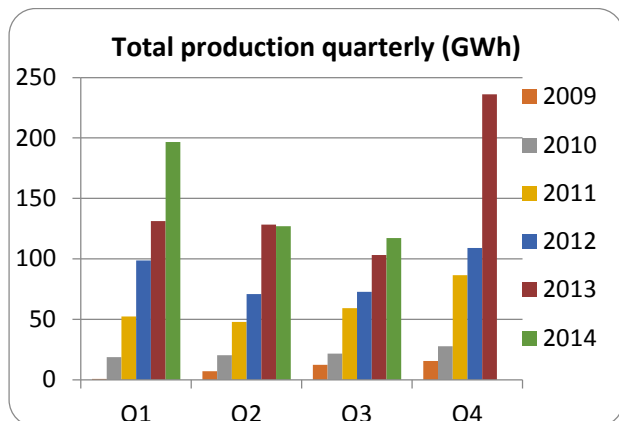
Halmstad, 18 July 2014

Peter Nygren

CEO Arise AB (publ)

■ Comments on the third quarter

Total electricity production amounted to 117.4 GWh, which is 14% more than in the previous year (103.3 GWh). The development of production per quarter is illustrated in the graph below.



Total production includes both Own (including leased farms) and Co-owned production

The segments Own and Co-owned wind power operations are reported exclusive of internal interest expenses on shareholder loans from Arise and, as regards Co-owned wind power operations, is also exclusive of interest expenses on shareholder loans from Platina Partners owner companies. The corresponding reduction in interest income in Arise has reduced net financial income in the segment Wind power development. The shareholder loans incur interest of approximately 6% and all relevant figures are reported in Notes 4 and 7.

Own wind power operations

Production from Own wind power operations (including leases) amounted to 79.3 (54.5) GWh in the Company's wholly-owned farms, an increase of 46%, or slightly more than 25 GWh, which is mainly due to the greater number of turbines in operation.

The Company's average income for electricity amounted to SEK 338 (476) per MWh, or 15% over market price (SYS, system price Nord Pool Spot) for the same period (SEK 293 per MWh). Price hedging further contributed to the Company's average income for certificates amounting to SEK 231 (284) per MWh, or 27% over market price (according to Svensk Kraftmäklings AB) for the same period (SEK 182 per MWh).

Overall, Own wind power operations generated income of MSEK 48 (42) and an EBITDA of MSEK 33 (30), an increase of 14% in income and 8% in EBITDA, respectively, compared with the third quarter of 2013. The 46% increase in production contributed MSEK 19 to net sales, while the lower average price for electricity negatively implied a reduction in net sales of MSEK 14 compared with the equivalent quarter in 2013. Operating expenses

for the segment declined to SEK 194 (222), per MWh, due primarily to the fact that the Company's fixed costs are distributed over a higher level of production. Depreciation and net financial income amounted to MSEK -24 (-21), respective MSEK -29 (-15). The increases in both depreciation and net financial income can be explained by the Company having a greater number of turbines in operation. The increase in net financial income is also due to the fact that the Company reported previously capitalised bank fees as expenses in conjunction with the re-financing of the bond loan, as well as to the fact that increased interest expenses were reported during the transitional period, together having a combined effect amounting to approximately MSEK -3. In addition, net financial income for the quarter was negatively impacted by interest expenses of MSEK -4 attributable to the exercise of the swaps reported in the Q2 report. Profit/loss before tax for the quarter was, consequently, MSEK -20, compared with MSEK -6 last year.

Co-owned wind power operations

All figures in the segment reporting refer to Arise's 50% share, or 101.5 MW, in the Jädraås project. Electricity production during the third quarter amounted to 38.0 (48.9) GWh, which was 22% lower than during the previous year due to weaker wind levels.

The segment generated income of MSEK 22 (24) and an EBITDA of MSEK 15 (18). Depreciation and net financial income amounted to MSEK -16 (-15) and MSEK -12 (-13), respectively, and profit/loss before tax was, consequently, MSEK -13 (-9). Average income was SEK 588 (489) per MWh, with SEK 408 (328) per MWh for electricity and SEK 180 (160) per MWh for electricity certificates. The decrease in profit/loss was due to lower production levels and somewhat higher operating expenses than in the corresponding quarter of 2013.

The chosen form of financing implies that the project's cash flow will accrue to the co-owners through, primarily, interest payments and amortisation prior to any dividends being paid out from the project. During 2014, approximately MSEK 42 was received from the project, of which just over MSEK 10 was recorded during the first quarter and MSEK 32 during the third quarter. The next payment is expected to be received during Q1 2015.

Wind power development

All in all, total income and EBITDA for the quarter for Wind power development amounted to MSEK 6 (19) and MSEK 4 (7), respectively. The decrease is largely due to received development fees of MSEK 13 being included during the previous year. Operating expenses were MSEK 9 lower than during the previous year, MSEK -8 compared with MSEK -17, and this is explained by lower personnel costs and other expenses. No significant changes occurred in net financial income, MSEK -4 (-5) and profit/loss before tax decreased to MSEK -4 (-3).

Net sales and income

Net sales during the quarter amounted to MSEK 45 (41). Other operating income amounted to MSEK 7 (17) and total income amounted, thereby, to MSEK 52 (58).

Capitalised work on own account amounting to MSEK 7 (4) was reported during the quarter. The Company's share of profits in associated companies amounted to MSEK -15 (-12) and refers, in its entirety, to the 50% ownership of the Jädraås project. Reported income represents net income, that is, after taxes.

Operating profit before depreciation (EBITDA) amounted to MSEK 22 (25). The decrease is primarily attributable to the fact that development fees of MSEK 13 were received during 2013. Operating profit (EBIT) amounted to MSEK -6 (-1) including depreciation and write-downs of MSEK -28 (-26). Net financial income was MSEK -27 (-14) and profit/loss before tax amounted to MSEK -33 (-15). Profit/loss after tax was MSEK -29 (-15), equivalent to earnings per share of SEK -0.86 (-0.44) before and after dilution

Investments

Net investments in property, plant and equipment for the quarter amounted to MSEK 16 (91); the entire amount refers to wind power development.

Cash flow

Cash flow from operating activities before changes in working capital amounted to MSEK 63 (35). Changes in working capital contributed MSEK 7 (41), resulting in a cash flow from operating activities of MSEK 71 (76). Investments in property, plant and equipment totalled MSEK -16 (-91), whereby cash flow after investing activities amounted to MSEK 54 (-15). The net amount of non-current and current interest-bearing liabilities decreased cash flow by MSEK -1 (52), attributable to repayments. Interest of MSEK -25 (-25) has been paid and interest of MSEK 0 (0) has been received. Payments have been made to or from blocked accounts, totalling MSEK 0 (1), after which cash flow for the quarter amounted to MSEK 28 (12).

Other events

The expansion of Swedish wind power has generally slowed, primarily as a result of the prevailing low electricity and certificate prices, and Arise is no exception in this context. The Company's stated goal of constructing a further 650 MW of onshore wind power by the end of 2017 has, subsequently, been amended to *"The Company's overriding goal is to provide a good return for shareholders in the form of dividends and capital growth through efficient funding, management, operation and project development in the area of renewable energy."*

At the end of September 2014, the Company re-financed the unsecured bond loan from March 2012 which matures in March 2015. The new bond loan is for MSEK 350 and matures in 2017. The bond incurs variable interest of STIBOR (3 months) plus 6 percentage points. The bond has been quoted on the NASDAQ OMX Stockholm.

■ Comments regarding the first nine months of the year

Own wind power operations

Production from Own wind power operations (including leases) during the first nine months of the year amounted to 275.7 GWh, compared with 203.5 GWh during the previous year; an increase of 35%, or 72 GWh, mainly due to new turbines being put into operation, but also due to other turbines reporting better production.

The market price for electricity was significantly lower during 2014 than in 2013, with an average price of SEK 264 (333) per MWh. Price hedging within the Own wind power operations segment contributed to an average price from electricity of SEK 365 (420) per MWh, exceeding the market average price by approximately 38%. Certificate prices were also lower during 2014 than in 2013. Thanks to effective price hedges, the average income within the segment amounted to SEK 222 (283) per MWh during the period, or 24% higher than the market average price of SEK 180 (201) per MWh.

In total, Own wind power operations generated income of MSEK 171 (145) and an EBITDA of MSEK 131 (108), increases of 18% and 22%, respectively, compared with 2013. The increase in production of 35% grew net sales by MSEK 51, while the lower average price reduced net sales by MSEK -32 compared with the equivalent period 2013. Operating expenses amounted to SEK 147 (183) per MWh, a decrease of 20%, mainly referring to the fact that the Company's fixed costs are spread over a higher level of production. Depreciation and net financial income amounted to MSEK -70 (-62) and MSEK -65 (-46), respectively. The increases in both depreciation and net financial income can be explained by the Company having more turbines in operation. The increase to net financial income is also due to the fact that the Company had previously reported capitalised bank fees as expenses in conjunction with both re-financings of the bond loan. The increase was also a result of the fact that increased interest expenses had been reported during the transitional period. These two factors, together, had a combined effect amounting to approximately MSEK -12. In addition, net financial income for the quarter was negatively impacted by interest expenses of MSEK 7 attributable to the exercise of the swaps reported in the Q2 report. Profit/loss before tax was, therefore, MSEK -4, compared with MSEK -1 last year.

Co-owned wind power operations

Electricity production amounted to 165.3 (159.6) GWh, which is an increase of 4%. The segment generated income of MSEK 90 (81) and an EBITDA of MSEK 65 (65). Operating expenses were SEK 152 per MWh. Depreciation and net financial income amounted to MSEK -47 (-27) and MSEK -35 (-24), respectively, whereby profit/loss before tax was MSEK -17, compared with MSEK 14 during the previous year. The reason for the higher level of expenses during 2014 is that the wind farms were successively put into operation during the first half of 2013, resulting in lower levels of depreciation and incurred interest. Average income was SEK 544 (506) per MWh, with SEK 353 (336) per MWh for electricity and SEK 191 (171) per MWh for electricity certificates.

Wind power development

In total, income in the segment Wind power development amounted to MSEK 20 (52) during the nine-month period. The decrease is primarily attributable to the fact that development fees of MSEK 27 were received during 2013. Operating expenses decreased to MSEK -41 (-55) due to a lower level of personnel costs and other expenses. EBITDA decreased from MSEK 13 to MSEK -10. Depreciation and write-downs increased to MSEK -8 (-7) and net financial income declined somewhat to MSEK -18 (-17). As a whole, this implies that profit/loss before tax decreased from MSEK -11 to MSEK -36.

Net sales and income

The production volume within Own and Co-owned wind power operations during the period amounted to 441 (363) GWh, an increase of 21%.

Net sales during the period amounted to MSEK 162 (143) and other operating income amounted to MSEK 24 (44). This implies total income of MSEK 186 (187), a decrease of 0.4%.

Capitalised work on own account amounted to MSEK 11 (16) and the share of profit in associated companies amounted to MSEK -28 (3) and referred, in its entirety, to the Company's 50% share of the Jädraås project. This refers to net profit, that is, profit/loss after tax.

Operating expenses decreased to MSEK -76 (-82). Expenses for the operation of wind farms increased due to the higher level of production and an increased number of turbines, but this was compensated for by the reduction in personnel costs. This meant that operating profit before depreciation (EBITDA) totalled MSEK 92 (123), including development fees of MSEK 0 (27) for the Jädraås project. Operating profit (EBIT) amounted to MSEK 14 (54), including depreciation and write-downs of MSEK -78 (-69). Net financial income decreased to MSEK -64 (-53), for which reason profit/loss before tax amounted to MSEK -50 (1). Profit/loss after tax was MSEK -45 (1),

equivalent to an earnings per share of SEK -1.35 (0.04), before and after dilution.

Investments

Net investments in property, plant and equipment amounted to MSEK 114 (237); the entire amount refers to planned wind power development.

Cash flow

Cash flow from operating activities before changes in working capital amounted to MSEK 130 (134). Changes in working capital increased cash flow by MSEK 18 (6). Investments in property, plant and equipment totalled MSEK -114 (-237), while cash flow after investing activities was MSEK 33 (-98). Non-current and current interest-bearing liabilities decreased by MSEK -45 (1), thanks to the net repayment of borrowings in conjunction with the re-financing of loans. Interest, including redeemed swaps and bank fees, amounting to MSEK -154 (-73), has been paid, and interest of MSEK 10 (1) has been received. Repayments from blocked accounts in an amount of MSEK 72 (-3) have been made, after which cash flow for the first nine months of the year amounted to MSEK -83 (-172).

Financing and liquidity

Net interest-bearing liabilities amounted to MSEK 1,552 (1,435). The equity/assets ratio at the end of the year was 36.6 (37.8) percent.

Cash and cash equivalents amounted to MSEK 108 (169). No unutilised credit remained at the end of the period (MSEK 204).

Taxes

As Arise has only Swedish subsidiaries, tax has been calculated on the basis of the Swedish tax rate, 22.0%.

Considering the Group's fiscal write-off possibilities, it is deemed that there will be no tax payments to report in the near future.

Transactions with related parties

No transactions were undertaken with related parties during the period.

Contingent liabilities

No changes have taken place in the Group's reported contingent liabilities. These are described on page 73 under Note 21 of the Annual Report for 2013.

Other events

In the middle of April 2014, the Company issued a five-year, secured green bond loan. The bond amount totalled SEK 1.1 billion and matures in 2019. The bond incurs floating interest of STIBOR (3 months) + 3.00 percent. The bond is listed on the NASDAQ OMX Stockholm.

Events after the end of the reporting period

The wind farm Brotorp in the Municipality of Mönsterås, with 14 wind turbines, and a total output of 46.2 MW has been sold to BlackRock. Pursuant to the agreement, Arise assumes the responsibility for project management during the construction phase and for the management of the farm when it becomes operational. The total investment is budgeted at MSEK 650. This deal implies that Arise will be remunerated for the project development, the project management and the management of the operational wind farm. Construction is to start forthwith and Arise's remuneration will be recognised in income in pace with the progress of the project.

As regards the Stjärnarp deal with Kumbro Vind AB, the Administrative Court has now rejected the appeal and the transaction can, therefore, be completed, assuming that the ruling is confirmed and is not appealed to the Administrative Court of Appeal, which would be the claimant's final available course of action.

Future prospects

The Company will continue its work to expand its range of services, to enhance the efficiency of the operations and to secure opportunities to provide shareholders with a good return in the form of dividends and increased

share value. The Company deems that the possibility to further strengthen its position in the Nordic market is good.

■ Risks and factors of uncertainty

The third quarter saw an upward trend in the markets for both electricity and certificates. The EUR/SEK exchange rate has continued to improve; however, this compensates only marginally for the depressed electricity prices. Interest rate levels are also at a historically low level, and the room for further decreases in the interest rate is deemed to be limited. The focus of the Company's monitoring is primarily on the development of electricity and certificate prices, as well as on exchange rates, particularly as regards the EUR.

The Group's risks and factors of uncertainty are described in pages 39-40 in the Annual Report for 2013 and the financial risk management is presented on pages 61-67. No significant changes impacting the reported risks have taken place.

■ **Status of the project portfolio as per 30 September 2014**

	No. of projects	No. of wind turbines	Total output (MW)	Average output per turbine (MW)
Wind farms in operation and under construction				
In operation	14	113	266	2.4
Under construction	-	-	-	-
Project portfolio				
Permits received/acquired	10	102	317	3.1
Permits pending	10	154	496	3.2
Project planning completed	1	6	12	2.0
Leases signed	4	29	74	2.6
Total portfolio	39	404	1,165	2.9

The projects are categorised according to the following criteria

In operation

Wind power projects where the wind farm has been handed over after completion of test runs and is generating electricity. During the first three months, the turbines are calibrated and a comprehensive first service is performed. The turbines do not reach optimum production during this initial period. Full and normal production can, consequently, be expected three months after the approval of the test runs and take over.

Under construction

Refers to projects for which the requisite permits have been obtained, an investment decision has been made by the Company's Board of Directors, equity and loan financing is available, and for which procurements have been made as regards the majority of the project's total investment costs.

Permits received/acquired

Projects which have received the permits required for construction to begin, but where construction has not yet been initiated. In certain cases, Arise is awaiting the availability of sufficient wind data.

Permits pending

The first stage in a permit application is the consultation stage, in which the Company applies for permits to build the wind farm from regional and local authorities. If the transmission network is to be built by Arise Elnät, and the Company will also apply for a concession to operate the network from the Swedish Energy Markets Inspectorate. This stage is concluded when all of the requisite permits have been obtained, or upon the rejection of the permit application.

Project planning completed

After signing land lease agreements, the Company begins project planning work on the basis of the site's specific wind

power characteristics. The area is carefully analysed and the exact coordinates of the planned turbines are determined. The initial wind studies are based on theoretical maps but, at a later stage, actual wind measurements are made using the Company's wind measuring equipment.

Signed Leases

Leases are signed after negotiations between landowners and the Company. Long-term land leases have been concluded for the entire project portfolio, giving the Company the right, but not the obligation, to construct wind turbines on the leased properties. For the majority of the projects, project planning has been initiated but is yet to be completed. The feasibility studies performed by the Company prior to the signing of a lease serve as a preliminary specification of the number and location of the new wind turbines.

■ Parent Company

The Parent Company has been responsible for the primary activities of identifying suitable wind locations, obtaining leases, producing consequence descriptions, producing zoning plans and obtaining building permits, undertaking negotiations, handling the Group's trading operations in electricity and electricity certificates and carrying out administrative services.

The Parent Company manages the Group's production plans and electricity hedging in accordance with the adopted finance policy. The electricity producing subsidiaries sell their electricity production to clients according to contractually agreed conditions and sell any surplus production to Arise at the spot price. Arise sells on the electricity on the spot market. These intra-Group trading activities are reported at gross value in the income statement.

Since the first quarter of 2013, the Parent Company's operations have increased through the leasing of production plants. Wind turbines are leased from subsidiaries to be sub-leased to external parties.

The Parent Company's total income during the nine-month period amounted to MSEK 233 (213) and purchased electricity and certificates, wind power rental, personnel, other external costs and capitalised work on own account, as well as depreciation of fixed assets, totalled MSEK -268 (-208), whereby operating profit (EBIT) amounted to MSEK -36 (5). Profit/loss after tax amounted to MSEK -32 (9). The Parent Company's net investments, including internal restructuring of subsidiaries, amounted to MSEK -1,599 (316).

■ Ownership structure

A diagram illustrating the Company's ownership structure can be found on the Company's website (www.arise.se).

■ Accounting principles

Arise follows IFRS (International Financial Reporting Standards) as adopted by the EU and interpretations of such standards (IFRIC). This interim report has been prepared in accordance with IAS 34, "Interim Financial Reporting". The Parent Company's reporting has been pre-
pared

in accordance with the Annual Accounts Act and RFR2. The accounting principles are consistent with those applied in the most recent Annual Report for 2013, in which the principles are described in Note 1 on pages 48-55.

Income from leased production plants is reported in net sales. The leasing income is included in the calculation of electricity and certificate prices and is reported as a hedging of electricity and certificate income.

■ Review by the auditor

This report has been subject to review by the Company's auditors.

■ Financial calendar

- Fourth quarter (1 October– 31 December): 13 February 2015.
- First quarter (1 January – 31 March): 5 May 2015.
- Second quarter (1 April – 30 June): 17 July 2015.
- Third quarter (1 July – 30 September): 9 November 2015.
- Fourth quarter (1 October– 31 December): 12 February 2016.

Halmstad, 12 November 2014

Arise AB (publ)

Peter Nygren
CEO

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Auditor's report regarding the review of condensed interim financial information (interim report) prepared in accordance with IAS 34 and Chapter 9 of the Annual Accounts Act

Introduction

We have reviewed the condensed interim financial information (interim report) of Arise AB (publ) as per 30 September 2014 for the nine-month period then ended. The Board of Directors and CEO are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Focus and scope of the review

We conducted our review in accordance with International Standard on Review Engagements 2410, *“Review of Interim Financial Information Performed by the Independent Auditor of the Entity.”* A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Therefore, an opinion expressed on the basis of a review does not provide the level of assurance of an opinion expressed on the basis of an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act as regards the Group, and in accordance with the Annual Accounts Act as regards the Parent Company.

Malmö, 12 November 2014

Öhrlings PricewaterhouseCoopers AB

Magnus Willfors
Authorised Public Accountant

CONSOLIDATED INCOME STATEMENT

(Amounts to the nearest MSEK)	2014 Q3	2013 Q3	2014 9 months	2013 9 months	2013 Full year
Net sales	45	41	162	143	231
Other operating income Note 1	7	17	24	44	49
Total income	52	58	186	187	280
Capitalised work on own account	7	4	11	16	20
Personnel costs	-9	-10	-29	-36	-55
Other external expenses	-13	-15	-47	-46	-66
Share of profits in associated companies	-15	-12	-28	3	16
Operating profit before depreciation (EBITDA)	22	25	92	123	195
Depreciation of property, plant and equipment Notes 3,6	-28	-26	-78	-69	-94
Operating profit (EBIT)	-6	-1	14	54	101
Financial income	6	9	20	16	23
Financial expenses	-33	-23	-84	-69	-92
Profit/loss before tax	-33	-15	-50	1	32
Deferred tax	4	1	5	0	-4
Net profit/loss for the period	-29	-15	-45	1	29
Earnings per share before dilution. SEK	-0.86	-0.44	-1.35	0.04	0.86
Earnings per share after dilution. SEK	-0.86	-0.44	-1.35	0.04	0.86

Treasury shares held by the Company have not been included in calculating Earnings per share.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts to the nearest MSEK)	2014 Q3	2013 Q3	2014 9 months	2013 9 months	2013 Full year
Net profit/loss for the period	-29	-15	-45	1	29
<u>Other comprehensive income</u>					
Items which can be reclassified in the income statement					
Cash flow hedges	-19	-13	-56	41	32
Translation differences	1	-2	8	3	13
Share of other comprehensive income in associated Companies Note 9	-28	15	11	32	33
Income tax attributable to components of other comprehensive income	10	1	9	-17	-17
Other comprehensive income for the period, net after tax	-35	0	-28	59	62
Total comprehensive income for the period	-64	-15	-73	60	90

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

CONSOLIDATED BALANCE SHEET

(Condensed, amounts to the nearest MSEK)	2014 30 Sep	2013 30 Sep	2013 31 Dec
Property, plant and equipment	2,396	2,330	2,360
Financial fixed assets	479	588	570
Other current assets	205	112	173
Cash and cash equivalents	108	169	191
TOTAL ASSETS	3,188	3,199	3,294
Equity	1,167	1,210	1,240
Non-current liabilities	1,678	1,604	1,632
Current liabilities	343	384	422
TOTAL EQUITY AND LIABILITIES	3,188	3,199	3,294

CASH FLOW STATEMENT FOR THE GROUP

(Amounts to the nearest MSEK)	2014 Q3	2013 Q3	2014 9 months	2013 9 months	2013 Full year
Cash flow from operating activities before changes in working capital	63	35	130	134	185
Cash flow from changes in working capital	7	41	18	6	28
Cash flow from operating activities	71	76	147	139	213
Investments in property, plant and equipment	-16	-91	-114	-237	-292
Cash flow after investing activities	54	-15	33	-98	-78
Change in interest-bearing liabilities	-1	52	-45	1	27
Interest paid	-25	-25	-154	-73	-96
Interest received	0	0	10	1	2
Deposits, blocked accounts	-	1	72	-3	-3
Cash flow from financing activities	-26	27	-117	-74	-71
Cash flow for the period	28	12	-83	-172	-150
Cash and cash equivalents at the beginning of the period	79	157	191	341	341
Cash and cash equivalents at the end of the period	108	169	108	169	191
Interest-bearing liabilities at the end of the period	1,675	1,691	1,675	1,691	1,717
Blocked cash at the end of the period	-16	-88	-16	-88	-88
Interest-bearing net liabilities	1,552	1,435	1,552	1,435	1,438

STATEMENT OF CHANGES IN EQUITY FOR THE GROUP

(Condensed, amounts to the nearest MSEK)	2014 30 Sep	2013 30 Sep	2013 31 Dec
Opening balance	1,240	1,152	1,152
Total comprehensive income for the period	-73	60	90
Value adjustment of issued options		-2	-2
Closing balance	1,167	1,210	1,240

KEY PERFORMANCE INDICATORS FOR THE GROUP

	2014 Q3	2013 Q3	2014 9 months	2013 9 months	2013 Full year
<u>Operational key performance indicators</u>					
Installed capacity at the end of the period, MW	266.1	240.7	266.1	240.7	253.3
Own electricity production during the period, GWh	79.3	54.5	275.7	203.5	327.6
Co-owned electricity production during the period, GWh	38.0	48.9	165.3	159.6	271.5
Total electricity production during the period, GWh	117.4	103.3	441.0	263.1	599.1
Number of employees at the end of the period	31	41	31	41	31
<u>Financial key performance indicators</u>					
EBITDA margin, %	48.2%	59.6%	57.2%	86.0%	84.5%
Operating margin, %	neg	neg	8.7%	37.6%	43.8%
Return on capital employed (EBIT), %	2.3%	2.4%	2.3%	2.4%	3.9%
Return on adjusted capital employed (EBITDA), %	6.1%	7.1%	6.1%	7.1%	7.6%
Return on equity, %	neg	neg	neg	neg	2.4%
Capital employed, MSEK	2,719	2,645	2,719	2,645	2,678
Average capital employed, MSEK	2,743	2,633	2,711	2,547	2,573
Shareholders' equity, MSEK	1,167	1,210	1,167	1,210	1,240
Average shareholders' equity, MSEK	1,167	1,219	1,202	1,192	1,202
Interest-bearing net liabilities	1,552	1,435	1,552	1,435	1,438
Equity/assets ratio, %	36.6%	37.8%	36.6%	37.8%	37.7%
Interest coverage ratio	0.0	neg	neg	1.0	1.4
Debt/equity ratio	1.3	1.2	1.3	1.2	1.2
Equity per share, SEK	35	36	35	36	37
Equity per share after dilution, SEK	34	36	34	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 number of shares after dilution	33,909,876	34,056,876	33,909,876	34,130,376	34,086,276

Note 1 - Other operating income	2014	2013	2014	2013	2013
(Amounts to the nearest MSEK)	Q3	Q3	9 months	9 months	Full year
Income from crane rental	3	2	7	5	7
Development fees	-	13	-	27	27
Project management and administrative services	1	2	7	8	8
Other items	3	0	10	4	7
	7	17	24	44	49

GROUP SEGMENT REPORTING

Q3	Own wind power operations		Co-owned wind power operations		Wind power development		Eliminations		Group	
(Amounts to the nearest MSEK)	Q3-14	Q3-13	Q3-14	Q3-13	Q3-14	Q3-13	Q3-14	Q3-13	Q3-14	Q3-13
Net sales, external	45	41	22	24	-	-	-22	-24	45	41
Net sales, internal	-	-	-	-	2	3	-2	-3	-	-
Other operating income Note 2	3	1	-	-	4	16	-	-	7	17
Total income	48	42	22	24	6	19	-24	-27	52	58
Capitalised work on own account	-	-	-	-	7	4	-	-	7	4
Operating expenses	-15	-12	-7	-5	-8	-17	9	9	-22	-26
Share of profits in associated companies	-	-	-	-	-	-	-15	-12	-15	-12
Operating profit before depr. (EBITDA)	33	30	15	18	4	7	-30	-31	22	25
Depreciation and write-downs Note 3	-24	-21	-16	-15	-3	-5	16	15	-28	-26
Operating profit (EBIT)	9	9	-1	4	1	2	-14	-16	-6	-1
Net financial income/expenses Note 4	-29	-15	-12	-13	-4	-5	18	19	-27	-14
Profit/loss before tax (EBT)	-20	-6	-13	-9	-4	-3	4	3	-33	-15
Assets	2,413	2,163	1,588	1,644	775	1,035	-1,588	-1,644	3,188	3,199

Note 2 - Other operating income

Income from crane rental	-	-	-	-	3	2	-	-	3	2
Development fees	-	-	-	-	-	13	-	-	-	13
Project management and admin. services	-	-	-	-	1	2	-	-	1	2
Other items	3	1	-	-	0	-1	-	-	4	0
	3	1	-	-	4	16	-	-	7	17

Note 3 - Depreciation and write-downs of property, plant and equipment

Depreciation	-24	-21	-16	-15	-2	-3	16	15	-27	-24
Write-downs and reversal of write-downs	-	-	-	-	-1	-2	-	-	-1	-2
Depreciation and write-downs	-24	-21	-16	-15	-3	-5	16	15	-28	-26

Note 4 - Net financial income

Total net financial income	-30	-18	-18	-19	3	3	18	19	-27	-14
Less interest expenses on shareholder loans	1	3	6	6	-7	-8	-	1	-	-
Net financial income excl. shareholder loans	-29	-15	-12	-13	-4	-5	18	19	-27	-14

Internal interest expenses on shareholder loans are no longer reported in the segments Own and Co-owned wind power operations. The corresponding item has been eliminated from the Wind Power Development segment.

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9 months (Amounts to the nearest MSEK)	Own wind power operations		Co-owned wind power operations		Wind power development		Eliminations		Group	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Net sales, external	162	143	90	81	-	-	-90	-81	162	143
Net sales, internal	-	-	-	-	5	10	-5	-10	-	-
Other operating income Note 5	10	2	-	-	15	42	-	-	24	44
Total income	171	145	90	81	20	52	-95	-91	186	187
Capitalised work on own account	-	-	-	-	11	16	-	-	11	16
Operating expenses	-40	-37	-25	-15	-41	-55	31	25	-76	-82
Share of profits in associated companies	-	-	-	-	-	-	-28	3	-28	3
Operating profit before depr. (EBITDA)	131	108	65	65	-10	13	-93	-63	92	123
Depreciation and write-downs Note 6	-70	-62	-47	-27	-8	-7	47	27	-78	-69
Operating profit (EBIT)	61	45	18	38	-18	6	-46	-36	14	54
Net financial income/expenses Note 7	-65	-46	-35	-24	-18	-17	54	35	-64	-53
Profit/loss before tax (EBT)	-4	-1	-17	14	-36	-11	8	-1	-50	1

Note 5 - Other operating income

Income from crane rental	-	-	-	-	7	5	-	-	7	5
Development fees	-	-	-	-	-	27	-	-	-	27
Project management and admin. services	-	-	-	-	7	8	-	-	7	8
Other items	10	2	-	-	0	2	-	-	10	4
	10	2	-	-	15	42	-	-	24	44

Note 6 - Depreciation and write-downs of property, plant and equipment

Depreciation	-70	-62	-47	-27	-7	-4	47	-27	-77	-66
Write-downs and reversal of write-downs	-	-	-	-	-1	-3	-	-	-1	-3
Depreciation and write-downs	-70	-62	-47	-27	-8	-7	47	-27	-78	-69

Note 7 - Net financial income

Total net financial income	-72	-49	-54	-35	8	-3	54	35	-64	-53
Less interest expenses on shareholder loans	7	3	19	11	-26	-14	-	-	-	-
Net financial income excl. shareholder loans	-65	-46	-35	-24	-18	-17	54	35	-64	-53

Note 8 - Additional disclosures pursuant to IFRS 13

Fair value hierarchy

All of the financial instruments measured at fair value belong to level 2 in the fair value hierarchy. These derivatives consist of electricity futures, currency futures and interest rate swaps. The valuation at fair value of the currency futures is based on published forward rates in an active market. The valuation of interest rate swaps is based on forward interest rates taken from observable yield curves. The discounting results in no significant impact on the valuation of the derivatives at Level 2. The reporting of financial instruments is described on pages 61-67 in the Annual Report for 2013. The Group's financial assets and liabilities measured at fair value as of the balance sheet date are illustrated in the table below

(Amounts to the nearest MSEK)	2014 30 Sep	2013 30 Sep	2013 31 Dec
Assets			
Derivatives held for hedging purposes			
- of which other receivables	71	2	4
- of which cash and cash equivalents	0	-1	-1
Liabilities			
Derivatives held for hedging purposes			
- of which other liabilities	-169	-121	-130

Note 9 - Correction of Prior Period Accounting Errors

The operations in the Company's associated company, Sirocco, have been secured through, amongst other things, financial derivatives in the form of electricity futures. The Group applies hedge accounting which implies that unrealised gains and losses on these electricity futures are reported in Other comprehensive income. The Sirocco Group's electricity futures have, by way of error, not been reported in the Group's comprehensive income for the second quarter and for the first six months 2014. The total fair value as at 30 September amounts to MSEK 71 and MSEK 83 as at 30 June. The equivalent amount after tax for these values was MSEK 16 and MSEK 18 respectively. These amounts should have been reported in the balance sheet as receivables and in Other comprehensive income for the respective quarters.

PARENT COMPANY INCOME STATEMENT

(Amounts to the nearest MSEK)	2014 Q3	2013 Q3	2014 9 months	2013 9 months	2013 Full year
Sale of electricity and certificates	57	25	123	140	187
Leasing of wind farms	26	11	97	11	32
Sale of services, own employees	2	1	6	11	13
Development fees	-	13	-	43	43
Other operating income	0	-3	3	8	35
Total income	85	47	229	213	310
Capitalised work on own account	7	2	7	6	7
Purchases of electricity and electricity certificates	-54	-26	-128	-161	-211
Rental of wind power facilities	-26	-11	-97	-11	-32
Personnel costs	-5	-6	-16	-23	-35
Other external expenses	-6	0	-29	-18	-48
Operating profit/loss before depreciation (EBITDA)	1	6	-34	6	-9
Depreciation of property, plant and equipment	-1	-1	-2	-1	-2
Operating profit/loss	0	5	-36	5	-12
Financial income	9	11	42	26	48
Financial expenses	-23	-11	-47	-19	-29
Profit/loss after financial items	-15	4	-41	11	7
Group contribution	-	-	-	-	-5
Profit/loss before tax	-15	4	-41	11	2
Income tax	3	-1	9	-3	-1
Net profit/loss and total compr. income for the period	-12	3	-32	9	1

PARENT COMPANY BALANCE SHEET

(Condensed, amounts to the nearest MSEK)	2014 9 months	2013 9 months	2013 Full year
Property, plant and equipment	86	87	90
Financial fixed assets	2,550	942	918
Other current assets	123	583	610
Cash and cash equivalents	17	93	85
TOTAL ASSETS	2,776	1,704	1,703
Restricted equity	3	3	3
Non-restricted equity	1,234	1,274	1,266
Non-current liabilities	1,399	350	350
Current liabilities	140	78	84
TOTAL EQUITY AND LIABILITIES	2,776	1,704	1,703

STATEMENT OF CHANGES IN EQUITY FOR THE PARENT COMPANY

(Condensed, amounts to the nearest MSEK)	2014	2013	2013
	30 Sep	30 Sep	31 Dec
Opening balance	1 269	1 268	1 268
Total comprehensive income for period	-32	9	1
Closing balance	1 237	1 277	1 269

DEFINITIONS

Capital employed

EBITDA margin

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

Operating margin

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

Return on capital employed

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

Adjusted Return on capital employed

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

Return on equity

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

Equity per share

Equity divided by the average number of shares.

Interest-bearing net liabilities

Interest-bearing liabilities less cash and blocked accounts.

Interest coverage ratio

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

Debt/equity ratio

Interest-bearing net liabilities as a percentage of equity.

Equity/assets ratio

Equity as a percentage of total assets.

Capital employed

Equity plus interest-bearing net liabilities.