Annual Report 2014

Arise is an energy company with the resources and experience required to handle the entire value chain. From planning, permit applications and wind measurements, to the construction and management of a wind farm for a period of 25 years or more. Our business concept is to produce and sell self-produced, renewable electricity and to construct and operate wind farms on behalf of others. An example of the latter is the Brotorp project, in which BlackRock has chosen to contract Arise to deliver and manage a wind farm comprised of 14 turbines, representing an investment of approximately MSEK 650. When the Brotorp wind farm is completed in the winter of 2015, Arise will have built a total of approximately 400 MW in new wind power in Sweden since 2007, which makes one of the country's largest and most experienced wind power companies.

A sustainable, complete value chain

Cover: Sofie Karlsson, Arise Controller and responsible for financial control of, amongst other projects, the Brotorp wind farm.

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Calendar

ARISE ANNUAL GENERAL MEETING 2015
The Annual General Meeting will be held on May 5th in Halmstad

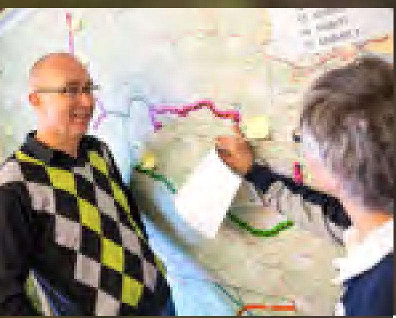
FINANCIAL INFORMATION 2015
May 5 • Annual General Meeting
May 5 • First Quarter Interim Report
July 17 • Second Quarter Interim Report
November 6 • Third Quarter Interim Report
February 12, 2016 • Year-End Report

DISTRIBUTION OF THE ANNUAL REPORT 2014
The Annual Report is available on our website. The report will be sent by mail to shareholders who have expressed an interest in receiving a copy. Interested? Order by filling in the form on our website, *www.arise.se* or call Arise, telephone +46 (0) 35 20 20 900.

This annual report has been prepared in Swedish and translated to English. Should any discrepancies arise between the version, the Swedish version takes precedence.

Environmental plann

In order to produce the greatest possible amount of energy from a wind power investment and ensure that the environmental impact is as low as possible, extensive preparatory and planning work is a must. We always initiate contact with landowners, the general public and municipal representatives via consultation meetings; thereafter, a thorough inventory of a potential site is undertaken to list birds, bats, the cultural heritage and archaeology, as well as biotopes and any valuable natural features. All of the findings are carefully documented and reported to the authorities responsible for issuing permits.



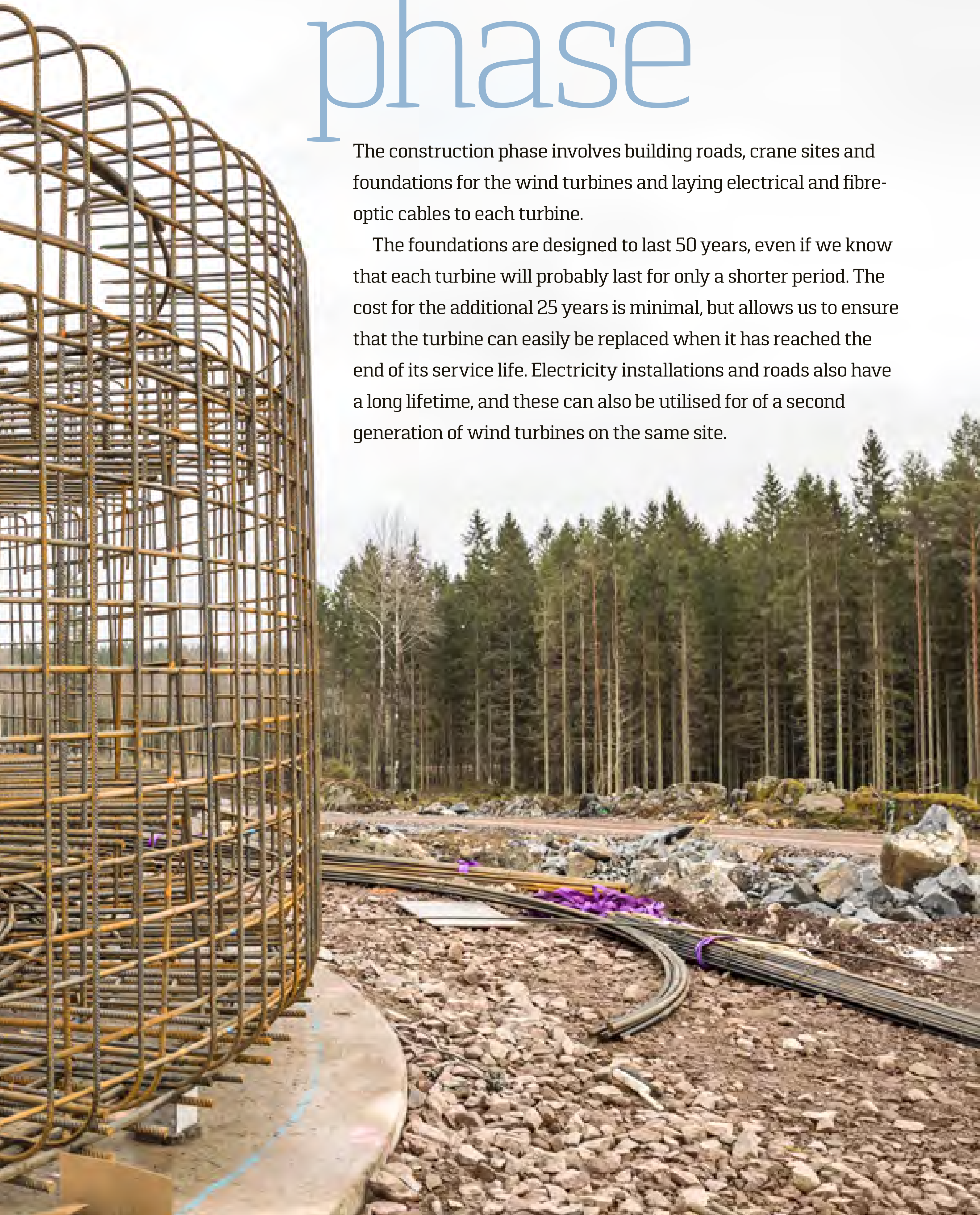
Rolf Grybb,
Arise Site Manager
in Brotorp

ing

A well-planned construction phase

The construction phase involves building roads, crane sites and foundations for the wind turbines and laying electrical and fibre-optic cables to each turbine.

The foundations are designed to last 50 years, even if we know that each turbine will probably last for only a shorter period. The cost for the additional 25 years is minimal, but allows us to ensure that the turbine can easily be replaced when it has reached the end of its service life. Electricity installations and roads also have a long lifetime, and these can also be utilised for of a second generation of wind turbines on the same site.



Co-operation

We place high demands on our suppliers as regards health and safety and the environment. Before work is initiated, control plans are prepared reporting how the work is to be undertaken. These plans are reviewed by Arise and require the Company's and the municipal supervisory authorities' approval before any work can be instigated. The plans are followed up regularly and are documented.

A project such as the Brotorp project benefits a large number of local businesses. Hotels, restaurants and businesses near the site experience an upswing and local entrepreneurs are often contracted for excavation, supervisory and transport work.

Two wind farms totalling approximately 52 MW were sold during the year. In both cases, Arise retains the responsibility for the management of the farms on behalf of the client. Arise also signed a further external operation management agreement for 30 MW at the end of the year, thereby securing a total of 440 MW under management, which, combined, will produce approximately 10 % of total Swedish wind power production for 2014.

2014
The year in brief

The sale of the two wind farms, and the new external operation management agreement, constitutes the first three successful transactions based on the Company's new business model. The model has been expanded from the sale of renewable energy produced in Own and Co-owned wind farms to also include the sale of operational or construction-ready projects and the management of such projects. We are convinced that stable income streams from Own and Co-owned wind farms, combined with direct gains from sales of projects, will create substantial value for our shareholders.

Total power production during the year amounted to 650 GWh, an increase of just over 9 % compared with the previous year. Total income amounted to MSEK 288 (280) (excluding Co-owned wind power operations which, according to the applicable accounting rules, are reported as a portion of the Company's operating profit.

Average income from Own wind power operations amounted to SEK 396 per MWh for electricity and SEK 215 per MWh for electricity certificates. The corresponding figures for Co-owned wind power operations were SEK 362 per MWh and SEK 188 per MWh, respectively.

Operating profit before depreciation amounted to MSEK 197 (211). Income from Co-owned wind power operations is reported net after tax and internal shareholder loans, and contributed MSEK -1 to net profit. Net profit for the year amounted to MSEK -25 (29), including non-recurring items of MSEK -12 and non-cash items of MSEK -12 in conjunction with the refinancing of loans.

Construction started on 46.2 MW on behalf of external investors during the year, and new operational management agreements amounting to just over 80 MW were entered into.

Bank loans in 10 separate projects were replaced by a secured bond of MSEK 1,100 while, at the same time, the unsecured bond (MSEK 350) was refinanced. In conjunction with these new financial arrangements, the Company's liabilities have been reduced by approximately MSEK 122 and previously established interest rate hedges have been prematurely exercised, contributing a further MSEK 80. In addition, additional borrowings were repaid in tandem with the sale of the Stjärnarp wind farm, over and above the scheduled instalments on the loan, while a new loan of approximately MSEK 94 was raised for the Bohult wind farm. Consequently, at the end of the year, net liabilities amounted, therefore, to MSEK 1,629 (1,717), despite a net increase of 30 GWh in production capacity. Through these measures, the Company has adapted its loan financing to the prevalent market conditions while simultaneously strengthening cash flows.

Wind power production was normal in our wind farms on the west coast of Sweden, but the wind farms on the east coast, including the Co-owned Jädraås wind farm, showed production levels under the anticipated levels due to lower than expected wind levels. Total production was 650 GWh, which is around 10 % under budget.

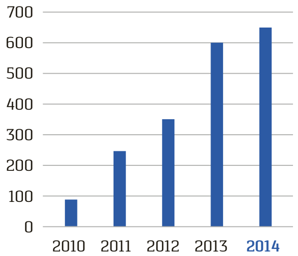
QUARTER 1

- Total power production was 197 GWh, with 71 GWh comprising production from the Company's Co-owned farms.
- Net sales amounted to MSEK 82 (55) and average income from Own wind power operations amounted to SEK 653 per MWh, with SEK 417 per MWh for electricity and SEK 236 per MWh for electricity certificates.
- Operating profit before depreciation (EBITDA) amounted to MSEK 64 (54).
- Production was initiated in the Bohult wind farm, 12.8 MW.

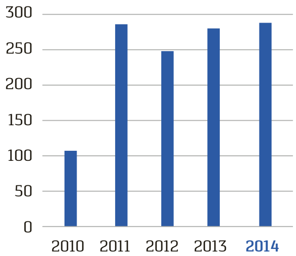
QUARTER 2

- Total power production was 127 GWh, with 56 GWh comprising production from the Company's Co-owned wind farms.
- Net sales amounted to MSEK 35 (47) and average income from Own wind power operations amounted to SEK 490 per MWh, with SEK 302 per MWh for electricity and SEK 187 per MWh for electricity certificates.
- Operating profit before depreciation (EBITDA) amounted to MSEK 7 (44).
- The majority of the Group's wind farms were refinanced through a secured green corporate bond with an issue value of MSEK 1,100.

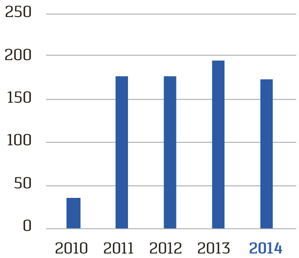
PRODUCTION, GWh



TOTAL INCOME, MSEK



EBITDA, OPERATING PROFIT BEFORE DEPRECIATION, MSEK



QUARTER 3

- Total power production was 117 GWh, with 38 GWh comprising production from the Company's Co-owned wind farms.
- Net sales amounted to MSEK 45 (41) and average income from Own wind power operations amounted to SEK 569 per MWh, with SEK 338 per MWh for electricity and SEK 231 per MWh for electricity certificates.
- Operating profit before depreciation (EBITDA) amounted to MSEK 22 (25).
- The Company's unsecured bond loan of MSEK 350 was refinanced.
- The Company's overall goal was changed from an expansion goal to a return goal.
- Permits were granted for the Treriksröset wind power project of 11 turbines.

QUARTER 4

- Total power production was 209 GWh, with 83 GWh comprising production from the Company's Co-owned wind farms.
- Net sales amounted to MSEK 83 (88) and average income from Own wind power operations amounted to SEK 589 per MWh, with SEK 388 per MWh for electricity and SEK 200 per MWh for electricity certificates.
- Operating profit before depreciation (EBITDA) amounted to MSEK 86 (78).
- The Brotorp wind farm of 46.2 MW was sold to BlackRock and construction started.
- The Stjärnarp wind farm of 5.4 MW was sold to KumBro Vind AB.
- A operation management agreement for a further 30 MW was signed at the end of the year.

Arise is one of the leading operators on the Nordic wind power market. Since its start in 2007, the Company has constructed 368 MW of onshore wind power, of which 260 MW remains in the ownership of the Company. In addition, the Company has a comprehensive project portfolio of approximately 1,000 MW at various locations in Sweden, as well as on-going evaluations of several projects in Norway and Finland. In Scotland, planning work is underway for a project of approximately 150 MW, for which the Company has signed a lease agreement.

Arise's operations are fully integrated, which implies that the Company has control over the entire value chain – from prospecting and concession management, to the construction and operation of the turbines, as well as to the sale of renewable energy. In addition, the Company handles the sale of construction-ready projects and wind farms in operation to external investors. Systems for analysis and follow-up, systematic processes and the Company's extensive experience in wind power development allow us to ensure high quality, availability and electricity production in both our own wind farms and those which we manage on behalf of external investors. Our industrial approach is contributing to a rapid and cost-effective transition to a long-term, sustainable energy system in Sweden and in the other countries in which we operate. The Company's overall goal is to provide its shareholders a good return in the form of

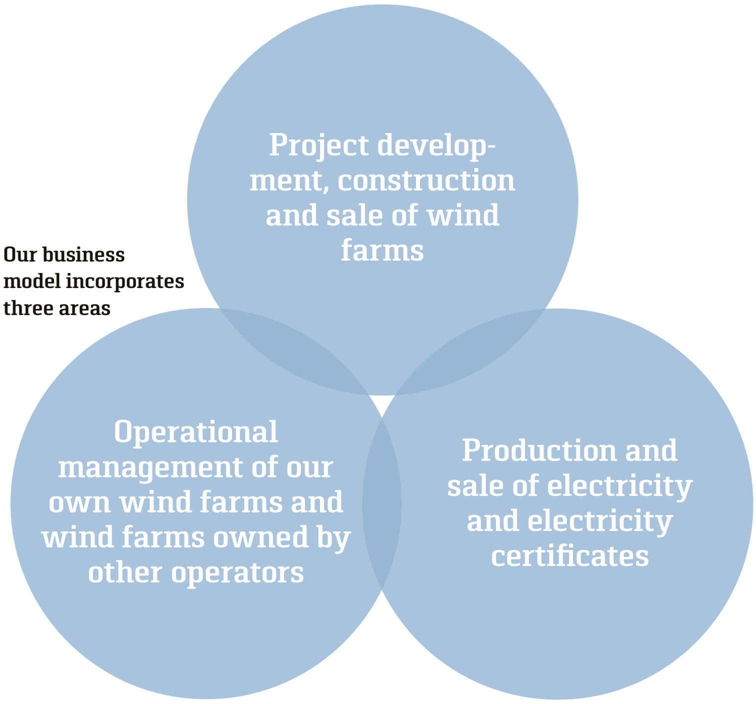
Access to electricity is a prerequisite for a modern society. Renewable electricity, such as that produced from wind power, ensures that society's development is also sustainable in the long term.

dividends and capital growth through efficient financing, management, operations and project development in the field of renewable energy.

Our strategy for creating capital growth entails that our short-term focus is on cash flows rather than on growth in our own production capacity, and involves, among other things, the sale of a small portion of our operational assets. The capital thereby freed-up will be primarily used to reduce the Company's net liabilities and interest expenses and, by doing so, the Company's financial position and cash flows will be strengthened. Furthermore, we intend to generate further income by regularly selling construction-ready projects, including construction management and operational management, to investors.

We remain steadfast in our belief that the ownership of wind power assets represents a smart and profitable strategy, and our long-term ambition is, therefore, to increase our in-house production capacity. We will accomplish this by

Our business model incorporates three areas

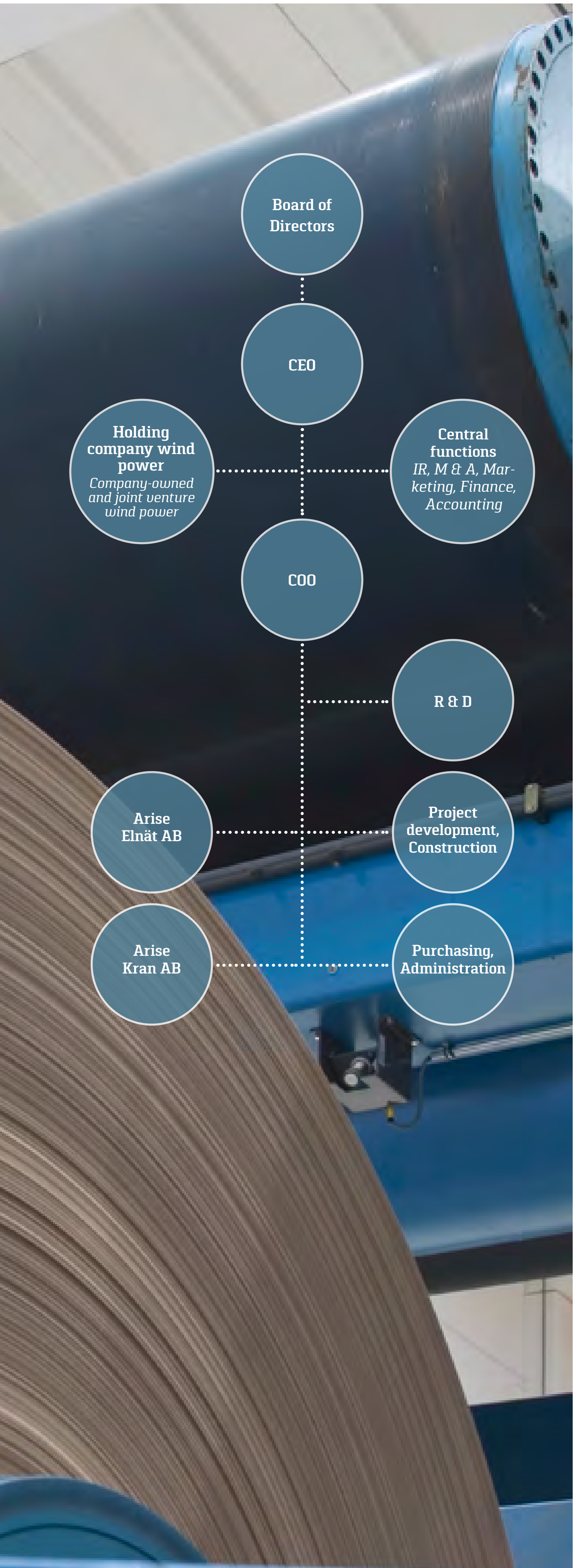


Arise in brief

CORE VALUES

Reliable
We deliver
One step ahead

Wind power has become a significant energy source and renewable electricity is used in many contexts within industry.



means of investments in new, fully, as well as jointly-owned projects where Arise will supply efficient construction and operational management for the projects. The equity investment required for continued, long-term expansion will be financed through the Company's own cash flows.

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

Due to the downturn in electricity and electricity certificate prices over the past few years, in tandem with a relatively weak production year, in particular in the Company's Co-owned Jädraås wind farm, return on capital employed amounted to only 3.4% during 2014. Through the implementation of the aforementioned strategy, the ambition is to increase the Group's return and cash flows in coming years, even if there is no upturn in the prevailing electricity and electricity certificate prices. During the financial year 2014, the Company has decreased fixed costs, refinanced its loans, reduced debt, exercised old and expensive interest rate hedges and has executed three important transactions evidencing the strength of the new business model and strategy. These measures indicate that the Company has adapted its operations and has created the foundation for positive financial performance and good cash flows, in spite of the current, tougher market situation.

VISION

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

GOAL

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

BUSINESS CONCEPT

Arise's business concept is to sell electricity produced in its own and Co-owned onshore wind turbines, to sell wind power projects, both operational projects and those ready for construction, and to manage these projects. The Company is to have control over the entire value chain: from prospecting and concession management to the financing, construction and operation of the turbines, as well as the sale of renewable energy, all on the basis of the security provided by long-term ownership.

Message from the CEO

The year ended on a positive note with good electricity production and three important deals evidencing the strength of the Company's business model. The Brotorp wind farm (46.2 MW) was sold to the world's largest asset management company, BlackRock. The Stjärnarp wind farm (5.4 MW) was sold to the municipally-owned company KumBro Vind AB, and a new operation management agreement with Storunn Vindkraft AB (30 MW) was signed.

The three deals outlined above comprise proof that the changes made to Arise's business model are functioning well and that we are an attractive partner for both Swedish and international investors. In addition to the sale of electricity from our own wind turbines, we now also sell projects, both those already in operation and those where construction will be initiated, as well as providing the management of these projects.

The Company's strategic focus during the year has been on establishing contacts with a large number of Swedish and foreign investors interested in Swedish wind power. On the basis of this work, investments have been secured and Arise is seen as a natural partner in the joint ownership, construction and management of wind farms in Sweden. The next step will be to secure the same status for Arise in Scotland and Norway, as well as in other interesting markets that can complement our Swedish operations.

ELECTRICITY PRODUCTION

Electricity production for the year was 650 GWh, which is approximately 10 % under budget. Production in our farms on the west coast came in at near normal levels, while the production from wind farms on the east coast fell significantly below anticipated levels.

DECREASED DEBT

The sale of the Stjärnarp wind farm reduced the Company's net liabilities and increased the Company's liquidity. At the beginning of January, a portion of this was utilised to repurchase (MSEK 18) of the unsecured bond loan. With this transaction, the Company has now repurchased MSEK 50 of the total issue of MSEK 350. Furthermore, the majority of the Company's project financing was renewed during the spring of 2014, and interest rate hedges were terminated, reducing the Company's debt, including interest rate hedges, by approximately MSEK 170. All in all, these measures will lead to improved net interest income and cash flows.

FUTURE PROSPECTS

An agreement has been reached between Norway and Sweden regarding an adjustment of the joint certificate system. The adjustment is effective from 1 January 2016 and is conditional on the approval of the two countries' respective governments. Under this agreement, the quota obligation will increase, i.e. the number of electricity certificates that electricity customers are compelled to purchase, but the foundations are also laid for an increase in Sweden's ambitions in terms of the expansion of renewable energy. All things considered, the agreement is very positive and is likely to lead to increased certificate prices and revenues, as well as a reinvigoration of the expansion of renewable energy.

Our focus is on increasing the Company's cash flows and net profit. Consequently, it is not our intention to carry out any significant investments in new Own production capacity during the financial year, with our goal, instead, being to sell a small portion (20 MW) of our commissioned assets (260 MW), as well as a number of projects which are ready for construction. The aim of this to create substantial surplus liquidity which can then be used to provide dividends to shareholders, to realise saleable projects or to repay loans.

The Company's loan financing and expenses are adapted to the prevailing market conditions. The business model has been adjusted and has been proven to work well. We have an interesting portfolio of cost-effective projects offered to potential investors, and we apply well-developed methods and systems. On the basis of these methods and systems, we can build, operate and manage a significantly larger number of turbines without needing to strengthen our resources to any major degree.

The foundation we have laid down during the recent year in order to adapt the Company to new market conditions is now beginning to bear fruit, and we are cautiously optimistic as regards the financial year 2015.

Halmstad, March 2015
Peter Nygren
CEO Arise

Message from the Chairman of the Board

Having been a member of the Board in Arise since 2007, I was elected Chairman at the Annual General Meeting 2014. I am very proud to have been entrusted with this fiduciary responsibility. Arise is an exciting, well-managed Company with talented and dedicated employees.

In 2013, we changed our strategy from acting purely as a producer of electricity to also include the sale and management of wind power projects on behalf of other owners and operators. This strategy proved successful during 2014 with three important transactions: the sale of the Brotorp project to BlackRock, one of the world's largest asset management companies, the sale of a further small operational wind farm and a new, large operation management agreement. The new strategy also includes the joint ownership of certain wind farms together with our investors, similar to the successful ownership of the Jädraås wind farm together with Platina Partners. Doing this will expand our portfolio of electricity-producing wind farms and we will, thereby, continue to be a significant producer of electricity. The combination of project development, management and electricity sales has, in our opinion, all the attributes to become a successful business model.

The success of the new strategy is yet to be reflected in our share price. The share price has continued on a downward trend reflecting the decreases in electricity and electricity certificate prices, while the discount to NAV (net asset value) has soared. Our hope is that, in 2015, we can continue the successes of our strategy and, thereby, achieve good value growth from current levels.

Looking back at the past year, the situation was not only tough for wind power companies, but for the entire energy sector. Low electricity and electricity certificate prices have resulted in cost savings and fewer investments, while, at the same time, these conditions have implied that we have been forced to undertake efficiency enhancements. This is, of course, positive and improves our competitive edge.

Over the last two years, we have seen substantial changes to our ownership structure, as a number of reputable private investors have invested in the Company. The new owners are also represented on the Board and contribute to the Company with valuable experience and competence.

We look forward to the financial year 2015!

Halmstad, March 2015
Joachim Gahm
Chairman, Arise

Market and external environment

MARKET AND EXTERNAL ENVIRONMENT

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

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

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

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

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

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

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

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

Considering the implications of these two requirements, Arise's conclusion is that the expansion of wind power over the coming years will be most advantageously undertaken in Sweden, although there are now indications that the Norwegian market is beginning to pick up.

WIND POWER DEVELOPMENT IN SWEDEN

During 2014, Sweden's approximately 3,000 wind turbines produced approximately 11.5 TWh of electricity. This represents nearly 8 % of Sweden's total electricity consumption, which is an increase of about 16 % over the preceding year. A total of approximately 1,050 MW, or around 400 turbines, was installed during the year *(Source: Swedish Wind Energy)*. In a normal year, all turbines currently installed in Sweden generate approximately 13.5 TWh, or approximately 10 % of Sweden's overall electricity requirements, compared with 39 % in Denmark or 27 % in Germany. In other words, the potential is there to substantially increase the number of wind turbines in Sweden. Wind power development has been rapid and helps to keep down electricity prices in Sweden, something that benefits both consumers and industries. Wind turbines are becoming more efficient and can now truly compete with all other new forms of power production. The expansion of wind power in Sweden has, however, temporarily slowed down during 2014, mainly due to low electricity prices and uncertainty regarding changes in the certificate system.

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

WIND POWER DEVELOPMENT IN NORWAY

As mentioned earlier, the wind potential on the Norwegian west coast is good. The strengthening of the electrical grid is ongoing and the number of wind farms with concessions is increasing. There are now indications that the Norwegian market is beginning to pick up, although it will probably take another year or two before we begin to see an appreciable expansion of wind power in Norway.

WIND POWER DEVELOPMENT IN SCOTLAND

The wind conditions along the west coast of Scotland are excellent, often surpassing even the best Norwegian projects. The income per produced MWh is stable and significantly higher than the amount received in Sweden and Norway, which, in addition, varies hour by hour. The combination of good wind conditions and a stable, high level of income implies that the Scottish market is particularly interesting to Arise.

For the past few years, Arise has been working in the Scottish market with the aim of securing land for a handful of potential wind farms. The work has been successful and zoning plans are being drawn up for two projects with an aggregate output of approximately 150 MW of new wind power. The process of applying for and receiving permits usually takes three to four years to complete, meaning that, in a best case scenario, the construction of the new wind farms can begin in 2017/2018. In the meantime, we are studying the possibility of constructing a number of smaller, individual turbines which benefit from a less lengthy concession process and for which the income per produced MWh is also higher. Our assessment is that a number of these single turbines can be constructed during the financial year 2016.

WORK ON WIND POWER MARKETS IN OTHER COUNTRIES

During the year, Arise has scrutinised a number of markets assessing the possibility of expanding operations beyond Norway, Sweden and Scotland, including the markets in Poland, Finland, Turkey, the Baltic countries, Romania, Italy and Spain. In the majority of these countries, political and/or the level of regulatory uncertainty is unacceptably high. For example, in Poland, a proposal has been put forward for a review of the support system for renewable energy, which will have a direct negative impact precisely on wind power. There exist certain interesting projects in Italy, Spain and Romania but, at the same time, these countries have gradually scaled back their support systems, and it cannot be ruled out that they will continue to do so in the future. Turkey is interesting, with good wind conditions and rapid growth in the country resulting in increased energy requirements. However, political and regulatory instability presents, in our opinion, an unacceptably high risk. The projects for sale in the Baltic countries are too small to motivate establishment in this region. This leaves Finland, which has an appealing support system, with fixed remuneration per produced MWh, and Arise is continually evaluating the projects available for sale on the Finnish wind power market.

OPERATORS ON THE SWEDISH MARKET

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

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

The strategies of the large Nordic power companies (Fortum, EON, Statkraft and Vattenfall) differ considerably. Vattenfall has entered into an agreement with Skandia regarding the joint ownership of a large investment in 141 MW, and has increased its activity within Swedish wind power following several years of focusing on large offshore wind farms in the UK. Fortum and EON maintain lower profiles relative to investments in wind power, while Statkraft is one of the most active investors on the market. In addition to the large wind farms which Statkraft has constructed in Jämtland together with SCA, a total of 1,000 MW new wind power was also recently announced in Norway.

TECHNOLOGICAL DEVELOPMENT

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

Arise focuses exclusively on the best projects in our wind power portfolio, meaning that our concentration is on 800 MW of the total 1,000 MW in the portfolio. Our ambition is to expand the project portfolio in both Norway and Sweden through acquisitions of good projects at an advanced stage of the permit process.

COST DEVELOPMENT OF NEW POWER

The cost of alternative means of producing electricity, such as nuclear power, has been clarified following the British government's decision to offer power companies approximately SEK 1,000 per MWh for the construction of new nuclear power plants. Compared with onshore wind power, this cost is very high. Swedish onshore wind turbines can, at present, be erected at a price that is 40–45 % lower than the British, and probably also Swedish, cost of establishing new nuclear power plants.

DEVELOPMENT OF ELECTRICITY PRICE

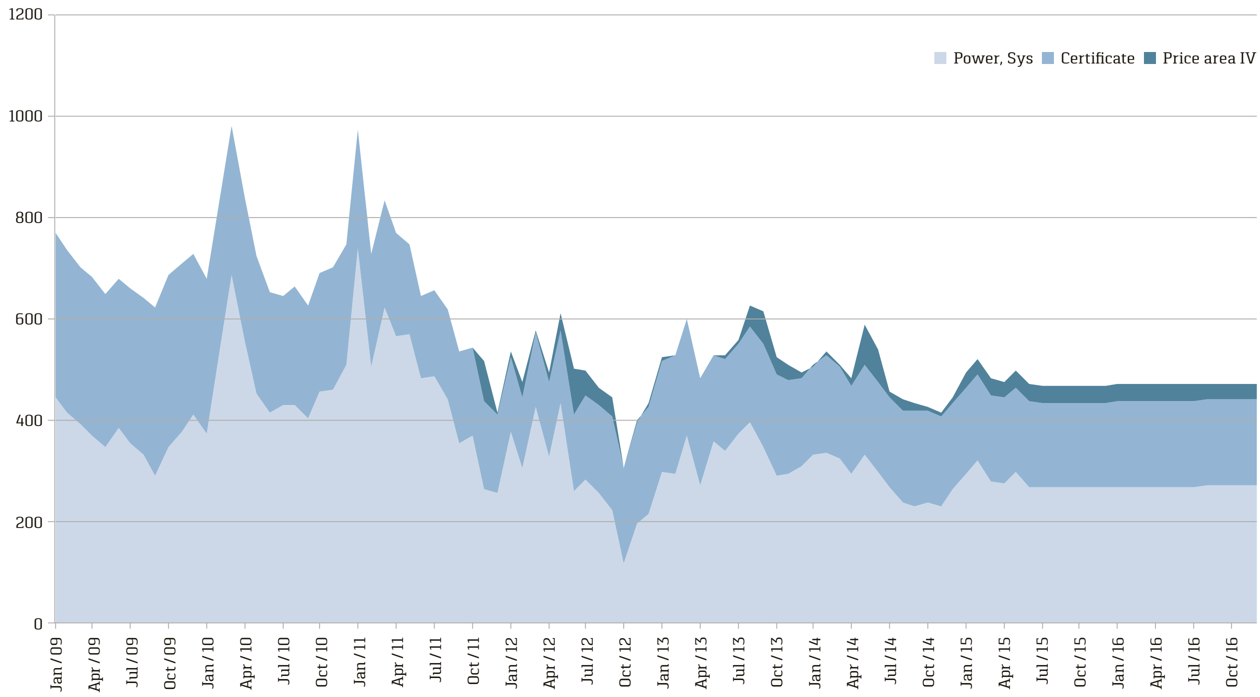
The Nord Pool electricity price zone consists of the Nordic countries (DK, SWE, NO and FIN) and the Baltic countries. The base price, called the system price, is the same throughout Nord Pool and represents a mix of the prices in the various countries. The price variation in the different price zones is added to the system price. This supplement is known as the "contract for difference (CFD)". In Sweden, there are four areas, with lower prices in the north and higher prices in the South.

DEVELOPMENT OF ELECTRICITY CERTIFICATE PRICE

The expansion of renewable power in Sweden and Norway is supported by a cost-effective electricity certificate system shared by both countries. The additional cost for Swedish electricity consumers is low, about 3 to 4 öre per kWh including VAT. In countries with state-supported systems, such as Italy and Germany, the cost for supporting the development of wind and solar power is eight to ten times higher. *(Source: Control station for the electricity certificate system 2015)*

The electricity certificate system is designed to promote the countries' expansion targets for renewable energy. This is accomplished by means of the system governing demand for certificates through a so-called quota obligation – electricity consumers are required to purchase certificates corresponding to a certain proportion of their electricity use. By changing the quota obligation, the Swedish and Norwegian Energy Agencies can control the price of certificates at "checkpoints" every five years. The next checkpoint will take place in 2016. Electricity-intensive industries in Sweden are not subject to a quota obligation and are not, therefore, required to purchase electricity certificates. Industry can, instead, take advantage of low electricity prices arising

HISTORICAL DEVELOPMENT OF ELECTRICITY AND ELECTRICITY CERTIFICATES 2009–2014 AND FORWARD PRICES UP TO DECEMBER 2016



PRICE HEDGES AS OF 31 DEC 2014

	2015	2016	2017
Own production, budget, GWh	411	411	411
Hedged electricity production, GWh	319	136	57
Hedged electricity certificate production, GWh	95	86	125
Hedged electricity price, inc. CFD, SEK/MWh	*388*	*270*	*264*
Hedged electricity certificate price, SEK/MWh	*220*	*218*	*198*
Co-owned production, budget, GWh	286	286	286
Hedged electricity production, GWh	177	177	177
Hedged electricity certificate production, GWh	194	243	199
SHedged electricity price, inc. CFD, SEK/MWh	*430*	*434*	*434*
Hedged electricity certificate price, SEK/MWh	*178*	*198*	*206*

Exchange rate applied: SEK 9.4/EUR

as a result of the on-going expansion of renewable energy. Many of these companies produce electricity certificates themselves, thereby providing an extra source of income.

On 13 March 2015, it was announced that Norway and Sweden had reached an agreement concerning a revision of the joint certificate system. The agreement, which is subject to the approval of both countries' respective governments, is effective from 1 January 2016 and, put briefly, implies that:

- The consumption of electricity certificates will increase, meaning that the current surplus of electricity certificates will be reduced
- Sweden will raise its ambitions and increase the expansion target from 25 to 30 TWh of renewable energy by the end of 2020 compared with the beginning of 2002
- The circumstances above should result in increases to electricity certificate prices and renewed activity in the expansion of renewable energy
- The authorities' assessment is that the cost for electricity customers with quota obligations will increase slightly, by around 0.5 öre/kWh
- The tax exemption for facilities commissioned after 1 July 2016 will cease to apply.
- In conjunction with the second planned control station in the year 2019, the parties will also review whether there is to be a common time limit for when the assigning of new facilities should take place. Norway has set this limit at the year 2020, while facilities commissioned after 2020 will be assigned certificates in the Swedish system.

The agreement which the countries have now committed to is very positive for the continued expansion of renewable energy in Sweden and Norway, and should also lead to in-creased revenues for facilities already in operation.

ARISE'S PRICE HEDGES

Arise's view on prices is that the price of electricity will continue to be volatile, while the price of electricity certificates will probably rise from current levels, assuming that the proposed increase of the quota obligation in 2016 comes into force. The overall market price of electricity and electricity certificates will, thereby, facilitate a profitable expansion of good wind power projects. As the price cycles of electricity and electricity certificates do not correlate, for various reasons, this implies that a well-balanced hedging

AVERAGE PRICE, SEK/MWh

policy is crucial to ensuring good profitability. Since 2009, Arise has achieved average prices in excess of prevailing market prices. In 2014, Arise's realised prices for electricity and electricity certificates amounted, together, to SEK 611 per MWh, which is substantially higher than the market price for the same period, which was approximately SEK 469 per MWh.

For the Own wind power segment, Arise has hedged a substantial portion of production in 2015 and a portion of production in 2016 resulting in total revenue well over the prevailing market prices – refer to the table on page 25. Production from the Jädraås project within the Co-owned wind power segment is hedged on a rolling five-year basis, in accordance with conditions stipulated by the bank.

A comparison between the Company's total realised income during the period 2009–2014 and the relevant market prices is presented below. As can be seen from the graph on page 25, the Company's revenues have been higher than the market price in all quarters but three, which evidences the strength of the Company's strategy and positive price hedging capabilities.

OTHER SOURCES OF INCOME

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

Guarantee of Origin

A proof of the origin of electricity is issued for all energy generated from renewable sources in Sweden, known as a "guarantee of origin". One produced MWh provides one guarantee of origin (GoO) that can be sold to electricity consumers who would like to support the expansion of renewable energy in Sweden. One GoO has a value of about SEK 1 per MWh if it is sold to Swedish consumers, while the value is higher if it is exported. Arise has also registered all of its facilities in the English system and can choose the market in which the guarantee of origin is to be sold.

Management fees

In conjunction with the sale of a wind power project, or parts thereof, a operation management agreement is signed. The agreement entails that the seller ensures that service, operation and maintenance are undertaken properly and that all other administration required in the wind farm is taken care of. Arise has now signed four operation management agreements. Including own production (260 MW), the Company now manages 440 MW, which generates a total amount of wind power equivalent to approximately 10 % of all Swedish wind power production in 2014. As well as providing fixed income streams, external operation management agreements increase economies of scale, implying that costs in the Company's own farms

are also reduced. The Company has well-developed systems and methods, such that we can, without requiring significant extra resources, handle an increase in MW under management. Our ambition is to realise such an increase.

Development fees

In conjunction with the sale of wind farms in operation, as well as farms for which construction can begin, a so-called development fee is paid. Regarding Brotorp (46.2 MW), which was sold to BlackRock, a development fee of approximately MSEK 45 is anticipated, of which the majority is expected to be settled in the financial year 2015. The final outcome may vary depending on how well the investment follows the agreed budget and schedule.

Other operating income

Depending on how a sales transaction is formulated, revenues may be generated in a different manner. The Stjärnarp wind farm (5.4 MW) has been sold to the municipally-owned company, KumBro.

The Company's ambition for the operational year 2015 is to sell the operational wind farms, Bohult and Skogaby (total 20 MW), as well as a further minimum 50 MW from construction-ready projects.

PROJECT MANAGEMENT

Upon the sale of a construction-ready wind farm, Arise assumes the responsibility for the project management of the construction. This income is significant. For example, an amount of MSEK 7 in project management fees was generated in the Brotorp project, which was, for the main part, managed with the Company's own resources.

INVESTMENT CLIMATE

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

Sale of the Brotorp project

The sale of the construction-ready Brotorp is in line with the Company's strategy to generate direct income from project development and management, as well as securing direct revenues from the production and sale of electricity.

Arise has developed the Brotorp project from start to finish, i.e. from the signing of leases, planning and wind measurements, to applications for and granting of permits. Furthermore, Arise has handled all procurement for the project. The development work began as early as 2008. The project is a further development of the adjacent Idhult project, which Arise also developed and which was constructed in 2011. In conjunction with preparations for the Idhult project, the connection to the electrical grid was adapted so that any additional capacity from the Brotorp project could be handled.

In spring 2014, discussions began with various investors with the aim of divesting the Brotorp project. BlackRock, the world's largest asset management company, was finally chosen for the project. The reasons for this choice were both the attractive financial terms and the fact that BlackRock represented a high level of trustworthiness in terms of both access to capital and competence, with documented experience of investments in the energy sector. A principal agreement was signed in June 2014. During the summer, Arise concluded the procurement processes of all installations and project work, after which due diligence and the procurement of project financing was initiated.

BlackRock also assigned Arise the responsibility for project management during the construction phase and the management of the wind farm during the operational phase.

Construction got underway in November 2014. In order to facilitate this work, Arise had decided to begin certain projecting work prior to this, such as clearing the area of forests. The construction of roads, foundations and crane bases is currently ongoing, in tandem with cabling work.

The project is expected to be completed during the latter stages of 2015.

General information

Project start	10 November 2014
Total number of turbines	14
Installed output	46.2 MW
Owner	BlackRock
Development and project management	Arise
Wind power providers	Vestas
Project financing	SEB
Location	Mönsterås municipality

Technical data

Tower height	128 m
Rotor diameter	126 m
Swept area	12,469 m3
Rotor speed	5,3–16,5 rpm
Service life	25 years

Finance

Total investment:	MSEK 650
Budgeted purchase price, including project management fees to Arise:	MSEK 60
Budgeted profit for Arise:	MSEK 45
Other:	Five-year operation management agreement with Arise after commissioning

Scotland

For the past couple of years, Arise has been working with the Scottish wind power market and is now developing two major wind farms totalling approximately 150 MW. Project Thurso, including some 30 turbines, is located along the windy north coast of Scotland with the Orkney Islands as its nearest neighbour. Our other project is of the same size and is located on the Isle of Skye. There, the wind conditions are even better, with average winds in excess of 8–9 metres per second 70 metres above ground level. This is to be compared with the best Swedish projects which have an average wind of 8 metres per second 120 metres above ground level. In that the wind strength is so positive even at lower altitudes, the wind turbine's tower height can be shorter, implying a significantly reduced investment costs.

Isle of Skye, Scotland

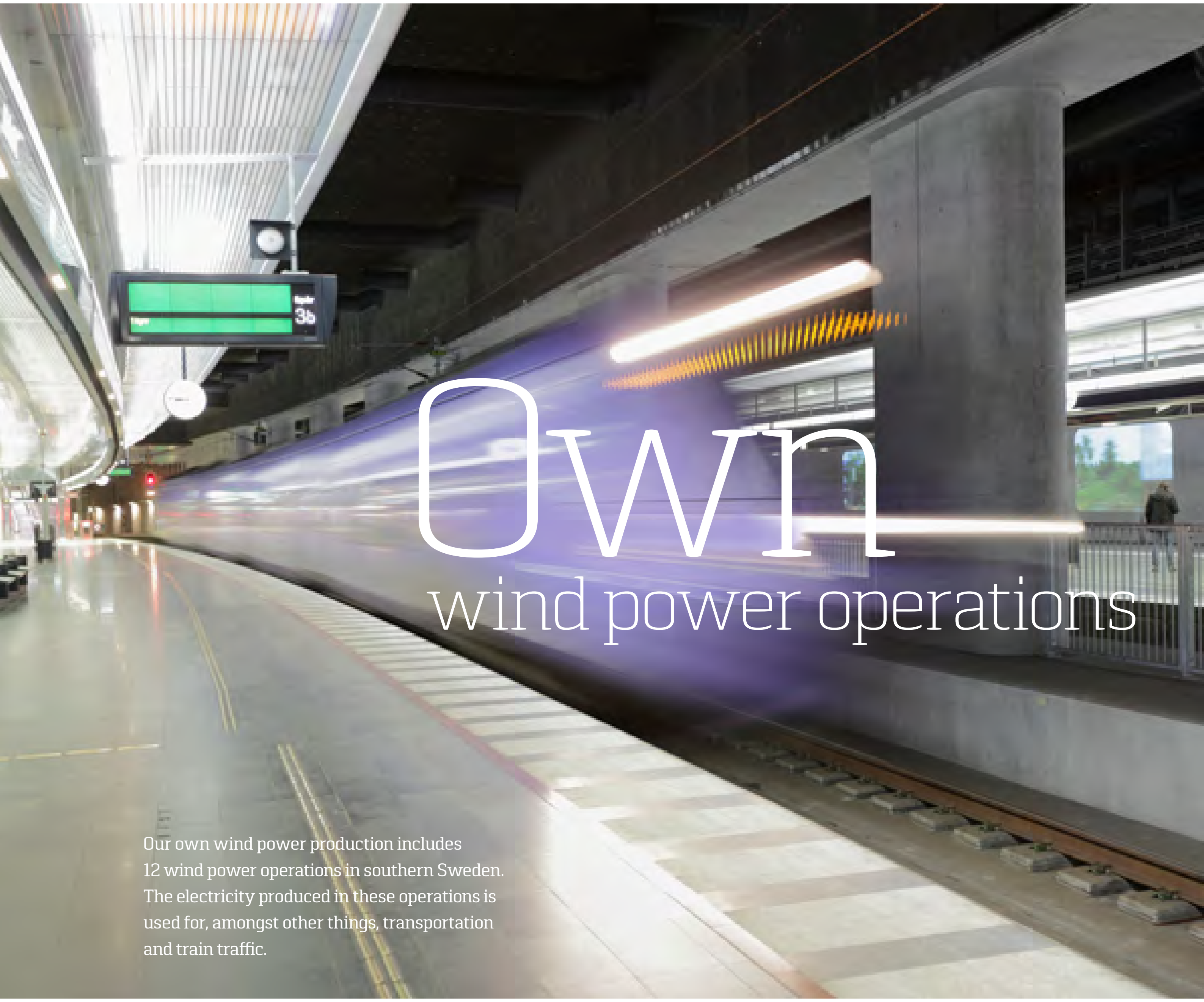
Good wind conditions combined with low investment costs and a relatively high level of remuneration are certainly good premises for establishing wind farms here. This is also the reason the Company works actively in the Scottish market. The background to the high level of remuneration is the extensive energy conversion work taking place in the British Isles. Older, coal-based electricity production and nuclear power are now being phased out and replaced by new forms of electricity production and this also impacts electricity prices, resulting in increased income.

The disadvantage here is that everything takes more time compared with executing Swedish wind power projects. Application for concessions is more complicated and entails a larger scope of work and also places greater requirements on studies of birds and wildlife in the areas in which the wind farms are intended to be built. The requirements are also greater when it comes to describing the physical appearance of the wind farm when it will be constructed and in place. Ecotourism is a significant source of income for the country and it is, therefore, extra important that the wind farms affect the visual impact of an area as little as possible in the context of this dramatic Scottish landscape. In conjunction with authorities and land owners, Arise is just now completing the required landscape studies. Provided that these are approved, the application for permits will be initiated. Of course there exists, just as in Sweden, a risk that the authorities will reject the application but consultations with the Highland Council have taken place and Arise's assessment after these consultations is that its projects have the premises to be realised.

Connections to the electrical grid can be a further problem. For the Thurso project, there is, however, a solid distribution network in the area which was previously served by a now decommissioned nuclear power plant. The grid connection in this specific project is, therefore, no problem and the project should be realisable sometime during 2017/18, assuming that permits are granted. For the project on the Isle of Skye, a cable to the mainland is required, which is expected to be in place around 2020. Simultaneous with these two major projects, an application has been made to install a number of smaller wind turbines, each of approximately 500 kW. The smaller turbines generate a higher level of income and are often simpler to connect to the grid. The permit application process is usually only one year. Consequently, we hope that a number of these turbines can be built already next year.


arise

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



Our own wind power production includes 12 wind power operations in southern Sweden. The electricity produced in these operations is used for, amongst other things, transportation and train traffic.

The segment Own wind power operations includes 12 wind farms totalling 159 MW. Production during a normal year from these wind farms, for a full 12 months of operation, is estimated to total around 413 GWh. All of the wind farms are situated in southern Sweden, located on both the east and west coasts.

In 2014, Arise's wholly-owned wind farms generated 401 GWh (328 GWh). This was approximately 3 % below budget. At the beginning of the year, we had approximately 152 MW in operation, and at year-end approximately 159 MW. This figure is reached as a result of the commissioning of the Bohult farm, 10.8 MW, and the sale of the Stjärnarp farm, 5.4 MW, during the year. Full operation of all 159 MW began in June 2014. The wind year 2014, in terms of wind energy, was about 100 % (95 %) of the average since 2002, according to the Danish Wind Index. The average price for the sale of electricity and electricity certificates decreased during the year, from SEK 711 per MWh to SEK 611 per MWh, due to a decline in market prices.

There are currently no projects under construction in the Own wind power operations segment, although additional wind farms can be both built and sold over the next few years.

One important event which occurred during the year was the refinancing of 10 of the operational wind farms by means of a secured green bond issue of SEK 1.1 billion. This transaction reduced the Company's debt by around MSEK 100, while the refinancing of the wind farms was secured until March 2019 on good conditions. The transaction represented the very first Swedish issue of a green secured bond in the wind power sector. The wind farms which were refinanced were Oxhult, Råbelöv, Brunsmo, Kåphult, Idhult, Fröslida, Södra Kärra, Blekhem, Gettnabo and Skäppentorp.

Efforts to optimise production in wind farms in operation have continued during the year. It is estimated that production has thus far been increased by 3.5% through a variety of measures. Optimisation projects remain underway and we hope to be able to increase annual production by an additional few percentage points through these initiatives.

Examples of optimisation projects include output upgrades, configuration settings, software improvements and improved control systems. A good knowledge base and system support are key parameters for the detection of anomalies, the implementation of improvements and the development of measures to increase production.

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

Own wind power operations in figures, MSEK	2014	2013
Income	260	233
Operating expenses	-54	-50
Operating profit before depreciation (EBITDA)	206	183
Operating profit (EBIT)	113	100
Profit before tax	28	40
Income, SEK / MWh	611	711
Expenses, SEK / MWh	135	152
Average capital employed	2,111	1,986
Return on capital employed (EBIT)	5.4%	5.0%
Return on adjusted capital employed (EBITDA)	9.8%	9.2%

- Overall, Own wind power operations generated total income of MSEK 260 (233), including gains on the sale of Stjärnarp and an EBITDA of MSEK 206 (183), an increase of 12% to income and 12% to EBITDA compared with 2013. These increases are primarily down to the sale of the Stjärnarp farm, and a higher level of production during the year compared with the previous year, although this was counteracted by lower prices for electricity and electricity certificates.
- Operating expenses amounted to SEK 135 (152) per MWh, a decrease of 11% which can largely be explained by the fact that fixed operating expenses could be distributed over a higher level of production.
- Depreciation and net financial income amounted to MSEK -93 (-83) and MSEK -85 (-61). The change in net financial income can be explained by the fact that more wind farms were operational, as well as that the majority of the wind farms were refinanced during the year, which contributed to non-recurring expenses of approximately MSEK 9.
- Due to lower production than usual, as well as lower prices and non-recurring expenses linked to the refinancing of loans, profit before tax decreased to MSEK 28 (40).

HOW MUCH ELECTRICITY CONSUMPTION CAN WE PROVIDE WITH ONE YEAR OF OUR WIND POWER PRODUCTION?

In 2014, we produced 650,000,000 kilowatt hours through both Co-owned and Own wind power operations.

	Consumption/Production	Number
HOUSEHOLD ELECTRICITY	5,000 kWh/year	130,000 households
ELECTRIC CAR	0.24 kWh/km*	180,556 cars
32" PLASMA TV	539 kWh/year	1,205,937 TVs
ENERGY-EFFICIENT FRIDGE	200 kWh/year	3,250,000 fridges
COMPUTER WITH MONITOR	350 kWh/year	1,857,143 computers

* 15,000 KM/YEAR

Co-owned
wind power operations

The Co-owned wind power operations segment includes the Jädraås project, which Arise co-owns to 50 %, together with Platina Partners LLP. The project is comprised of 66 wind turbines with an output of 3.1 MW each, totalling 202 MW. The estimated normal production over a full year of operation amounts to 572 GWh.

Electricity production in 2014 amounted to 518 (543) GWh, of which Arise's share amounted to 249 (272) GWh. The fact that production decreased compared with 2013, despite the farm being fully operational for the entire year, is due to the fact that 2014 was a significant weaker wind year than expected. Due to the weak wind year on Sweden's east coast, 13 % less electricity than normal was produced. Unfortunately, individual weak wind years such as 2014 are a hazard of the industry. However, we expect to achieve the anticipated normal yearly production in the long term.

After successfully constructing and commissioning the project, Arise took over the operational management. As in the Own wind power operations segment, after a period of operations, we have, in 2014, begun the analysis of potential optimisation measures, which we deem will allow for an increase in production. The turbine supplier Vestas is responsible for service, and has a service team on site at all times.

Co-owned wind power operations in figures, MSEK	2014	2013
Income	137	141
Operating expenses	-36	- 26
Operating profit before depreciation (EBITDA)	101	115
Operating profit (EBIT)	38	72
Profit before tax	-8	37
Income, SEK / MWh	550	518
Expenses, SEK / MWh	145	96
Average capital employed	1,447	1,366
Return on capital employed (EBIT)	2.6 %	5.3 %
Return on adjusted capital employed (EBITDA)	7.0 %	8.4 %

- All figures in the segment reporting, Co-owned wind power operations, refer to Arise's share of 50 % in the Jädraås project. Arise reports its share of profits in the Jädraås project after tax.
- Co-owned wind power operations generated total income of MSEK 137 (141) and an EBITDA of MSEK 101 (115). The decreases in both income and EBITDA are due to low production as a consequence of the weak wind year. The increase in operating expenses compared with 2013 is due to the fact that the project was fully operational for all of 2014.
- Average income was SEK 550 (518) per MWh, with SEK 362 (342) per MWh for electricity and SEK 188 (176) per MWh for electricity certificates.
- Operating expenses amounted to SEK 145 (96) per MWh, which is considerably higher than the previous year. The increase is due to the higher level of absolute expenses, deriving from the fact that the wind farm was fully operational for the entire year and that it produced less than planned, meaning that fixed operating expenses were distributed over a lower level of production.
- Depreciation and net financial income amounted to MSEK -63 (-43) and MSEK -46 (-35), respectively. The increase is due to the fact that the project was fully operational for the entire year and, therefore, depreciation and interest expenses were charged against the project in full. Profit before tax was MSEK -8 (37). This negative amount can, in all material respects, be attributed to the low production during the year.

Projects in operation

Södra Kärra

Manufacturer model: Vestas V100
Number of turbines: 6
Yearly production (GWh): 37,4
Commissioned year: 2011/2012

Fröslida

Manufacturer model: GE 2,5XL
Number of turbines: 9
Yearly production (GWh): 55,4
Commissioned year: 2011

Bohult

Manufacturer model: GE 1,6-100
Number of turbines: 8
Yearly production (GWh): 46,3
Commissioned year: 2014

Skogaby

Manufacturer model: Vestas V100
Number of turbines: 4
Yearly production (GWh): 24,2
Commissioned year: 2013

Oxhult

Manufacturer model: Vestas V90
Number of turbines: 12
Yearly production (GWh): 56,8
Commissioned year: 2009

Kåphult

Manufacturer model: GE 2,5XL
Number of turbines: 7
Yearly production (GWh): 40,6
Commissioned year: 2010/2011

Jädraås*

Manufacturer model: Vestas V112
Number of turbines: 66
Yearly production (GWh): 572
Commissioned year: 2012/2013

Blekhem

Manufacturer model: Vestas V100
Number of turbines: 6
Yearly production (GWh): 30,1
Commissioned year: 2011/2012

Idhult

Manufacturer model: Vestas V90
Number of turbines: 8
Yearly production (GWh): 36,2
Commissioned year: 2011

Skäppentorp

Manufacturer model: Vestas V112
Number of turbines: 1
Yearly production (GWh): 8,5
Commissioned year: 2012

Gettnabo

Manufacturer model: Vestas V90
Number of turbines: 6
Yearly production (GWh): 30,3
Commissioned year: 2011

Brunsmo

Manufacturer model: GE 2,5XL
Number of turbines: 5
Yearly production (GWh): 24,0
Commissioned year: 2010

Råbelöv

Manufacturer model: Vestas V90
Number of turbines: 5
Yearly production (GWh): 22,8
Commissioned year: 2010

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

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

Our project portfolio of over 1,000 MW consists of a large number of projects in southern Sweden and some larger projects in mid and northern Sweden. The advantage of locating projects in the south includes access to a robust grid, lower input costs, lower transport costs, the ability to build year round and fewer production problems with snow and ice. In the north of Sweden, however, economies of scale in large projects provide good economic conditions – along with a greater opportunity to build tall turbines, and thus to reach the greater wind speeds offered at higher altitudes. A broad geographic spread reduces wind risk, as at any given point in time it is always windy somewhere in Sweden.

During the year, we have focused on realising our strategy of selling wind farms where construction has been completed and operations are underway. In November, the construction-ready Brotorp project of 46.2 MW, with a project value of approximately MSEK 650, was sold to a fund managed by BlackRock. The project consists of 14 Vestas V126 turbines with a hub height of approximately 130 metres. Construction began in November 2014 and the wind farm is expected to be complete by December 2015. In conjunction with the sale, a operation management agreement was also signed covering both the construction and operational phases. The project had a positive impact on profit of around MSEK 9 during 2014. A further contribution of MSEK 36 is expected in 2015, assuming that construction proceeds according to plan. There are also construction management fees of approximately MSEK 6, which reduce fixed costs.

The operational Stjärnarp wind farm, 5.4 MW, was sold to KumBro Vind AB in December. The project is comprised of 3 Vestas V100 turbines with a hub height of 96 metres. In conjunction with the sale, a operation management agreement was also signed covering the operation of the wind farm.

With these activities, we have taken the first important steps in our expanded strategy, whereby we sell projects as well as undertaking our own and Co-owned wind power operations, generating further cash flows and profits. The fact that sales have taken place to both the world's largest asset management company and to a Swedish, municipally-owned company shows the breadth of our customer base and our capacity to meet the requirements of different types of customers.

During the year, we have also achieved new successes in our work with developing projects, and have been able to expand our portfolio with a further three projects, totalling 46 new turbines, being granted permits, of which 33 turbines have, to date, are legally in effect. These projects are: Brotorp, 14 turbines, Treriksröset, 11 turbines and Packebo, 8 turbines. In addition, we have acquired project rights to a further 12 turbines. Negotiations are underway regarding the acquisition of additional projects, mainly in mid and northern Sweden.

The construction of the Bohult project of 12.8 MW was concluded during the year and the wind farm is now fully operational after a period of calibration.

We continue to focus on designing the plans for projects which have been granted permits and which the Company manages, as well as on the acquisition of additional project rights. Although we will strive to increase our own production base in the long-term, our short-term goal is to sell these projects to external investors, with Arise assuming responsibility for construction and project management.

In Scotland, projecting work continued during 2014. Land leases were signed for two projects. In addition, we are also working with additional project areas where we deem that there is a major potential. Overall, we believe that there are several good project opportunities in Scotland and we have, therefore, contracted external expertise in order to drive these projects towards the granting of permits and connection to the electrical grid.

The level of activity in Norway was limited during the year.

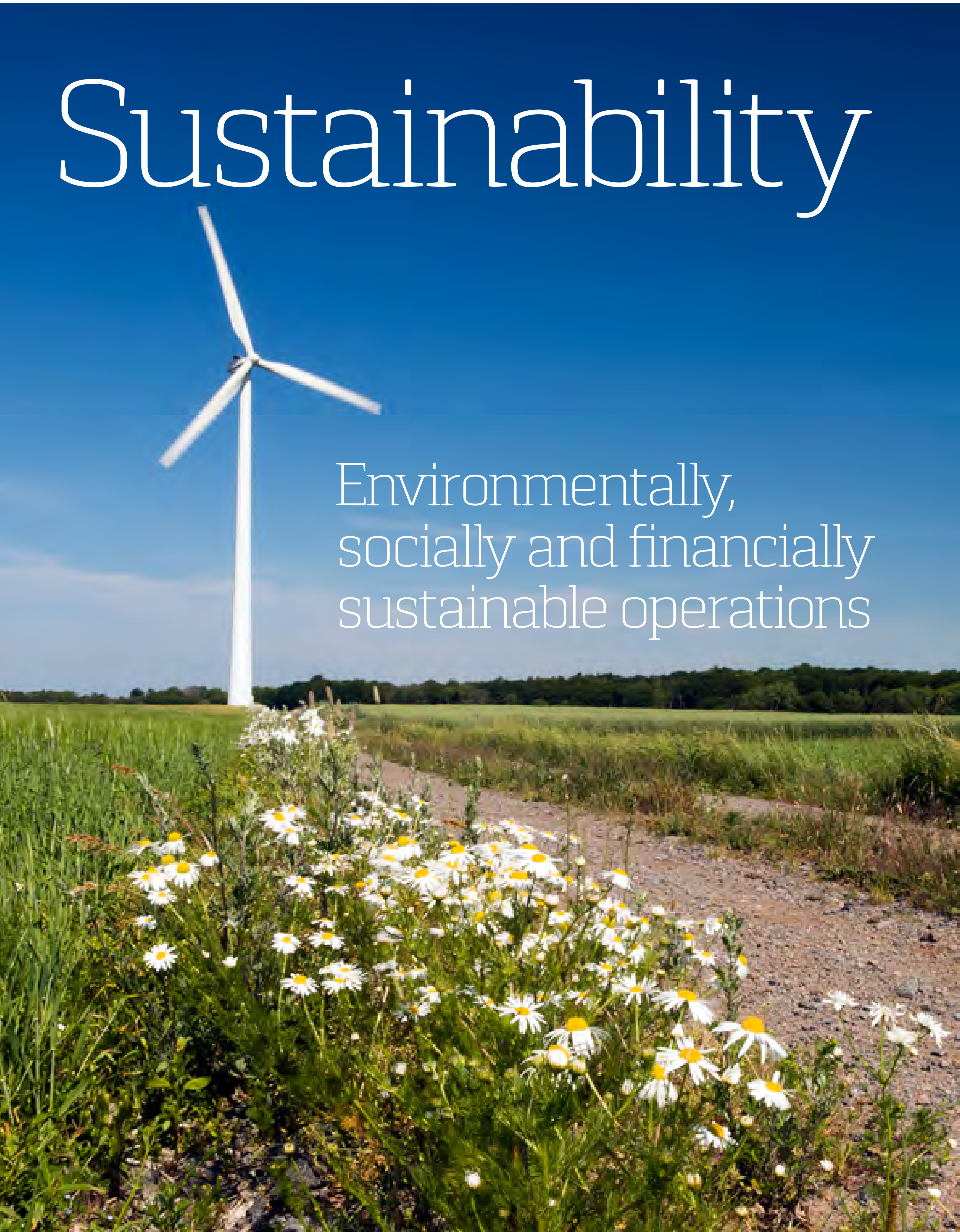
Wind Power development

Wind Power Development in figures, MSEK	2014	2013
Income	36	57
Operating expenses & capitalised work on own account	-44	-62
Operating profit before depreciation (EBITDA)	-8	-4
Operating profit (EBIT)	-21	-15
Profit before tax	-51	-40

- Wind Power Development generated total income of MSEK 36 (57) and an EBITDA of MSEK -8 (-4).
- The decrease in income is mainly attributable to the fact that development fees received were MSEK 18 lower than during the previous year.
- Operating expenses decreased to MSEK -57 (-82), excluding capitalised work on own account, due to lower personnel costs in an amount of MSEK 15, including decommissioning expenses which were incurred in 2013. Capitalised work on own account decreased to MSEK 13 (20) due to a lower volume of project work during the year.
- Depreciation/amortisation and write-downs increased to MSEK -13 (-11). Net financial income decreased to MSEK -31 (-24) and included non-recurring expenses of MSEK -3 incurred in conjunction with the refinancing of the Company's unsecured bond, as well as reduced interest income attributable to the larger cash reserves held by the Company during 2013.
- All in all, this implies that profit before tax decreased to MSEK -51 (-40).

Sustainability

Environmentally, socially and financially sustainable operations



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

ECONOMIC SUSTAINABILITY

Our shareholders have made an active environmental choice to contribute to the financing of business operations clearly supporting the development of a sustainable society. This development can, combined with the premises made possible by the Arise business model, create value and positive returns for our shareholders. Wind power involves no harmful emissions to the environment in terms of greenhouse gases, toxins or other pollution, whether during extraction, use or disposal. The costly decommissioning is limited in comparison with many other energy sources. The cost of decommissioning can be easily calculated and provisions for this work are often established in consultation with the County Administrative Board. For many other energy sources this is not the case. For example, the decommissioning cost for nuclear power is often both unknown and substantial.

FINANCIAL INCENTIVES FOR RENEWABLE ELECTRICITY PRODUCTION

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

GEOGRAPHICAL RISK SPREAD

As the wind farms in our Wind Farm companies are located at sites spread over different parts of the country, this provides us with a geographical diversification of risks.

IMPLICATIONS FOR THE AREA

When we build wind farms, we not only create employment opportunities in the project itself, but also generate increased activity and positive effects for local businesses such as construction and transport companies, shops, hotels, petrol stations, etc. For example, the sports facility in Jädraås benefited from substantial renovations and improvements through one of the parties involved in the project when the wind farm was built. People in the area also tend to build an engagement in the project and the interest from local village committees and associations can grow.

SOCIAL SUSTAINABILITY

ARISE IN SOCIETY

Sensitivity to society's demands and desires is one of Arise's core values. Extensive and continuous discussions are undertaken with both municipalities and citizens in those areas where new wind farms are planned. This dialogue continues even after the wind farm has been constructed.

A EMPLOYER AT THE FOREFRONT

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

Equality: We recruit and promote based exclusively on competence, meaning that gender, age, ethnicity, religion, disability, sexual orientation and other factors are not taken into consideration in recruitment. This is highlighted in both the Arise Equality Policy and in the Code of Conduct. Currently, there is an imbalance in terms of gender, age and ethnicity and this is being actively addressed. Other important guidelines include equal opportunities to develop skills, the ability to combine work and family, and that sexual harassment, or any other type of harassment, is unacceptable.

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

Human rights: Our land and construction contractors are mainly located in Sweden, but these companies sometimes engage sub-contractors from other countries. Our wind turbines are manufactured on a global market, which implies that the different parts can come from all over the world. With its limited resources, it is not possible for Arise to carry out our own inspections of working conditions other than at Arise's sites and projects. Consequently, we have chosen to work exclusively with large, well known and established brands and companies that have been active for a long period in the Swedish and international markets. Our Code of Conduct clearly states that child labour or work under duress or threat of violence is unacceptable, and freedom of association and the right to collective bargaining and agreements must be respected.

Job satisfaction and work environment: Regular employee surveys have been undertaken with the help of an external consultant, which also provides a comparison with other companies. Employee development dialogues are conducted at least once annually according to established templates, plus there is a follow-up dialogue. The manager and employee review the template together before meeting and prepare for the discussion. Employee benefits include a wellness program in the form of contributions from the employer towards the purchase of health benefits, such as gym membership or participation in other physical activities.

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

Ethics and morals: Operations undertaken in municipalities are based on the accumulated confidence that Arise has built up. Maintaining a high standard of business ethics is as important as conducting business in compliance with legislation and regulations, as highlighted in our Code of Conduct. A trustworthy and correct manner will be maintained at all times, both during more technical work and as regards general behaviour. We require honesty and integrity in all of the Group's operations and expect the same from our customers, suppliers and partners. Impartiality must characterise all business relationships, and conflicts of interest are to be avoided. Strict restrictions are enforced regarding gifts and rewards and bribery is not accepted. Other areas highlighted in the Code of Conduct include political neutrality and the reporting of financial transactions in accordance with generally accepted accounting principles.

ENVIRONMENTAL SUSTAINABILITY

WIND POWER'S ENVIRONMENTAL IMPACT

The mining and extraction of coal implies a pervasive encroachment on nature and entails a risk of major environmental impact. The burning of fossil coal forms ash, heavy metals and greenhouse gases. Nuclear energy generates hazardous waste which requires thousands of years

of secure storage. The decommissioning of a nuclear power station takes decades and several well-known accidents have occurred, with almost immeasurable negative consequences, for example in Japan. Wind power is not associated with any of these problems. The energy and material impact a wind turbine causes is offset after only about six months of operation, and emissions during operation are completely neutral for the environment, except for a limited local impact which can be categorised in five main areas:

Noise: The noise of the wind turbines blades and generator can be disturbing. Accordingly, there are clear rules governing the loudest permitted noise which the turbine may make. Such noise levels are measured at the residences within the vicinity of the turbine.

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

The landscape: Wind turbines can be visible in the landscape from very long distances. In sensitive areas with far-reaching views and many valuable landscape features (areas of natural beauty, archipelagos, etc.), special restrictions apply on the siting of wind turbines.

Flora and fauna: The placement of a wind turbine requires careful planning, in order to ensure that disruptions to animal life and the natural values of a site are minimised. Thorough studies of the local wildlife habitat at a site are often required.

Cultural heritage and archaeology: Remains of ancient settlements may be uncovered at a planned construction site. If this happens, the turbine must be located elsewhere.

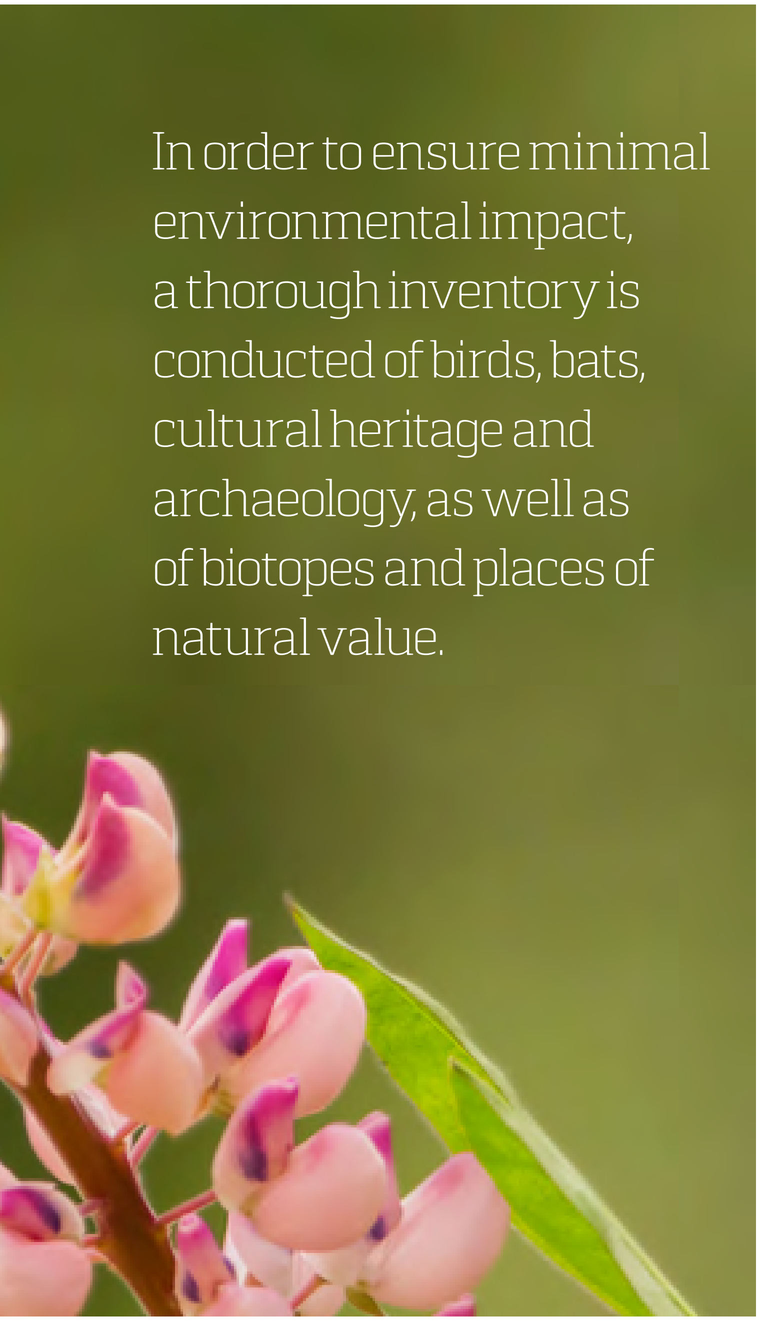
The Group's Code of Conduct emphasises that products and processes must be designed to utilise energy and raw materials efficiently and to minimise waste and residue material over the lifetime of the product. Wind power operations are subject to permit and reporting requirements according to

the regulations of the Swedish Environmental Code. Legislation in this field and the supervisory agencies with which we work govern the operations, and we apply a measurement framework which is stricter than the general norm. The environmental impact of the Company can be divided into the following areas: planning and construction of new wind farms, continuous environmental impact during operation and maintenance, decommissioning, and a limited impact as a result of administrative activities.

PROSPECTING PHASE

A wind farm is a large-scale project requiring extensive preparation, discussions, meetings and analyses. Before the actual permit application process is even started, we build up an impression of the area through contacts with municipalities and landowners and, also, contact is often made with the public through consultations. Following this, a referral is circulated to approximately 30 different government agencies to request their feedback on a potential wind power establishment. In order to ensure minimal environmental impact, a thorough inventory is conducted of birds, bats, cultural heritage and archaeology, as well as of biotopes and places of natural value.

Information and an invitation to a briefing are sent out to local residents, and an overall environmental impact assessment is then made based on the comments received. Maps of the planned turbine locations, noise and shadow disturbance calculations and illustrations of how the



In order to ensure minimal environmental impact, a thorough inventory is conducted of birds, bats, cultural heritage and archaeology, as well as of biotopes and places of natural value.

turbines will be perceived within their surroundings are also produced. An alternative report is always drawn up in which the advisability of building on the current site is evaluated. If the environmental impact assessment indicates that any species crucial to biodiversity exists in the area, that there are specially protected bird species such as eagles or owls, or sensitive habitats such as swamp forests and oak forests, then, the turbine is moved. Sufficient distance from dwellings is also maintained. The decision from the Municipality or the County Administrative Board stipulates how the wind farm is to be designed so that any disturbance to the environment does not breach legislation, and any disturbances must be reported annually in an environmental report.

CONSTRUCTION PHASE

It takes energy to build a wind turbine. Roads have to be constructed and materials must be transported. A general rule is that it takes around six months for a wind turbine to produce the amount of energy required for the turbine's life cycle, i.e. constructing the wind turbine and, ultimately, dismantling and transporting it from the site. A turbine's service life is an average of 25 years, resulting in many years of energy production during which it generates a surplus. Other environmental factors include potential emissions and transportation. These include oil for lubrication of the turbine's moving parts, the use of chemicals in conjunction with preparing the land and construction work carried out by external contractors, as well as fuel for vehicles. All oil is stored in collision-proof sealed containers, where any leaked oil remains in the container. The precautionary principle is applied, which implies that materials and methods that may cause environmental or health risks are not used when suitable alternatives are available. Suppliers are not required to be environmentally certified; however, they must provide detailed reports on how they intend to ensure that they do not cause any harm to the environment. The supplier complies with this requirement by completing a Control Plan specifying the products used, how they should be used and stored, and the procedures in place to alert emergency services and inform the municipality if any hazardous emissions have taken place.

OPERATIONAL PHASE

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

DECOMMISSIONING PHASE

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

Director's 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 financial year 1 January – 31 December 2014.

THE GROUP

Operations

Arise AB is the Parent Company of the Arise Group, which includes, largely, a number of wholly-owned subsidiaries usually named "Arise Wind Farm" followed by a number. These companies own and manage the farms where the wind turbines are located, refer to the reporting of these companies on page 107. Arise Elnät AB, Arise Drift och Förvaltning AB, Arise JV AB and Arise Kran AB were established in earlier years, as was Sirocco Wind Holding AB, which Arise AB co-owns with Sydvästanvind AB, which is, in turn, controlled by the English company, Platina Partners LLP. Sirocco Wind Holding AB owns the Jädraåsen project, comprised of a total of 66 turbines each with an output of 3.1 MW, which is formally managed by both Jädraås Vindkraft AB and Hällåsen Kraft AB.

The Parent Company undertakes project planning for suitable wind locations, applies for permission to build turbines, assists in the procurement of financing, key components and contracts, plans suitable acquisitions of projects or companies and administers and manages the sale of electricity and electricity certificates on behalf of the Group companies. During the later months of 2014, a reorganisation took place whereby service and maintenance operations and production optimisation were also transferred to the organisation of the Parent Company. These operations were previously a part of Arise Drift och Förvaltning AB's organisation.

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

The subsidiary Arise Kran AB manages the lifting of turbines and the Company's crane is also leased to other external customers. The crane has been leased out to an external client for the entirety of the year.

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

Summary of events

Eight of the turbines at the Bohult wind farm were commissioned during the year, representing a total of 12.8 MW.

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 variable interest of STIBOR (3 months) + 3.00 percentage points. The bond is listed on the NASDAQ OMX Stockholm.

At the end of September 2014, the Company refinanced 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. The Company has repurchased MSEK 32 of the bond during 2014 and a further MSEK 18 in January 2015.

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."*

The Brotorp wind power project in the Municipality of Mönsterås, comprising 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 around MSEK 650. This deal implies that Arise will be remunerated for the project development and the project management. This remuneration is estimated to amount to a total of around MSEK 45. Construction started in November 2014 and Arise's remuneration will be recognised in income in pace with the progress of the project.

An agreement was signed at the end of the year with Kumbro Vind AB regarding the sale of the constructed wind farm Stjärnarp, for a purchase price of MSEK 83. The farm consists of three turbines with a combined output of 5.4 MW. At the same time, a operation management agreement was signed between the parties, according to which Arise is responsible for the management and operations of the park on behalf of Kumbro Vind.

Net sales and income

Net sales are attributable to the production of electricity in Own wind power and consist of income for sold electricity and sold and earned electricity certificates for actual electricity produced. During the year, several wind farms were leased out and the rental income pertaining to this production is also included in net sales. In addition, net sales also include development fees from sold projects. When calculating average income for electricity and electricity certificates, rental income is included and is reported as a hedge of income rate risk on the electricity and electricity certificates. The wind energy content during the year was on par with the average during recent years, according to Danish wind power statistics. Production from Own (including leased out) and Co-owned wind power operations during the year amounted to 650 GWh (599), an increase of 9 %, of which the production from Own wind power operations amounted to 401 GWh (328).

Net sales during the year amounted to MSEK 254 (260), a decrease of 2 %, and other operating income amounted to MSEK 34 (20), implying that total income amounted to MSEK 288 (280), an increase of 3 %.

Operating profit before depreciation (EBITDA) amounted to MSEK 197 (211). This result was impacted by capitalised work on own account amounting to MSEK 13 (20), personnel costs amounted to MSEK -39 (-55) and other external expenses totalled MSEK -64 (-66). The Company's share of associated companies' profit amounted to MSEK -1 (32) and refers to the Company's 50 % participating interest in the Sirocco Group and financial income on the capital investment in this associated company.

Operating profit (EBIT) was MSEK 91 (117), including depreciation and impairment of MSEK -106 (-94). Net financial income was MSEK -116 (-85) and profit/loss before tax amounted to MSEK -24 (32). Net profit/loss was MSEK -25 (29), which corresponds to earnings per share of SEK -0.75 (0.86), both before and after dilution.

Comprehensive income amounted to MSEK -63 (90) after cash flow hedges for electricity, interest and currencies, which decreased comprehensive income by MSEK -38 (62).

Investments

Net investments in property, plant and equipment and financial fixed assets during the year amounted to MSEK 118 (292), and the entire amount of the investment refers to wind farm expansion. The Stjärnarp wind farm was sold for MSEK 83 and the sale of the Brotorp project has decreased project assets by MSEK 14.

Cash flow

Cash flow from operating activities before changes in working capital amounted to MSEK 185 (185). Changes in working capital decreased cash flow by MSEK -23 (28), resulting in cash flow from operating activities of MSEK 162 (213). Investments in property, plant and equipment amounted to MSEK -118 (-292), while sales amounted to MSEK 97 (–), as a result of which cash flow after investments amounted to MSEK 140 (-79). Current and non-current interest-bearing liabilities decreased cash flow by MSEK -101 (27), largely due to net repayments in conjunction with the refinancing of loans. Interest and bank fees of MSEK -101 (-96) have been paid, and interest swaps of MSEK 80 have been redeemed. Interest payments of MSEK 43 (2) have been received, of which MSEK 42 (–) refers to the Sirocco Group. Net payments from blocked accounts totalled MSEK 65 (-3), after which cash flow for the year amounted to MSEK -34 (-150).

Financing and liquidity

Interest-bearing net liabilities amounted to MSEK 1,449 (1,438). At the end of the period, the equity/assets ratio was 39.7 % (38.4).

Cash and cash equivalents amounted to MSEK 157 (191). No unutilised credit remained at the end of the period (MSEK 112), as the Company has not been engaged in any proprietary construction projects.

Taxes

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

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

Research and development

The Group conducts internal development work both in order to increase knowledge of wind patterns in varying environments, as well as to improve the measurement and analysis of individual farms and turbines.

Employees

During the year, the average number of employees in the Group amounted to 31 (39). The total number of employees at year-end was 33 (31). Additional information on the number of employees and salaries, remuneration and terms of employment is provided in Note 4 to the Group's financial statements.

PARENT COMPANY

During the year, the Parent Company has executed the major work with the project planning of suitable wind locations, signing of leases, producing consequence analyses, zoning plans and building permits, undertaking procurements and managing the Group's trading activities with regards to electricity and certificates, and providing administrative services.

The Parent Company manages the Group's production plans and electricity hedges in accordance with the established financial policy. The subsidiary electricity producers sell their generated electricity to clients according to contractual terms and any surplus electricity to Arise at spot price. Arise then resells this electricity on the spot market. This intra-Group trading arrangement is reported at gross value in the income statement.

The Parent Company's operations were expanded in the first quarter of 2013 to include the leasing out of production facilities. Wind turbines are rented from subsidiaries for sub-leasing to external parties.

The Parent Company's total income during the year amounted to MSEK 321 (310) and purchasing costs, rental of wind power facilities, personnel costs and other external costs, and capitalised work on own account totalled MSEK -347 (-319), whereby operating profit before depreciation (EBITDA) amounted to MSEK -27 (-9). Depreciation of property, plant and equipment amounted to MSEK -4 (-2), whereby operating profit (EBIT) amounted to MSEK -31 (-12). Net financial income was MSEK -6 (19), a Group contribution of MSEK 66 (-5) was received and net profit/loss amounted to MSEK 23 (1). The Parent Company's net investments, including internal restructurings of subsidiaries, amounted to MSEK 1,047 (104).

During the year, the average number of employees was 16 (23) and at the end of the year the Parent Company had 29 (15) employees, of which 12 had been transferred from subsidiaries at year-end. Additional information on the number of employees, salaries, remuneration and terms of employment is provided in Note 4 to the Group's financial statements, pages 70–72.

ENVIRONMENTAL IMPACT

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

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

Legal requirements

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

RISKS AND UNCERTAINTIES

Arise classifies risks as external risks (political, economic cycle, environmental and competition risks), financial risks (energy price, certificate price, currency, interest rate, financing, capital, liquidity and credit risks) and operational risks (operations, operating expenses, contracts, disputes, insurance and other risk management).

External risks

According to Arise's assessment, the demand for wind produced electricity will remain high for the foreseeable future. The Swedish Government's climate and energy policy has a stated target that, by the year 2020, a minimum of 50 % of total energy consumption in Sweden is to be generated from renewable energy sources. In order to achieve this target, a national planning framework for wind power has been implemented, implying output of 30 TWh by the year 2020, of which 20 TWh will be generated by onshore wind farms and 10 TWh will be generated by offshore turbines. The total output from wind power in Sweden for 2014 was approximately 11.5 TWh (9.9), which constitutes 8 % of Sweden's total electricity consumption *(according to www.svenskenergi.se).*

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

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

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

Financial risks

Energy price risk arises due to fluctuations in the price of electricity quoted on the Nord Pool market place. The Group manages this risk by hedging a certain portion of planned production. The electricity certificate risks are handled in a similar manner. The current market prices of electricity and electricity certificates during 2014 and the beginning of 2015 provide an indication of the risk of value deterioration in existing investments. There is uncertainty as to future price development. In the opinion of the Swedish Energy Agency, the agreement reached between Sweden and Norway regarding the revision of the electricity certificate system is likely to have a positive impact on the development of electricity certificate prices.

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

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

For more information, please refer to Note 11 in the consolidated financial statements, on pages 76–81.

Operational risks

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

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

THE WORK OF THE BOARD/ CORPORATE GOVERNANCE REPORT

Information regarding corporate governance and the work undertaken by the Board during the year is provided in the Corporate Governance Report on pages 97–100. This report and other information regarding corporate governance in Arise are available on Arise's website, *www.arise.se*.

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

DISCLOSURE REGARDING THE COMPANY'S SHARES

Total number of shares, votes, dividends and new shares

On 31 December 2014, there were a total of 33,428,070 shares outstanding. Shareholders have the right to vote for all the shares they own or represent. All shares entitle the holder to equal dividends.

As of 31 December 2014, the existing warrant programmes entitled the right to subscribe to an equivalent of 968,500 shares which, when fully exercised, will result in a dilution of 2.8 %. One warrant programme entitling the right to subscribe to 962,500 shares expired on 28 February 2015 with no shares being subscribed to (Note 17), implying a dilution effect of 0.0 %.

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

Authorisation

At the Annual General Meeting held on 6 May 2014, the Board was authorised to resolve on issues of shares, with or without deviation from shareholders' preferential rights, with the caveat that such issues may not result in the Company's share capital exceeding the maximum permitted under the provisions of the Articles of Association.

Transferability

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

Shareholders

Information on the Company's shareholders is provided on page 101. The Company has one shareholder with a direct or indirect participation representing more than 10 % of the votes, which is Claesson & Anderzén with companies.

AGREEMENTS WITH CLAUSES CONCERNING CHANGES IN OWNERSHIP

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

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

CODE OF CONDUCT

Arise strives to conduct operations in compliance with legal requirements and business ethics. The Company's Code of Conduct emphasises the principles governing the Group's relationship with employees, business partners and other stakeholders. Compliance with the Code is required both from the employees and from the Board of Directors. Suppliers, resellers, consultants and other business partners are also expected to follow the Code of Conduct.

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

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

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

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

GUIDELINES REGARDING REMUNERATION TO SENIOR EXECUTIVES

The Company's guidelines regarding remuneration to senior executives were adopted at the Annual General Meeting held on 6 May 2014, and apply until the next Annual General Meeting. Salaries and other employment conditions are to be at such a level that the Group can always attract and retain competent senior executives.

Fixed salary

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

Variable remuneration

Each senior executive can, from time to time, be offered variable remuneration. Such variable remuneration is to be specified in the employment agreement for the respective senior executive. The Company's maximum costs for variable remuneration to senior executives, including social security contributions, are reported at the Company's Annual General Meeting. Variable remuneration is to be mainly based on the Company's financial performance. Senior executives have, during 2014, been entitled to receive variable remuneration at a maximum amount equivalent to four monthly salaries. The Remuneration Committee proposes and evaluates the variable goals for senior executives each financial year. The Remuneration Committee's evaluation is reported to the Board of Directors.

Certain senior executives are included in share-based warrant programmes in Arise, which are described in the annual report, with the complete proposals being reported at the Annual General Meeting. Each year, the Remuneration

Committee and the Board of Directors are to evaluate whether further share-based warrant programmes are to be proposed to the Annual General Meeting

Pensions

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

Termination of employment and severance pay

For senior executives, the notice period of termination of employment is six months when initiated by the employee and a maximum of twelve months when initiated by the Company, except for one senior executive who has a

24 month notice period when termination of employment is initiated by the Company, of which the last twelve months can be settled against other employment. Other than the payment of the executive's normal salary during the termination period, no severance pay is applicable.

For 2015, largely similar guidelines regarding remuneration to senior executives are proposed. A further description of the guidelines is found on the Company's website under Corporate Governance.

EVENTS AFTER BALANCE SHEET DATE

Arise has signed a five-year operation management agreement with Storrun Vindkraft AB regarding a total of 30 MW. The agreement has been signed after the acquisition of Storrun wind farm by Prime Super, an Australian fund managed by Whitehelm Capital. With this agreement, Arise now has approximately 450 MW in operation and under management, of which approximately 260 MW comprises Arise's own production portfolio. Estimated production from the total acquired production portfolio amounts to approximately 1.1 TWh per year (equivalent to around 10% of Sweden's total wind power production in 2014).

Arise has repurchased further bonds at a nominal value of MSEK 18. The repurchase refers to the Company's unsecured bond of MSEK 350. The purpose of the repurchase is to reduce gross liabilities and improve Arise's net financial income. Following the repurchase, Arise's holding of the aforementioned bond stands at MSEK 50.

OUTLOOK FOR 2015

The Company will continue to work on broadening its service offering, streamlining its operations and ensuring the opportunities to provide shareholders with a good return in the form of dividends and capital growth. According to the Company's assessment, the opportunities to further strengthen its position in the Nordic market are good.

PROPOSED APPROPRIATION OF PROFITS

The Annual General Meeting has the following profits at its disposal:

Parent Company	**TSEK**
Accumulated deficit from previous years	-100,947
Share premium reserve, non-restricted equity	1,367,021
Net profit for the year	22,895
Total unappropriated earnings	**1,288,969**

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

To be carried forward	**1,288,969**

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

Consolidated income statement

Amounts to the nearest MSEK	NOTE	2014	2013
Net sales		254	260
Other operating income		34	20
Total income	**2**	**288**	**280**
Capitalised work on own account	2	13	20
Personnel costs	4	-39	-55
Other external expenses	5	-64	-66
Share of profits in associated companies	10	-1	32
Operating profit before depreciation (EBITDA)		**197**	**211**
Depreciation of property, plant and equipment	9	-106	-94
Operating profit (EBIT)		**91**	**117**
Financial income	6	1	7
Financial expenses	6	-117	-92
Profit/loss before tax		**-24**	**32**
Income tax	7	-1	-4
Net profit/loss for the year		**-25**	**29**
Earnings per share (SEK)			
Before dilution		-0,75	0,86
After dilution		-0,75	0,86
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

Earnings per share before dilution are calculated by dividing net profit/loss for the year by the number of shares. The average number of outstanding shares applied in calculating earnings per share before dilution amounted to 33,373,876 shares (2013: 33,373,876 shares). The Company has issued warrants that could result in dilution, but no dilution is reported as the average 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	2014	2013
Net profit/loss for the year	**-25**	**29**
Other comprehensive income		
Items which can be reclassified in the income statement		
Cash flow hedges	-70	32
Translation differences	18	13
Share of associated companies' Other comprehensive income	2	33
Income tax attributable to components of Other comprehensive income	12	-17
Other comprehensive income for the year, net after tax	**-38**	**62**
Total comprehensive income for the year	-63	90

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

Consolidated balance sheet

Amounts to the nearest MSEK	NOTE	2014	2013
ASSETS			
Fixed assets			
Property, plant and equipment	9	2,209	2,360
Participations in associated companies	10	–	6
Receivables from associated companies	22	415	369
Deferred tax assets	7	53	43
Other financial fixed assets	12	24	89
Total fixed assets		**2,701**	**2,867**
Current assets			
Inventories	13	20	27
Accounts receivable	15	3	16
Receivables from associated companies	22	27	37
Other current receivables	11,14	28	29
Derivative assets		0	4
Prepaid expenses and accrued income	16	30	59
Cash and cash equivalents		157	191
Total current assets		**266**	**364**
TOTAL ASSETS		**2,967**	**3,231**
EQUITY			
Share capital	17	3	3
Other contributed capital		1,320	1,320
Hedging reserve		-145	-107
Retained earnings/accumulated deficit		-1	24
Total equity		**1,178**	**1,240**
LIABILITIES			
Non-current liabilities			
Non-current interest-bearing liabilities	18	1,557	1,610
Provisions	19	24	22
Total non-current liabilities		**1,581**	**1,632**
Current liabilities			
Current interest-bearing liabilities	18	72	107
Accounts payable		19	42
Derivative liabilities		76	70
Other liabilities	11	2	97
Accrued expenses and deferred income	20	39	42
Total current liabilities		**208**	**359**
TOTAL EQUITY AND LIABILITIES		**2,967**	**3,231**
Pledged assets	21	2,846	2,698
Contingent liabilities	21	None	None

Consolidated cash flow statement

Amounts to the nearest MSEK	NOTE	2014	2013
Operating activities			
Operating profit (EBIT)		91	117
Adjustment for non-cash items	8	94	68
Tax paid		-1	-1
Cash flow from operating activities before changes in working capital		**185**	**185**
Cash flow from changes in working capital			
Increase (–) / decrease (+) in inventories		6	-4
Increase in operating receivables		101	43
Increase in operating liabilities		-130	-11
Cash flow from operating activities		**162**	**213**
Investing activities			
Investments in property, plant and equipment		-118	-292
Sales of property, plant and equipment		97	–
Investments in other financial fixed assets		–	0
Cash flow from investing activities		**-22**	**-292**
Financing activities			
Increase in interest-bearing liabilities		-101	27
Receipts/deposits, blocked accounts		65	-3
Interest paid		-181	-96
Interest received		42	2
Cash flow from financing activities		**-174**	**-71**
Cash flow for the year		**-34**	**-150**
Cash and cash equivalents at beginning of year		191	341
Cash and cash equivalents at year-end		157	191
Interest-bearing liabilities at year-end		1,629	1,717
Blocked cash and cash equivalents at year-end		-23	-88
Net liabilities		**1,449**	**1,438**

Statement of changes in equity for the group

Amounts to the nearest MSEK	Share capital	Other contributed capital	Hedging reserve	Retained earnings/accumulated deficit	Total equity
Opening balance as of 1 Jan 2013	3	1,322	-169	-4	1,152
Net profit/loss for the year				29	29
Other comprehensive income for the year			62		62
Total comprehensive income			**-107**	**24**	**90**
Value adjustment of issued warrants		-2			-2
Total transactions with shareholders, recognised directly in equity		-2			-2
Closing balance as of 31 Dec 2013	**3**	**1,320**	**-107**	**24**	**1,240**
Opening balance as of 1 Jan 2014	**3**	**1,320**	**-107**	**24**	**1,240**
Net profit/loss for the year				-25	-25
Other comprehensive income for the year			-38		-38
Closing balance as of 31 Dec 2014	**3**	**1,320**	**-145**	**-1**	**1,178**

DEFINITIONS, KEY PERFORMANCE INDICATORS

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

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

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

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

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

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

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

Interest coverage ratio
Profit/loss before tax plus financial expenses as a percentage of financial expenses.

Debt/equity ratio
Interest-bearing net liabilities as a percentage of equity.

Equity / assets ratio
Equity as a percentage of total assets.

Capital employed
Shareholders' equity plus interest-bearing net liabilities.

Notes to the consolidated financial statements

NOTE 1 • ACCOUNTING PRINCIPLES

ACCOUNTING PRINCIPLES FOR THE GROUP

1. General information

Arise AB (publ), Corporate Identity Number 556274-6726, is a limited liability company registered in Sweden, and its shares are listed on the Nasdaq OMX Stockholm. The Company's registered office is located in Halmstad. The Company's and its subsidiaries' primary operations are described in the administration report in this annual report. The consolidated financial statements for the financial year ending on 31 December 2014 were approved by the Board of Directors on 25 March 2015, and will be presented to the Annual General Meeting for adoption on 5 May 2015.

2. Summary of important accounting principles

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

Basis of preparation of the financial statements

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

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

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

New and amended standards applied by the Group

The standards applied by the Group for the first time for the financial year commencing 1 January 2014, and which are deemed to have a significant impact on the Group, are presented below.

IFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor as to whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in the determination of this control where this is difficult to assess. The implementation of IFRS 10 is not deemed to have had any impact on the Group.

IFRS 11 "Joint Arrangements" focuses on the rights and obligations incumbent on entities jointly controlling an arrangement, rather than on the legal form of the arrangement. There are two types of joint arrangements: joint operations and joint ventures. A joint operation is an arrangement in which the parties with joint control have direct rights to the assets and obligations for the liabilities relating to that arrangement. Joint operations are accounted for according to the party's relative share of jointly controlled assets, liabilities, income and expenses. A joint venture is an arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity accounting method, as the option to account for joint ventures using proportionate consolidation has been removed. The implementation of IFRS 11 is not deemed to have had any impact on the Group. IFRS 12 "Disclosures of Interests in Other Entities" includes disclosure requirements for subsidiaries, joint arrangements, associated companies and "structured entities" which have not been consolidated.

New standards and interpretations not yet adopted by the Group

A number of new standards and changes in interpretations and current standards came into effect for financial years beginning after 1 January 2014, and have not been applied in the preparation of these financial statements. None of these standards or interpretations is expected to have any material effect on the consolidated financial statements, with the exception of the following:

IFRS 9 "Financial instruments" addresses the classification, valuation and recognition of financial assets and liabilities. The complete version of IFRS 9 was issued in July 2014 and replaces those parts of IAS 39 addressing the classification and valuation of financial instruments. IFRS 9 retains a mixed valuation model, but simplifies certain aspects. There will be three valuation categories for financial assets; amortised cost, fair value through other comprehensive income and fair value through profit and loss. The classification of an asset is based on the Company's business model and the characteristics of the instrument's contractual cash flows. Investments in equity instruments are to be valued at fair value through profit and loss, although the option exists for initial recognition of the instrument at fair value through other comprehensive income. In the event that this option is exercised, no reclassification to the income statement is permitted upon the sale of the instrument. IFRS 9 also introduces a new model for the calculation of credit loss reserves which is based on anticipated credit losses. For financial liabilities, there is no change to classification or valuation, with the exception of cases where a liability is reported at fair value through profit and loss on the basis of the fair value alternative. Changes in value attributable to changes in the entity's own credit risk should, in such cases, be reported in Other comprehensive income. IFRS 9 reduces hedge accounting requirements, in that the criterion is replaced with requirements related to the economic relationship between the hedging instrument and the hedged item, and that the hedge ratio is identical to the ratio applied in risk management. Hedging documentation has also been changed slightly compared with documentation prepared pursuant to IAS 39. The standard is mandatorily effective for financial years beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to evaluate the effects of the implementation of the standard.

IFRS 15 "Revenue from contracts with customers" addresses the manner in which revenues are to be reported. The principles on which IFRS 15 is based provide the user of financial reports with more usable information regarding the entity's revenues. The extended disclosure requirements entail that information regarding type of revenue, date of payment, uncertainties related to the revenue recognition and cash flows attributable to the entity's contracts with customers are to be presented. According to IFRS 15, revenue is to be recognised when the customer assumes control over the sold item or service and has the ability to use and obtain benefit from those items or services.

IFRS 15 replaces IAS 18 "Revenues" and IAS 11 "Construction Contracts" and associated SIC and IFRIC. IFRS 15 is effective from 1 January 2017. Early adoption is permitted. The standard has not yet been adopted by the EU. The Group is yet to evaluate the effects of the implementation of the standard.

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

Consolidated financial statements

Subsidiaries

Subsidiaries are all companies in which the Group exercises control. Control is deemed to exist when the Group is exposed to or is entitled to variable returns on the basis of its participation in the company and is able to impact this return through its influence in the company. Subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Group and are excluded from the financial statements from the date on which control is relinquished

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

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

Sales of subsidiaries

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

Associated companies

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

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

The Group's share of the profit arising after the acquisition is reported in the income statement, and its share of the changes in Other comprehensive income after acquisition is reported in Other comprehensive income, with a corresponding change in the participation's reported value. When the Group's share in the losses of an associated company amounts to, or exceeds, its participation in the associated company, including any receivables without collateral, the Group does not report further losses unless it has assumed legal or informal obligations, or has made payments on behalf of the associated company.

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

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

Gains and losses on the dilution of shares in associated companies are reported in the income statement. A reclassification has been implemented as regards the fair value of derivative assets and liabilities. These are reported via comprehensive income in the income statement, and are now reported at net value in the balance sheet under the item "Participations in associated companies". In previous periods, these were reported at gross value in the balance sheet. The comparative figures have been adjusted accordingly. Financial income from the Sirocco Group, which was previously reported among "Financial income", has been reclassified and is now reported under the item "Share of associated companies' profit". The comparative figures have been adjusted accordingly.

Lease agreements

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

Financial lease agreements

The Group has lease agreements for certain items of property, plant and equipment, which are classified as financial leases. The amount of each lease payment is divided between the repayment of the liability and financial expenses. The corresponding payment commitments, after deduction for financial expenses, are included in the balance sheet items Non-current interest-bearing liabilities and Current interest-bearing liabilities. Interest on the financial expenses is reported in the income statement, allocated over the lease term so that fixed interest on the liability for the period is also reported in that period. Fixed assets held in accordance with financial lease agreements are depreciated over the asset's useful life or lease term, whichever is the shorter.

Operating lease agreements

The Group signs lease agreements with land owners for periods of 30 years or more for the construction of wind turbines. Lease agreements regarding land are defined as operating leases. Lease payments for operating lease agreements are expensed systematically over the term of the lease. The Group has entered into agreements regarding the leasing out of wind farms under which the Group is lessee, and these rental agreements are also classified as operating leases. The tenors of the agreements concerning leases of wind farms are short-term, running for one year at a time. All leasing income is variable and is based on the turbine's production. The lease fee is, therefore, recognised as income in pace with actual production.

Transactions and balance sheet items in foreign currencies

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

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

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

Income

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

Net sales include the sales of generated electricity, earned and sold electricity certificates and realisations of electricity and currency derivatives attributable to hedged production, as well as development fees from sold projects. In addition, net sales include income from leased production facilities. When calculating average income for electricity and electricity certificates, rental income is included and is reported as a hedge of income rate risk on the electricity and electricity certificates. Development fees are not included in the calculation of average income.

Other operating income comprises income from crane leasing, project management and administrative services, capital gains on sold facilities and other minor items (Note 2).

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

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

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

Employee benefits

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

Premiums are paid regularly during the year by each Group company, to independent legal entities, normally insurance companies. The size of the premium is based on the salary level and, other than pension payments, the Group has no obligation to pay further benefits. The expenses are charged to the Group's profit at the same time as the benefits are earned, which normally coincides with the time at which the premiums are paid. Regarding benefits to senior executives, please refer to the administration report on page 51.

Share-based payment

As of 31 December 2014, the Group has two share-based payment plans, in which settlement is provided in the form of shares. Outstanding warrants derive from two issued series. The acquisition price of warrants issued to employees (series 7) is based on the estimated market price on the subscription date according to the Black & Scholes valua-


arise

tion model. Warrants issued to external interests (series 5) have been allotted at no price. Refer to Note 17 for further details. When the warrants are exercised, the Company issues new shares. Payments received, after deductions for any directly-attributable transaction costs, are credited to share capital (quotient value) and other contributed capital.

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

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

Current and deferred tax

Tax expenses or tax income for the period comprises current tax and deferred tax. Tax is reported in the income statement, with the exception of tax attributable to items reported in Other comprehensive income or directly in equity. For such items, the tax is also reported in Other comprehensive income or directly in equity. Current tax is based on the year's taxable income. The year's taxable income varies from the year's reported profit as an adjustment has been made for non-taxable and non-deductible items. Deferred tax is tax attributable to taxable or deductible temporary differences which incur, or reduce, tax in the future.

Deferred tax is calculated, applying the balance sheet method, on the basis of temporary differences between the reported values and taxable values of assets and liabilities. The amounts are calculated based on the manner in which the temporary differences are expected to be settled and by applying the tax rates and tax regulations agreed or announced on balance sheet date.

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

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

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

Property, plant and equipment

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

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

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

Land is assumed to have an indefinite useful life and is, therefore, not depreciated. The value of wind turbines is depreciated on a straight-line basis down to a maximum of the turbine's estimated residual value and during the asset's expected useful life. The Group applies component depreciation, implying that the components' estimated useful lives form the basis for the straight-line depreciation. The depreciation of wind turbines is initiated in conjunction with the takeover from the supplier. For the calculation of depreciation according to plan, the following useful lives are applied:

- Buildings 20 years
- Wind turbines and foundations 10–30 years
- Other equipment 3–5 years

Impairment

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

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

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

Financial assets and liabilities

Classification

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

Loans and receivables

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

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

A financial asset or a financial liability is reported 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 reported on the transaction date, which is the date on which the Company commits to acquire or sell the asset, except for cases in which the Company acquires or sells listed securities, in which case settlement accounting is applied. On each reporting date, Arise assesses whether there are objective indications that a financial asset or a group of financial assets needs to be impaired.

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

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

For the loans and receivables category, impairment is calculated as the difference between the asset's reported value 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 reported value is impaired, with the amount of impairment being reported 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 reported (for example, an improvement in a debtor's credit rating), the reversal of the impairment is reported in the consolidated income statement.

Calculation of the fair value of financial instruments

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

Set-off of financial assets and liabilities

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

Cash and cash equivalents

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

Derivatives and hedging

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

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

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

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

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

Borrowing

Liabilities to credit institutions and credit facilities are categorised as "Other financial liabilities" and are initially reported at fair value, net after transaction costs. Borrowings are, thereafter, reported at amortised cost, whereby directly attributable expenses, such as arrangement fees, are distributed over the loan's maturity using the effective interest method. Non-current liabilities have an expected maturity longer than one year whilst current liabilities have a maturity shorter than one year.

Borrowing expenses

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

Accounts payable

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

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

Inventories

Inventories are valued at the lower of acquisition cost and net realisable value. The net realisable value is equivalent to the listed value on a specific exchange for electricity certificates, or is equivalent to another value, should another form of contract have been concluded. The cost for inventories is calculated by applying the first in, first out method (FIFO).

Segment reporting

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

Provisions

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

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

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

Share capital

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

Transaction costs which can be directly attributed to the issuance of new ordinary shares or bonds are reported, net after tax, in equity, as deductions from the capital received from the issue.

When a Group company purchases the Parent Company's shares (repurchase of own shares), the paid purchase price, including any directly attributable transaction costs (net after tax), reduces retained earnings, until the shares are withdrawn or sold. If these ordinary shares are, at a later date, sold, the received amount (net after any directly attributable transaction costs and tax effects) is reported in retained earnings.

3. Significant estimates and assumptions

In preparing financial statements in accordance with IFRS and generally accepted accounting principles, estimates and assumptions are made about the future, which affect balance sheet and income statement items. These judgments are based on past experience and the various assumptions which the management and the Board regard as reasonable under the prevailing circumstances. In cases in which it is not possible to determine the reported value of assets and liabilities on the basis of information from other sources, the valuations are based on such estimates and assessments. If other assumptions are made or other conditions arise, the actual outcome may differ from these assessments.

Critical accounting estimates and assumptions

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

Impairment testing for property, plant and equipment

The Group has significant values reported in the balance sheet relating to property, plant and equipment in the form of wind farms and wind power projects. The book values of these are tested for impairment in accordance with the accounting principles described in Note 1, Accounting Principles. The recoverable amounts of wind farms and wind power projects, which are deemed to comprise cash generating units, have been determined by calculating the value in use for wind farms in operation or expected value in use for the project portfolio. These calculations require the use of estimates of future cash flows and assumptions regarding the required return and choice of discount rate. A continued decline in the price development of electricity and electricity certificates was noted in 2014, although this is not deemed to be permanent by the Board of Directors and Company management, when seen from the perspective of the assets' useful lives. The Board of Directors' and Company management's assumption regarding the future price development of electricity and electricity certificates is based on price forecasts produced by external experts. Future price assumptions relating to electricity and electricity certificates and the discount rate are the factors with the most influence in a sensitivity analysis. The price development is dependent on, among other things, future political decisions regarding the quota value of certificates, and the development of electricity prices in general, as well as the impact of the Group's price hedging. The discount rate depends on the underlying interest rate levels, risk factors and the availability of financing. Should the prevailing price levels of electricity and electricity certificates remain unchanged, or should the anticipated future price development not be realised, while, at the same time, the chosen discount rate remains unchanged, then the estimated value in use will also decrease. This could have a significant impact on Arise's results and financial position.

Valuation of loss carry-forwards

Deferred tax assets attributable to loss carry-forwards reported in the Group amount to MSEK 24 (26) (Note 7). The reported value of these tax assets has been assessed at year-end and it has been deemed likely that these losses will be offset against any surpluses in future taxation. The tax assets refer to Swedish loss carry-forwards, which can be utilised for an indefinite period. The Group's operations, in the form of both wind farms in operation and sold wind farms, are expected to generate significant surpluses over the next few years. For this reason, Arise believes that factors exist confirming that it will be possible to offset the loss carry-forwards against future taxable surpluses.

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 estimation forms the basis of the investment calculation.

Framework agreements with suppliers – cancellation fees

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

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

Restoration costs

In certain projects, there are requirements on the restoration of land after the expiration of the project. The expenses for the dismantling of wind turbines and the restoring of the land around wind turbines have been estimated at MSEK 24 (22) for turbines in operation, for which a provision has been made in the financial statements (Note 19) and included in the depreciable amount.

Participating interest in the associated company, Sirocco Wind Holding AB

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

NOTE 2 • INCOME

Net sales include the sale of generated electricity, earned and sold electricity certificates, as well as gains and losses from electricity and currency derivatives attributable to the hedged production. In addition, net sales includes income from leased production, whereby the portions attributable to electricity and certificates have been included in the calculation of Key Performance Indicators, amounting to MSEK 88 (24) for income from electricity and MSEK 51 (12) for income from electricity certificates.

	2014	2013
Electricity	71	114
Electricity certificates	35	83
Rental income	139	36
Development fees	9	27
Net sales	**254**	**260**

Realised gains and losses on derivatives have affected net sales positively by MSEK 8 (12).

Electricity production in Own wind power operations (including leased operations) amounted to 401.4 GWh (327.6) during the year. Average income for electricity was SEK 396 (421) per MWh and for electricity certificates it was SEK 215 (290) per MWh, i.e. an average income per produced MWh of SEK 611 (711) per MWh.

The following items are included in Other operating income;

	2014	2013
Income from crane leasing	9	7
Project management and administrative services	9	10
Gains on sales of wind farms	12	–
Other items	3	3
Other operating income	**34**	**20**

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

NOTE 3 • SEGMENT REPORTING

The Group's internal reporting system is based on the return and profitability of the wind farms built and in operation, for which reason Own wind power operations form the primary basis of segment reporting. Associated companies, which, for accounting purposes, are not consolidated and currently only consist of Sirocco Wind Holding AB, the Jädraås project, are illustrated in the segment Co-owned wind power operations as if these operations were consolidated. Other activities in the Group aim to develop wind farms, for which reason these activities have been categorised as Wind power development. Internal prices between the various segments of the Group are determined on the basis of the "arm's length" principle, that is, between parties who are independent, well informed and who have an interest in the transactions being undertaken. Segment income, earnings and assets include directly attributable items and items which can be allocated to segments in a reasonable and reliable manner.

		Own wind power operations		Co-owned wind power operations		Wind power development		Eliminations		Group	
(Amounts to the nearest MSEK)		**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Net sales, external		245	233	137	141	9	27	-137	-141	254	260
Net sales, internal		–	–	–	–	7	11	-7	-11	–	–
Other operating income	Note a	14	0	–	–	20	20	–	–	34	20
Total income		**260**	**233**	**137**	**141**	**36**	**57**	**-144**	**-151**	**288**	**280**
Capitalised work on own account		–	–	–	–	13	20	–	–	13	20
Operating expenses		-54	-50	-36	-26	-57	-82	43	37	-104	-121
Share of associated companies' profit		–	–	–	–	–	–	-1	32	-1	32
Operating profit before depreciation (EBITDA)		**206**	**183**	**101**	**115**	**-8**	**-4**	**-102**	**-82**	**197**	**211**
Depreciation/amortisation and impairments		-93	-83	-63	-43	-13	-11	63	43	-106	-94
Operating profit (EBIT)		**113**	**100**	**38**	**72**	**-21**	**-15**	**-39**	**-40**	**91**	**117**
Financial income	Note b	2	3	0	-1	0	0	-1	3	1	7
Financial expenses	Note b	-87	-64	-46	-36	-31	-24	47	32	-117	-92
Profit/loss before tax (EBT)		**28**	**40**	**-8**	**37**	**-51**	**-40**	**8**	**-4**	**-24**	**32**
Assets		**2,288**	**2,370**	**1,611**	**1,587**	**679**	**861**	**-1,611**	**-1,587**	**2,967**	**3,231**
– of which participations in associated companies		–	–	–	–	–	6	–	–	–	6
– of which receivables from associated companies		–	–	–	–	442	406	–	–	442	406
– of which purchases of fixed assets [1]		6	7	–	–	105	292	1	-5	112	294

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

	Own wind power operations		Co-owned wind power operations		Wind power development		Eliminations		Group	
(Amounts to the nearest MSEK)	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Note a – Other operating income										
Income from crane leasing	–	–	–	–	9	7	–	–	9	7
Project management and administrative services	–	–	–	–	9	10	–	–	9	10
Gains on sales of wind farms	12	–	–	–	–	–	–	–	12	–
Other items	2	0	–	–	1	3	–	–	3	3
	14	**0**	**–**	**–**	**20**	**20**	**–**	**–**	**34**	**20**
Note b – Net financial income										
Total net financial income	-93	-67	-72	-52	3	-2	73	52	-89	-69
Less interest expenses on shareholder loans	8	6	26	17	-34	-22	-26	-16	-26	-16
Net financial income excl. shareholder loans	**-85**	**-61**	**-46**	**-35**	**-31**	**-24**	**47**	**36**	**-115**	**-85**

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

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

NOTE 4 • PERSONNEL

Average number of employees	2014			2013		
	Women	Men	Total	Women	Men	Total
Parent Company	5	11	16	7	16	23
Subsidiaries	1	14	15	1	15	16
Group total	**6**	**25**	**31**	**8**	**31**	**39**

Salaries and other remuneration	Board and CEO	of which variable remuneration	Other employees	Board and CEO	of which variable remuneration	Other employees
Parent Company	4.0	–	10.5	4.6	0.2	18.9
Subsidiaries [1]	3.4	–	7.1	4.2	0.7	8.0
Group total	**7.4**	**–**	**17.6**	**8.8**	**0.9**	**26.9**

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	12.7	9.2	4.0	23.6	12.4	4.6
Subsidiaries	10.4	5.6	1.9	12.2	6.6	2.3
Group total	**23.1**	**14.8**	**5.9**	**35.8**	**19.0**	**6.9**

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

2014

Remuneration to the Board of Directors, CEO and senior executives

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

2013

Remuneration to the Board of Directors, CEO and senior executives

	Directors' fee	Salary	Variable remuneration	Other benefits	Pension Costs
Pehr G Gyllenhammar, Chairman	1.0				
Birger von Hall	0.5				
Joachim Gahm	0.7				
Maud Olofsson	0.3				
Total remuneration to the Board of Directors	**2.5**				
Peter Nygren, verkställande direktör		2.0	0.2	0.1	0.6
Other senior executives (6 individuals)		7.3	2.0	0.3	2.6
Total remuneration to CEO and senior executives		**9.3**	**2.2**	**0.4**	**3.2**

Basic salary/Directors' fees

The Chairman and Members of the Board are paid a Directors' fee in accordance with the resolution of the Annual General Meeting. Board Members who are employees of the Company have received no remuneration or benefits other than those relating to their employment. Remuneration to the CEO and other senior executives consists of basic salary, variable remuneration, other benefits and pensions. Senior executives refers to the group of six individuals who, together with the CEO, formed the Group management in 2014.

Variable remuneration

All employees are covered by a common remuneration programme which is linked to the quantitative objectives set out within the Group. This programme has been supplemented with individual remuneration programmes based on individual goals. Goal attainment for 2014 was not achieved to any extent and no variable remuneration has been paid (MSEK 4.1 in the previous year). No other payments or remunerations with a dilution effect have been made.

Synthetic warrants

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

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

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

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

Other benefits

Other benefits primarily refer to company cars.

Pension

The retirement age for the CEO and other senior executives is 65. The pension contribution to the CEO is 35 % of the pensionable salary and follows the defined contribution plan. Other senior executives also have defined contribution pension plans and, for 2014, the pension premium averaged 27 % (27) of the base salary. Variable remuneration is not pensionable for either the CEO nor for the senior executives. All pensions are vested, meaning that they are not conditional upon future employment.

Financial instruments

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

Severance pay

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

Preparatory work and decision-making process

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

Remuneration to the CEO for the financial year 2014 was determined by the Chairman of the Board in accordance with the recommendations of the Remuneration Committee, and the remuneration policy adopted by the Annual General Meeting. Remuneration to other senior executives was determined by the CEO after consultation with the Remuneration Committee, within the framework of the remuneration policy.

During the year, the Remuneration Committee included Joachim Gahm, (Chairman), Maud Olofsson, Peter Gyllenhammar, Jon Brandsar and Peter Nygren. The Committee is convened when required, but at least twice a year to prepare proposals on remuneration to the CEO and to accept, or reject, the proposal for the remuneration and conditions for the senior executives who report directly to the CEO. Furthermore, the Committee establishes principles for determining the salaries and terms of employment for senior executives, which are submitted to the Annual General Meeting for approval. The Remuneration Committee shall make recommendations on the remuneration, terms and principles of the Board which will, consequently, decide on these matters. The Committee met on two occasions in 2014.

Sick leave in the Group, %	2014	2013
Total sick leave	1.8%	0.4%
Short-term sick leave	1.0%	0.4%
Long-term sick leave	0.8%	0.0%
Sick leave for men	0.6%	0.3%
Sick leave for women	7.1%	0.7%
Sick leave, employees under the age of 30	0.9%	0.3%
Sick leave, employees aged 30–49	3.6%	0.6%
Sick leave, employees aged 50 or older	1.0%	0.4%

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

Gender distribution among senior executives

	2014				2013			
	Women		Men		Women		Men	
	No. of	%	No. of	%	No. of	%	No. of	%
Board of Directors	1	20	4	80	1	20	4	80
Group management	0	0	7	100	0	0	7	100

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

NOTE 5 • EXTERNAL EXPENSES

Auditing fees	2014	2013
Öhrlings PricewaterhouseCoopers		
Audit assignment	0.8	1.3
Audit activities other than the audit assignment	0.2	0.3
Tax consultancy services	0.1	0.1
Other services	0.1	0.4
Total	**1.2**	**2.1**

NOTE 6 • FINANCIAL INCOME AND EXPENSES

	2014	2013
Interest income	1	7
Foreign exchange gains	0	0
Total financial income	**1**	**7**
Interest expenses	-104	-91
Periodisation, interest swaps	-12	–
Foreign exchange losses	-1	-1
Total financial expenses	**-117**	**-92**

NOTE 7 • TAXES

Tax on profit for the year	2014	2013
Deferred tax	-1	-4
Reported tax	**-1**	**-4**
Deferred tax		
Attributable to unutilised loss carry-forwards [1]	24	26
Derivatives valued at fair value	42	29
Fixed assets	-13	-12
Total recognised deferred tax	**53**	**43**
Reconciliation of reported tax in the Group		
Profit/loss before tax	-24	32
Tax, 22%	5	-7
Tax effect of:		
Associated companies' profit, already taxed	-6	4
Other additional and removed items	0	-1
Reported tax on profit for the year	**-1**	**-4**
Change in deferred tax		
Opening value, net	43	63
Reported deferred tax on net profit/loss for the year	-1	-4
Tax items recognised directly in equity [2]	11	-16
Closing value, net	**53**	**43**

[1] The Group's total tax loss carry-forward amounts to MSEK 109 (113), of which MSEK 28 is blocked from utilisation until the tax assessment year 2018. The fiscal deficit is expected to be utilised, in its entirety, against future taxable profits, primarily arising from operating surpluses, but also from gains on sales of wind farms.
In addition, the fiscal deficit is expected to be utilised against the dissolution of accelerated depreciation on property, plant and equipment. Loss carry-forwards are subject to no time limits on use.

[2] Tax items recognised directly in Other comprehensive income refer to the Group's hedging reserve attributable to interest, electricity and forward currency contracts.

NOTE 8 • ADDITIONAL DISCLOSURES TO THE CASH FLOW STATEMENT

Cash and cash equivalents consist of cash and bank balances.

Adjustment for non-cash items	2014	2013
Depreciation and impairment of property, plant and equipment	106	94
Items attributable to participations in associated companies	1	-25
Capital gains from sales of fixed assets	-12	–
Impairment of proceeds from warrants	–	-2
Total	**94**	**68**

NOTE 9 • PROPERTY, PLANT AND EQUIPMENT

	Land and buildings [1]		Wind power, foundations and electrical installations		Equipment, tools, fixtures and fittings		Advances and construction in progress [2]		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Opening acquisition cost	3	3	2,111	2,071	85	83	501	252	2,700	2,409
Purchases/investments [3]	0	0	99	14	7	1	6	292	112	294
Sales/disposals [4]	-1	–	-73	–	-10	-1	-80	-2	-164	-3
Reclassifications	–	–	290	39	–	1	-290	-41	–	–
Closing acquisition cost	**2**	**3**	**2,427**	**2,111**	**82**	**85**	**137**	**501**	**2,648**	**2,700**
Opening accumulated depreciation and impairment	0	0	-274	-191	-41	-29	-25	-27	-340	-247
Depreciation for the year	0	0	-95	-84	-9	-12	-2	2	-106	-94
Reclassifications	–	–	–	–	–	–	–	–	–	–
Sales/disposals	0	–	2	–	4	–	0	0	6	0
Closing accumulated depreciation and impairment	**0**	**0**	**-367**	**-274**	**-46**	**-41**	**-26**	**-25**	**-440**	**-340**
Closing residual value according to plan [5]	**2**	**3**	**2,060**	**1,837**	**36**	**44**	**111**	**476**	**2,209**	**2,360**

1) Land and buildings includes land with a book value of MSEK 1 (1). The tax assessment value of the Group's properties is MSEK 1 (2), of which MSEK 0 (1) refers to the tax assessment value of land.

2) Constructions in progress include advance payments regarding property, plant and equipment of MSEK 0 (–).

3) Investments for the year include capitalised interest of MSEK 1 (1) calculated at an average interest rate of 3.2 % (3.0).

4) Sales/disposals of MSEK 80 refer to a previously reported but unpaid purchase price for the acquisition of Solberg Vindkraft AB in 2012. The purchase price in its entirety has been contractually eliminated, which is reported as a disposal.

5) Of the property, plant and equipment referred to above, leased wind farms constitute MSEK 1,706 (879) in acquisition cost and MSEK -285 (-80) in accumulated depreciation. Depreciation for the year on leased wind farms amounts to MSEK 66 (35).

The framework agreement signed previously with GE Energy has been replaced by a new framework agreement resulting in a contractual commitment to purchase a certain number of wind turbines during 2015. If these commitments are not met, the Company can become liable for costs in a maximum amount of MSEK 10 (21) in 2015. The Company intends to enter into new agreements with suppliers on an on-going basis in the context of the continued expansion of the operations to take place up to and including 2017.

Financial lease agreements

The Group leases a crane and a truck under non-terminable leases, where the lease term is 8 years. In addition, company cars are leased under terminable leases with lease periods of 3 years. Residual value according to plan includes financial lease agreements which amount to MSEK 30 (35).

Operating leases

The Company has entered into operating leases, primarily leases of land associated with the construction of wind turbines, with minimum lease payments as described below. The cost for the year of operating leases amounted to MSEK 18 (17), of which variable fees amounted to MSEK 14 (14) and minimum leasing fees amounted to MSEK 4 (3).

	2014	2013
Within 1 year	4	3
In 2 to 5 years	14	12
In 6 to 20 years	39	33
Total	**57**	**48**

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

The Company has also entered into operating lease agreements regarding the leasing out of wind farms under which the Group is lessee. All of these agreements have respective tenors of a maximum of 12 months, and all leasing income is variable and is based on the turbine's actual production. The lease fee is, therefore, recognised as income in pace with production. For disclosures regarding the book value of the leased assets, see above under footnote 5 to the table.

NOTE 10 • PARTICIPATIONS IN ASSOCIATED COMPANIES

	2014	2013
Opening book value	6	69
Share of associated companies' profit	-27	16
Elimination of internal transactions	–	-18
Currency differencies	5	2
Derivative items	16	-63
Closing book value	**–**	**6**
Share of profits in associated companies		
Share of profits in associated companies (net after tax 22%)	-27	16
Financial income from associated companies (gross before tax)	26	16
Total	**-1**	**32**

Financial income from associated companies is attributable to a shareholder loan granted by the Company, which is considered a long-term investment in an associated company and, therefore, is deemed to have the same characteristics as contributed capital.

The Group's participating interests in associated companies reported according to the equity method comprise the 50% ownership of Sirocco Wind Holding AB, see Note 9 on page 92. This associated company's share capital consists entirely of ordinary shares which are owned directly by the Group. Sirocco Wind Holding AB's operations are conducted in Sweden. Sirocco Wind Holding AB is a private company and no quoted prices are available for its shares.

Condensed financial information for the associated company

Condensed financial information for Sirocco Wind Holding AB is presented below, reported according to the equity method. The information reflects the amounts reported in the associated company's annual financial statements (not Arise AB's share of these amounts) adjusted for discrepancies between the accounting principles of the Group and the company. Amounts have been translated at the closing rate of SEK 9.416/EUR (8.8498) and the average rate of SEK 9.1076/EUR (8.6494) and are presented in MSEK.

Condensed information from the balance sheet	2014	2013
Fixed assets	3,062	3,010
Current assets	127	164
Total assets	**3,189**	**3,174**
Non-current liabilities	3,041	2,959
Current liabilities	28	50
Total liabilities	**3,069**	**3,009**
Net assets	**120**	**165**

Condensed information from the income statement and statement of comprehensive income	2014	2013
Total income	274	281
Cash flow hedges	-54	33
Other comprehensive income	4	66
Total comprehensive income	**-50**	**99**
Dividends received from associated companies	–	–

NOTE 11 • FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

Electricity price risk

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

Electricity prices in the energy market fluctuate over time, and the Group strives to ensure that the price of delivered electricity is, at the time of delivery, hedged to some extent. In 2012, there was a review of the financial policy and a division was made between wind power projects to be built in the future, where the Company has its own resources to finance the equity portion (Portfolio A), and projects of finished and taken-over wind farms (Portfolio B).

Portfolio A can be hedged in a falling five-year limit to a maximum of 60 %. Hedging of price risk can, therefore, take place up to 5 years before the delivery of the same amount of electricity takes place. No lower limit has been established, as the Company has determined that it should not be forced to undertake a low level of, and unfavourable, hedging as regards this portfolio

For portfolio B, hedging must be undertaken at a minimum of 30 % and a maximum of 75 %, where the lower time limit is 3 years and the upper limit is 10 years on a rolling basis. Price hedging is, at any moment in time, to be within a specified hedging channel. 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), from the bank (e.g. DNB), or through other counterparty trading in financial hedges (e.g. Axpo). Since 2013, price hedging has also taken place through the leasing out of wind farms.

If the price of electricity to be delivered is hedged before the production capacity concerned has become operational, a volume risk arises, that is, the risk of non-delivery or delays in the delivery.

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

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

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

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

Electricity certificate price risk

Electricity certificates differ from electricity prices, primarily because certificates can be saved and stored. The certificates are recognised in conjunction with the production of the corresponding electricity and are obtained physically from the Swedish Energy Agency in the month following the calendar month in which they are earned. This means that the physical delivery of electricity certificates must take place at a date later than both the earning date and certificate date. Electricity certificate price risk arises in cases where certificate sales are not hedged and changes in the certificate market will, thus, have a direct impact on the Group's operating profit.

Price hedges of certificates can only be made bilaterally through the subscription of physical supply contracts with large electricity users. The majority of the deliveries of the certificates are usually made in conjunction with the annual reconciliation in March that coincides with the annual declaration date for companies requiring certificates. The hedging period for one calendar year runs, therefore, from April to March. A certain proportion of certificates must be retained to build up a "contingency stock" of certificates, ensuring delivery in accordance with the hedging agreements in place until March of the following calendar year. Sales can only be made of certificates held beyond this "contingency stock". Since 2013, price hedging has also been carried out in the form of the leasing out of wind farms.

Even within the certificates market, prices vary over time and the Group's aim is for certificates to be price hedged according to the same principles as electricity, as described above. The remaining volume which is not hedged can be sold at the variable spot market price on SKM's (Swedish Kraftmäkling) marketplace. Since certificates can be stocked, there is a price risk in respect of the stock certificates that are not hedged and which are continuously sold, known as the "Spot stock".

Currency risk

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

Transaction exposure

Currency exposure on sales arises when electricity is sold in EUR on Nord Pool or via a bank. Sales of electricity and electricity certificates and bilateral sales contracts signed directly with the end users of electrical energy are, however, normally denominated in SEK and, therefore, do not give rise to any currency exposure. If a bilateral agreement is signed in EUR, a foreign exchange risk exposure occurs.

The Company's policy is that the daily supply of electricity is not hedged. The reason for this is that the production varies with wind conditions on a day-to-day or hour-to-hour basis, and is, thus, difficult to predict. By contrast, the electricity that is hedged financially in EUR should also be price-hedged. Hedging can be undertaken as a monthly or quarterly hedged amount. The Company's policy is, therefore, that spot sales of electricity in EUR can neither be price hedged or currency hedged. Since the Company also has on-going payments in EUR for, among other things, service costs for turbine suppliers, a natural hedge of EUR flow can be achieved. Any excess liquidity in EUR shall continuously be sold.

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

Translation exposure

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

Interest rate risk

Interest rate risk is defined as the risk of a decrease in profit caused by a change in market interest rates. The Group's

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

	2014			2013		
	Interest-bearing		Non-interest-bearing	Interest-bearing		Non-interest-bearing
	Fixed rate	Variable rate		Fixed rate	Variable rate	
Non-current receivables	415		53	369		43
Blocked accounts		23			88	
Current receivables	27		31	37		50
Cash and cash equivalents		157			191	
Non-current liabilities	-1,521	-60	24	-1,304	-306	22
Current liabilities	-66	-6	-136		-107	-272
Total	**-1,145**	**114**	**-28**	**-898**	**-134**	**-179**

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

Sensitivity Analysis

A change in any of the variables below has an impact on profit/loss before tax for 2014 (in MSEK) as follows:

Variable	Change	Impact on profit/loss before tax
Production	10%	+/- 22
Electricity price	10%	+/- 5
Electricity certificate price	10%	+/- 8
Interest expense	1 pp	+/- 17
Investment expense	10%	+/- 1
EUR/SEK, investments	10%	+/- 1
EUR/SEK, electricity prices	10%	+/- 3

Capital risk

The Group's objective regarding the capital structure is to safeguard the ability to continue operations in order to provide returns for shareholders and benefits for other stakeholders, and to ensure that the capital structure is optimal with respect to the cost of capital. Examples of measures that the Group can take to adjust the capital structure include the issuance of new shares, the issuance of corporate bonds or the sale of assets. See also information about the dividend policy and the target equity/assets ratio on page 101. The Group's target equity/assets ratio is 25%, whereas the outcome at 31 December 2014 was 39.7% (38.4).

Financing risk

Financing risk is defined as the risk of being unable to meet payment obligations as a result of insufficient liquidity or difficulties in obtaining financing. The Group's goal is to always have more than one lender who is willing to offer financing on market terms. The Group's policy states that liquidity amounting to MSEK 100 will always be available.

Credit risk

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

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

Fair value

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

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

Hedging reserve

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

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

Amounts to the nearest MSEK	2014	2013
Electricity futures	83	4
Currency futures, SEK/EUR	–	-1
Interest rate swaps	-208	-130
Outstanding derivative contracts	**-125**	**-126**

The fair value is calculated on the basis of market-based quotations and generally accepted valuation techniques. Currency rate futures refer to sales and purchases of EUR for hedging of electricity sales and purchases of wind turbines respectively. For every position, there is a counter flow in SEK. The ineffective portion associated with cash flow hedges, reported in the income statement, constitutes a profit of MSEK 0 (–).

Electricity future contracts

The nominal amount of electricity futures outstanding, including half of the electricity futures for Jädraås, totals MSEK 380 (376). The hedged, very probable forecasted transactions of electricity sales are expected to take place at varying points in time in the next three years. Gains and losses from electricity futures which are recognised in Other comprehensive income, and which are included in equity, are recognised in income statement in the period, or periods, in which the hedged transaction affects profit or loss

Forward currency contracts

The nominal amount of outstanding forward currency contracts totals MSEK 0 (-9). The hedged, very probable forecasted transactions in foreign currencies are expected to take place at different points in time in the following two years. Gains and losses from exchange rate futures which are recognised in Other comprehensive income, and which are included in equity, are recognised in income statement in the period, or periods, in which the hedged transaction affects profit or loss.

Interest rate swaps and caps

The nominal amount of interest rate swaps outstanding, including half of the interest rate swaps for Jädraås, totals MSEK 2,433 (2,064). The fixed interest rates fluctuate between 4.2% and 8.1% (3.2 and 7.1). The most significant variable interest rates are Stibor and Euribor. Gains and losses from interest rate swaps which are recognised in Other comprehensive income, and which are included in equity, are continuously transferred to financial expenses in the income statement, until the loans have been repaid.

PRICE HEDGES AS OF 31 DEC 2014

	2015	2016	2017
Own production, budget, GWh	411	411	411
Hedged electricity production, GWh	319	136	57
Hedged electricity certificate production, GWh	95	86	125
Hedged electricity price, inc. CFD, SEK/MWh	*388*	*270*	*264*
Hedged electricity certificate price, SEK/MWh	*220*	*218*	*198*
Co-owned production, budget, GWh	286	286	286
Hedged electricity production, GWh	177	177	177
Hedged electricity certificate production, GWh	194	243	199
Hedged electricity price, inc. CFD, SEK/MWh	*430*	*434*	*434*
Hedged electricity certificate price, SEK/MWh	*178*	*198*	*206*

Exchange rate applied: SEK 9.4/EUR

CLASSIFICATION OF FINANCIAL INSTRUMENTS

The tables below illustrate the classification of the financial instruments in the balance sheet in 2014 and 2013.

2014

Assets

	Derivatives valued at fair value	Loans receivable and accounts receivable	Total
Participation in associated companies	-47	47	–
Receivables from associated companies		415	415
Blocked accounts		23	23
Current assets			
Receivables from associated companies		27	27
Accounts receivable		3	3
Derivative assets	1		1
Other receivables		24	24
Cash and cash equivalents		157	157
Total current assets	1	211	212
Total assets	**-46**	**696**	**650**

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

2013

Assets

	Derivatives valued at fair value	Loans receivable and accounts receivable	Total
Participation in associated companies	-63	69	6
Receivables from associated companies		369	369
Blocked accounts		89	89
Current assets			
Receivables from associated companies		37	37
Accounts receivable		16	16
Derivative assets	4		4
Other receivables		30	30
Cash and cash equivalents	-1	192	191
Total current assets	3	275	278
Total assets	**-60**	**802**	**742**

Liabilities	Derivatives valued at fair value	Other financial liabilities	Total
Non-current interest-bearing liabilities		1,610	1,610
Current liabilities			
Current interest-bearing liabilities		107	107
Accounts payable		42	42
Derivative liabilities	70		70
Other liabilities		97	97
Total current liabilities	70	246	316
Total liabilities	**70**	**1,856**	**1,926**

Maturity structure of financial liabilities

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

Capital management

As the Company and its operations are developed, the possibilities to improve the efficiency and diversification of the capital structure increase through various measures, such as the issuance of shares, preference shares, corporate bonds, convertible instruments, sales of wind turbines or farms, repayments of capital to shareholders or other measures. The objective is to maintain an optimal capital structure. Consequently, a trade-off constantly needs to be made between the cost of capital, financial risk, expected return and cash flow in the Company's investments. The capital is assessed based on the equity/assets ratio, calculated as shareholders' equity divided by total assets. An equity/assets ratio exceeding 25 % is the target, and the equity/assets ratio as of 31 December 2014 amounted to 39.7 % (38.4 % as of 31 December 2013).

NOTE 12 • OTHER FINANCIAL FIXED ASSETS

	2014	2013
Blocked cash accounts	23	88
Other receivables	1	1
Total	**24**	**89**

NOTE 13 • INVENTORIES

	2014	2013
Electricity certificates	17	26
Spare parts	3	1
Total	**20**	**27**

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

NOTE 14 • OTHER CURRENT RECEIVABLES

	2014	2013
Current tax assets	4	3
Other receivables	24	26
Total	**28**	**29**

NOTE 15 • ACCOUNTS RECEIVABLE AND OTHER CURRENT RECEIVABLES

	2014	2013
Accounts receivable	5	16
Provision for doubtful debts	-2	–
Accounts receivable – net	3	16
Receivables from related parties (Note 22)	442	406
Other receivables (Note 12)	1	1
Other receivables (Note 14)	28	29
Less non-current portion	-415	-369
Current portion	**59**	**84**

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

	2014	2013
Within 3 months	3	16
3–6 months	2	–
Total	**5**	**16**

NOTE 16 • PREPAID EXPENSES AND ACCRUED INCOME

	2014	2013
Accrued electricity and certificate income	5	28
Accrued interest income, associated companies	–	24
Accrued development fees	9	–
Other prepaid expenses	16	7
Total	**30**	**59**

NOTE 17 • SHARE CAPITAL

Number of registered shares in the Parent Company	2014	2013
Issued as of 1 January	33,428,070	33,428,070
Issued as of 31 December	**33,428,070**	**33,428,070**

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

Warrants

Scope

In 2008 and 2013, warrants were issued for shares in Arise AB directed towards employees and external stakeholders, such as landowners and advisers.

	External stakeholders Serie 5	Employees Serie 7	Total
Warrants 2008, not exercised	192,500	–	192,500
Warrants 2013	–	6,000	6,000
Entitling subscription to the following numbers of shares	962,500	6,000	968,500
Issue price (SEK)	45	30	

Valuation

There are two different series of outstanding warrant programmes. The purchase price of the share warrants to employees (series 7) was based on the estimated market price at the time of each subscription by applying the Black

& Scholes valuation model. Warrants to external stakeholders (series 5) have been allocated free of charge. Upon issuance, the warrants were valued using the Black & Scholes model and have been reported as part of the acquisition cost of the project portfolio.

Terms and conditions of subscription

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

- The subscription period for series 5 is 1 Feb – 28 Feb each year from 2009 to 2015. No subscription of shares has been made during the subscription period.
- The subscription period for series 7 is 29 Feb – 11 Mar during 2016

Dilution

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

NOTE 18 • INTEREST-BEARING LIABILITIES

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

The Group's credit lines totalled MSEK 1,629 (2,036) as of 31 December 2014, and are primarily used to fund the operations in the form of bank and bond loans. Interest payments are hedged through interest rate swaps. At present, a number of contracts with an average fixed interest rate term of 2.9 (3.1) years are in place. The financing cost is based on the agreed fixed interest rate and agreed margin. The Group's average effective interest rate during the year amounted to 6.1 % (5.4).

Interest-bearing liabilities	2014	2013
Non-current portion	1,629	1,717
Current portion	-72	-107
Total	**1,557**	**1,610**

Fair value of liabilities

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

	Book value		Fair value	
	2014	2013	2014	2013
Bank loans	208	1,330	209	1,328
Bond loans	1,400	350	1,403	350
Financial leasing liabilities	28	37	28	37
Total	**1,636**	**1,717**	**1,641**	**1,715**

The fair values of short-term borrowings correspond to their book values, 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 2.1 % and 6.1 % (2013: 3.0 % – 6.0 %), implying Level 2 in the fair value hierarchy.

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

Amounts to the nearest MSEK	Within 3 Months	3 Months –1 year	2–3 years	4–5 years	After 5 years	Total contracted cash flow
Bank loans*		25	40	37	160	261
Bond loans	25	102	583	1,019		1,729
Financial leasing liabilities	2	6	13	13	2	35
Accounts payable	19					19
Interest rate futures*						
Total	**45**	**133**	**635**	**1,069**	**162**	**2,044**

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

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

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

NOTE 19 • PROVISIONS

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

NOTE 20 • ACCRUED EXPENSES AND DEFERRED INCOME

	2014	2013
Accrued financial expenses	20	9
Accrued personnel-related expenses	9	17
Other accrued expenses	10	16
Total	**39**	**42**

NOTE 21 • PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets	2014	2013
Pledged shares in subsidiaries	741	608
Collateral transfer of wind turbines, land leases and operating agreements	2,075	2,055
Financial lease agreements	30	35
Total	**2,846**	**2,698**
Contingent liabilities	None	None

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

NOTE 22 • RELATED-PARTY TRANSACTIONS

Arise AB co-owns Sirocco Wind Holding AB to 50 %, together with Sydvästanvind AB (50 %), which, in turn, is controlled by the English company Platina Partners LLP. Sirocco Wind Holding AB owns 100 % of the holding company JVAB Holding AB, which, in turn, owns 100 % of Jädraås Vindkraft AB. Sirocco Wind Holding AB also owns 100 % of the holding company HKAB Holding AB, which in turn owns 100 % of Hällåsen Kraft AB. Together, this group of companies forms the so-called "Jädraås project", which consists of 66 turbines totalling 203 MW in Jädraås outside of Gävle.

The following transactions with related parties have taken place	2014	2013
Project management and administrative services	3	4
Development fees	–	41
Total	**3**	**45**

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

Loans to related parties	2014	2013
Loans to associated companies:		
At the beginning of the year	406	373
Interest accrued from previous years	51	23
Exchange rate differences	26	11
Loans paid out during the year	-41	–
At year-end	**442**	**406**
Of which non-current portion:	415	369
Of which current portion:	27	37

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

The fair value of these loans is based on discounted cash flows at a rate of approximately 6%. The discount rate is equivalent to Euribor plus the applicable additional percentage from the credit assessment based on market value. Interest accrued on the balance sheet date amounted to MSEK 26 (24), which has been reported in net profit/loss for the year.

For remuneration to senior executives, see Note 4.

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

NOTE 23 • EVENTS AFTER THE BALANCE SHEET DATE

Arise has signed a five-year operation management agreement with Storrun Vindkraft AB regarding a total of 30 MW. The agreement has been signed after the acquisition of Storrun Vindkraft AB by Prime Super, an Australian fund managed by Whitehelm Capital. With this agreement, Arise now has approximately 450 MW in operation and under management, of which approximately 260 MW comprises Arise's own production portfolio. Estimated production from the total acquired production portfolio amounts to approximately 1.1 TWh per year (equivalent to around 10% of Sweden's total wind power production in 2014).

Arise has repurchased further bonds at a nominal value of MSEK 18. The repurchase refers to the Company's unsecured bond of MSEK 350. The purpose of the repurchase is to reduce gross liabilities and improve Arise's net financial income. Following the repurchase, Arise's holding of the aforementioned bond stands at MSEK 50.

Parent company income statement

Amounts to the nearest MSEK	NOTE	2014	2013
Sales of electricity and electricity certificates		159	187
Leasing of wind farms		139	32
Sales of services, own employees		9	13
Development fees		9	43
Other operating income		5	35
Total income	2	**321**	**310**
Capitalised work on own account		9	7
Purchases of electricity and electricity certificates		-160	-211
Rental of wind power facilities		-139	-32
Personnel costs	3	-22	-35
Other external expenses	4	-35	-48
Operating profit before depreciation (EBITDA)		**-27**	**-9**
Depreciation of property, plant and equipment	7	-4	-3
Operating profit (EBIT)		**-31**	**-12**
Financial income	5	63	48
Financial expenses	5	-69	-29
Profit/loss after financial items		**-36**	**7**
Group contributions		66	-5
Profit/loss before tax		**29**	**2**
Income tax	6	-7	-1
Net profit/loss for the year and comprehensive income		**23**	**1**

Parent company balance sheet

Amounts to the nearest MSEK	NOTE	2014	2013
ASSETS			
Fixed assets			
Property, plant and equipment	7	89	90
Shares in subsidiaries	8	1,952	115
Receivables from Group companies		75	302
Participations in associated companies	9	89	89
Receivables from associated companies	22	415	372
Deferred tax assets	6	24	30
Other financial fixed assets	10	10	10
Total fixed assets		**2,655**	**1,008**
Current assets			
Inventories	11	3	16
Receivables from Group companies		93	476
Receivables from associated companies	22	27	34
Accounts receivable		0	19
Other current receivables		12	21
Prepaid expenses and accrued income	12	11	44
Cash and cash equivalents		107	85
Total current assets		**253**	**695**
TOTAL ASSETS		**2,908**	**1,703**
EQUITY			
Restricted equity			
Share capital		3	3
Statutory reserve		0	0
Non-restricted equity			
Share premium reserve		1,367	1,367
Accumulated losses		-101	-102
Net profit/loss for the year		23	1
Total equity		**1,292**	**1,269**
Non-current liabilities			
Bond loan	13	1,349	350
Total non-current liabilities		**1,349**	**350**
Current liabilities			
Current interest-bearing liabilities	13	50	–
Liabilities to Group companies		184	–
Accounts payable		11	44
Other liabilities		1	19
Accrued expenses and deferred income	14	23	21
Total current liabilities		**267**	**84**
TOTAL EQUITY AND LIABILITIES		**2,908**	**1,703**
Pledged assets	16	1,927	98
Contingent liabilities	16	None	None

Parent company cash flow statement

Amounts to the nearest MSEK	NOTE	2014	2013
Operating activities			
Operating profit (EBIT)		-31	-12
Adjustment for non-cash items	15	4	-3
Tax paid		1	0
Cash flow from operating activities before changes in working capital		**-26**	**-15**
Cash flow from changes in working capital			
Increase (–)/decrease (+) in inventories		13	0
Increase (–)/decrease (+) in operating receivables		26	-32
Increase (+)/decrease (–) in operating liabilities		11	17
Cash flow from operating activities		**23**	**-30**
Investing activities			
Investments in/sales of property, plant and equipment		-4	-13
Investments in subsidiaries		-1,043	-57
Investments in other financial fixed assets		–	-34
Cash flow from investing activities		**-1,047**	**-104**
Financing activities			
Bond loan		999	–
Interest paid		-72	-25
Interest received		56	1
Group contributions received		64	–
Cash flow from financing activities		**1,046**	**-24**
Cash flow for the year		**23**	**-158**
Cash and cash equivalents at beginning of year		85	242
Cash and cash equivalents at year-end		107	85

Statement of changes in equity for the parent company

Amounts to the nearest MSEK	Share capital	Statutory reserve	Share premium reserve	Accumulated losses	Total equity
Opening balance as at 1 Jan 2013	**3**	**0**	**1,367**	**-102**	**1,268**
Net profit/loss for the year and comprehensive income				1	1
Share warrants			0		0
Closing warrants as at 31 Dec 2013	**3**	**0**	**1,367**	**-101**	**1,268**
Opening balance as at 1 Jan 2014	**3**	**0**	**1,367**	**-101**	**1,268**
Net profit/loss for the year and comprehensive income			0	23	23
Closing balance as at 31 Dec 2014	**3**	**0**	**1,367**	**-78**	**1,292**

Notes to the parent company's financial statements

NOTE 1 • ACCOUNTING PRINCIPLES

ACCOUNTING PRINCIPLES FOR THE PARENT COMPANY

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

Income

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

Income arising from the sale of generated electricity is reported in the period in which delivery was made, at the spot price, forward price or other agreed price. Income arising from electricity certificates is reported at the current spot price, forward price or other agreed price for the period in which the electricity certificate was earned, corresponding to the period in which the electricity was produced. Income also includes income from leased production facilities. Earned electricity certificates are reported under inventories in the balance sheet when they are registered in the Energy Agency's account, and as accrued income for any periods during which they have been earned but not yet registered.

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

Taxes

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

Group contributions and shareholders' contributions

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

NOTE 2 • NET SALES

Income derives from sales of generated electricity, sales of electricity certificates, electricity sold but not yet generated, from the realisation of electricity and currency derivatives attributable to hedged production, from leased out production facilities, consulting costs invoiced internally within the Group and development fees. Results of financial derivatives are reported net at MSEK 6 (7).

NOTE 3 • PERSONNEL

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

NOTE 4 • AUDITING FEES

	2014	2013
Öhrlings PricewaterhouseCoopers		
Audit assignment	0,5	0,6
Audit activities other than the audit assignment	0,2	0,3
Tax consultancy services	0,1	0,1
Other services	0,1	0,4
Total	**0,9**	**1,4**

NOTE 5 ▪ FINANCIAL INCOME AND EXPENSES

	2014	2013
Dividends from subsidiaries	–	198
Impairment of shares in subsidiaries	–	-198
Interest income	37	37
Exchange gains	27	11
Total financial income	**63**	**48**
Interest expenses	-69	-29
Total financial expenses	**-69**	**-29**

NOTE 6 ▪ TAXES

Tax on profit for the year	2014	2013
Deferred tax	-7	-1
Reported tax	**-7**	**-1**
Deferred tax		
Attributable to unutilised loss carry-forwards	24	30
Total recognised deferred tax	**24**	**30**
Change in deferred tax		
Opening value, net	30	31
Reported deferred tax on profit for the year	-7	-1
Closing value, net	**24**	**30**

NOTE 7 ▪ PROPERTY, PLANT AND EQUIPMENT

	Buildings and land [1]		Equipment, tools, fixtures and fittings		Advance payments and construction in progress [2]		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Opening acquisition cost	3	3	18	18	105	93	126	114
Purchases/investments	–	–	4	0	3	14	8	14
Sales/disposals	-1		-5	–		-2	-6	-2
Closing acquisition cost	**2**	**3**	**17**	**18**	**108**	**105**	**127**	**126**
Opening accumulated depreciation and impairment	0	0	-13	-10	-23	-24	-36	-34
Depreciation for the year	0	0	-2	-3	-2	1	-4	-3
Sales/disposals	–	–	3	0	0	–	3	0
Closing accumulated depreciation and impairment	**0**	**0**	**-12**	**-13**	**-25**	**-23**	**-38**	**-36**
Closing residual value according to plan	**3**	**3**	**5**	**5**	**83**	**81**	**89**	**90**

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

[2] Constructions in progress include advance payments regarding property, plant and equipment of MSEK 0 (–).

The framework agreement signed previously with GE Energy has been replaced by a new framework agreement resulting in a contractual commitment to purchase a certain number of wind turbines during 2015. If these commitments are not met, the Company can become liable for costs of up to MSEK 10 (21) in 2015. The Company intends to enter into new agreements with suppliers on a regular basis for the continued expansion to take place between the present day up to and including 2017.

NOTE 8 • SHARES IN SUBSIDIARIES

	2014	2013
Opening book value	**115**	**292**
Investments in subsidiaries	1,837	21
Impairment of shares	–	-198
Closing book value	**1,952**	**115**

PARENT COMPANY'S HOLDINGS

Name	Corporate Identity Number	Registered offices	Number of shares	Participating interest %	Book value of holdings	Equity
Arise Elnät AB	556747-2641	Halmstad	1,000	100%	3	3
Arise Drift och Förvaltning AB	556756-2730	Halmstad	1,000	100%	4	4
Arise Kran AB	556758-8966	Halmstad	1,000	100%	7	5
Arise JV AB	556758-8891	Halmstad	1,000	100%	3	2
Arise Wind Farm 2 AB	556758-9113	Halmstad	1,000	100%	98	166
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%	8	8
Arise Wind HoldCo 3 AB	556867-9798	Halmstad	500	100%	0	0
Arise Wind HoldCo 4 AB	556868-0069	Halmstad	500	100%	0	2
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%	1,829	1,785
Total					**1,952**	**1,975**

NOTE 9 • PARTICIPATIONS IN ASSOCIATED COMPANIES

	2014	2013
Opening book value	**89**	**89**
Investments in associated companies	–	0
Closing book value	**89**	**89**

PARENT COMPANY'S HOLDINGS

Name	Corporate Identity Number	Registered offices	Number of shares	Participating interest %	Book value of holdings	Equity
Sirocco Wind Holding AB	556864-8058	Stockholm	6,000	50%	89	60
– JVAB Holding AB	556864-2069	Stockholm	50,000	100%	–	–
– Jädraås Vindkraft AB	556733-6481	Stockholm	1,000	100%	–	–
– HKAB Holding AB	556864-2051	Stockholm	50,000	100%	–	–
– Hällåsen Kraft AB	556864-2077	Stockholm	50,000	100%	–	–
Summa					**89**	**60**

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

NOTE 10 • OTHER FINANCIAL FIXED ASSETS

	2014	2013
Blocked accounts	9	9
Other shares and participations	1	1
Closing book value	**10**	**10**

NOTE 11 • INVENTORIES

	2014	2013
Electricity certificates	–	16
Spare parts	3	–
Total	**3**	**16**

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

NOTE 12 • PREPAID EXPENSES AND ACCRUED INCOME

	2014	2013
Accrued electricity and certificate income	–	15
Accrued interest income	–	24
Accrued development fees	10	–
Prepaid expenses	1	5
Total	**11**	**44**

NOT 13 • INTEREST BEARING LIABILITIES

	2014	2013
Bond loan	1,418	350
Bank charges	-19	–
	1,399	**350**
Current portion	-50	–
Non-current portion	**1,349**	**350**

NOTE 14 • ACCRUED EXPENSES AND DEFERRED INCOME

	2014	2013
Accrued personnel-related expenses	6	11
Accrued interest expenses	16	6
Other accrued expenses	1	4
Total	**23**	**21**

NOTE 15 • ADDITIONAL DISCLOSURES REGARDING CASH FLOW STATEMENT

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

Adjustment for non-cash items	2014	2013
Depreciation and impairment of property, plant and equipment	4	2
Exchange rate differences in foreign investments	–	–
Group contributions	–	-5
Total	**4**	**-3**

NOTE 16 • PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets	2014	2013
Shares in subsidiaries	1,927	98
Total	**1,927**	**98**
Contingent liabilities	–	–

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

NOTE 17 • RELATED-PARTY TRANSACTIONS

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

	2014	2013
Sales of goods and services to subsidiaries	52	43
Purchases of goods and services from subsidiaries	242	233
Transactions with other senior executives	–	–

The Parent Company's transfer of projects and charging of services to its subsidiaries amounted to MSEK 52 (43).

Services sold refer primarily to consulting fees relating to permits and planning work and invoiced administrative expenses. The Parent Company's purchases of goods and services from subsidiaries amounted to MSEK 242 (233) 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 to Board members and senior executives is presented in Note 4 to the consolidated financial statements.

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

THE INCOME STATEMENTS AND BALANCE SHEETS WILL BE PRESENTED FOR ADOPTION AT THE ANNUAL GENERAL MEETING ON 5 MAY 2015.

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, 25 March 2015

Joachim Gahm
Chairman

Maud Olofsson
Board Member

Peter Gyllenhammar
Board Member

Peter Nygren
Board Member and Chief Executive Officer

Jon G Brandsar
Board Member

Our audit report was submitted on 25 March 2015
Öhrlings PricewaterhouseCoopers AB

Magnus Willfors
Authorised Public Accountant

Auditor's report

To the Annual General Meeting of the shareholders in Arise AB (publ)
Corporate Identity Number 556274-6726

Report on the annual accounts and consolidated financial statements
We have audited the annual accounts and consolidated financial statements of Arise AB for the year 2013. The Company's annual accounts and the consolidated financial statements are included in the printed version of this document on pages 46–94.

Responsibilities of the Board of Directors and the CEO for the annual accounts and the consolidated financial statements
The Board of Directors and the CEO are responsible for the preparation and fair presentation of annual accounts in accordance with the Annual Accounts Act and for the preparation and fair presentation of consolidated financial statements in accordance with international accounting standards, IFRS, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the CEO determine is necessary to enable the preparation of annual accounts and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 and of its financial performance and cash flows for the year then ended, in accordance with the Annual Accounts Act, and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2014 and of its financial performance and cash flows for the year then ended, in accordance with IFRS, as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. The statutory administration report is consistent with the other parts of the annual accounts and consolidated financial statements.

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

Report on other legal and regulatory requirements
In addition to our audit of the annual accounts and consolidated financial statements, we have also examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the CEO of Arise AB for the year 2013.

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

Auditor's responsibility

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

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

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

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

Opinion

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

Our audit report was submitted on 25 March 2015
Öhrlings PricewaterhouseCoopers AB

Magnus Willfors
Authorised Public Accountant

Corporate governance report

Corporate Governance Report for the Group

Arise AB (publ) is a Swedish public limited liability company which is quoted on Nasdaq OMX Stockholm. Arise therefore applies the Swedish Code of Corporate Governance (the "Code"). This corporate governance report has been established in accordance with the provisions included in the Code, Chapter 6, Sections 6–9 of the Swedish Annual Accounts Act and Chapter 9, Section 31 of the Swedish Companies Act and refers to the financial year 2014. Arise's Articles of Association and other information regarding corporate governance in Arise is available on our website, *www.arise.se*.

Application of the Code

Corporate Governance in Arise complies with the Code and is, therefore, based on the principles stated in applicable legislation, listing agreements, guidelines and good practice. Deviations from the Code are reported in the relevant sections of this Corporate Governance Report. In 2014, the Company did not contravene any regulations applied in the regulated market on which the Company's shares are quoted for trade, nor did it, in any other manner, breach good practice on the securities market.

Shareholders

According to Euroclear Sweden AB's shareholder register, Arise had approximately 2,899 shareholders on 31 December 2014. The Company has one shareholder with a direct or indirect participation representing more than 10 % of the votes, which is Claesson & Anderzén with companies. Further information on major shareholders is also provided on Arise's website, *www.arise.se*.

Shares

The share capital in Arise as per 31 December 2014 amounted to SEK 2,674,245,60, distributed between 33,428,070 shares. All shares are of the same type and thus entitle the holder to the same rights to the Company's assets, profits and dividends.

Annual General Meeting

Arise's highest decision-making body is the Annual General Meeting of shareholders. Notice of the Annual General Meeting, or an extraordinary general meeting in which issues concerning changes in the Articles of Association are discussed, is given no earlier than six weeks and no later than four weeks before the meeting. All shareholders who are listed in the shareholder register, and who have announced their intention to participate before the registration period has elapsed, have the right to take part and vote in the meeting. The number of votes a shareholder is entitled to is not restricted. The shareholders who are unable to attend the meeting in person may be represented by proxies. The Company does not apply special arrangements with regard to the function of the Annual General Meeting, neither on the basis of regulations in the Articles of Association nor, to the extent they are known to the Company, shareholder agreements. Furthermore, the Articles of Association do not include specific regulations relating to changes in the Articles of Association. The most recent Annual General Meeting took place on 6 May 2014 in Halmstad. The resolutions passed by the meeting included the introduction of a synthetic warrant programme and authorisation for the Board of Directors to make decisions on issues of shares, and repurchases and transfers of the Company's own shares. The minutes from the Annual General Meeting are available on Arise's web-site. The next Annual General Meeting will be held on 5 May 2015 in Halmstad. Shareholders wishing to add items to the agenda at the Annual General Meeting may send a written request to Arise AB (publ), F.a.o: Chairman of the Board, Box 808, 301 18 Halmstad. The Board of Directors must receive such requests no later than seven weeks before the meeting, or at least in sufficient time so that the issue can be, if required, included in the notice of the meeting.

Nomination Committee

The Annual General Meeting on 6 May 2014 resolved to establish procedures for the appointment of a Nomination Committee prior to the next elections and for determinations of remuneration. According to the resolution, the Nomination Committee is to comprise five regular members, appointed by the Annual General Meeting 2014. The Nomination Committee prior to the Annual General Meeting 2015 consisted of Johan Claesson (Claesson & Anderzen with companies), Bengt Hellström (Third Swedish National Pension Fund), Leif Jansson (L Energy Holding AB and NY Holding AB, etc.), Unni Hongstedt (Statkraft AS) and the Chairman of the Board Joachim Gahm. The majority of the Nomination Committee's members are independent in relation to the Company and management. No remuneration has been paid to the members of the Board for work in the Nomination Committee.

According to the Code, the Nomination Committee's duties include preparatory work on issues regarding appointments and remuneration prior to the following Annual General Meeting. Prior to the Annual General Meeting on 5 May 2014, the Nomination Committee has proposed the re-election of the Board members Joachim Gahm, Peter Nygren, Maud Olofsson, Jon Brandsar and Peter Gyllenhammar. Furthermore, the Nomination Committee has proposed re-election of Joachim Gahm to be appointed as Chairman of the Board. The Nomination Committee will present a description of their activities at the Annual General Meeting on 5 May 2015. Shareholders wishing to submit proposals to the Nomination Committee are requested to contact the Chairman of the Nomination Committee: Arise AB (publ), F.a.o: Chairman of the Nomination Committee, Box 808, 301 18 Halmstad.

THE BOARD OF DIRECTORS

General information

The Board of Directors is responsible for the management of the Company, as well as its affairs and organisation. In accordance with the Articles of Association, the Board of Directors shall comprise at least three and no more than nine Board members. The Articles of Association do not include any specific regulations regarding the appointment or the dismissal of Board members. At the most recent Annual General Meeting, held on 6 May 2014, a Board was elected consisting of the members Joachim Gahm (Chairman), Maud Olofsson, Jon Brandsar, Peter Gyllenhammar and CEO Peter Nygren. No deputy Board members were appointed. In accordance with the formal work plan for the Board of Directors, the Board is to hold at least six scheduled meetings between each Annual General Meeting. In the financial year 2014, the Board held sixteen meetings. Minutes were kept for each of them. The attendance at the meetings by the members is presented in the table below. During the financial year 2015, one meeting has taken place so far. 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 103. Remuneration and other benefits to the Board of Directors are described in Note 4 on page 70.

All members of the Board, appointed by a general meeting, have been independent in relation to the Company and the management (see also page 103), with the exception of Peter Nygren. 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*.

Attendance of the members of the Board 2014

	Meetings	Present	Attendance %
Joachim Gahm, Chairman	16	16	100
Maud Olofsson	16	16	100
Peter Nygren	16	16	100
Peter Gyllenhammar	11	11	100
Jon Brandsar	11	11	100
Pehr G Gyllenhammar	5	5	100
Birger von Hall	5	5	100

The work of the Board

The meetings of the Board of Directors are preferably to be held by physical attendance at Arise's head office. Additional meetings can, however, be conducted over the telephone. In 2014, 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. Lawyer Jonas Frii has served as the Board's secretary.

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

Remuneration Committee

Up to the Annual General Meeting 2015, the Remuneration Committee comprises the Board members Joachim Gahm (Chairman), Maud Olofsson, Jon Brandsar, Peter Gyllenhammar and Peter Nygren. The CEO normally submits matters to the Remuneration Committee, with the exception of issues dealing with his own salary or benefits. The Remuneration Committee convened two times during 2014. The Committee presents issues regarding remuneration and other terms of employment to the CEO and other senior executives, as well as issues regarding any variable remuneration programmes or share warrant programmes within the Group. All members of the Committee are independent in relation to Arise and its senior executives. The Committee's work is based on the decisions taken at the most recent Annual General Meeting, regarding the guidelines for remuneration to senior executives.

Audit Committee

Up to the Annual General Meeting 2015, the Audit Committee consists of the members of the Board, Maud Olofsson (Chairman), Joachim Gahm (Deputy Chairman) and Peter Gyllenhammar. Issues addressed by the Committee are presented by the Company's CFO, Thomas Johansson. The Audit Committee held six meetings in 2014 and each meeting was attended by all members. The Audit Committee addresses matters concerning, for example, financial reporting, risks, governing documents, KPIs, accounting rules and internal control. The Audit Committee also maintains an on-going dialogue with the auditor.

Group management

Arise's Group management and the Group management's holdings of shares and warrants are described on page 104.

Appointment of auditors

At the Annual General Meeting 2014, Öhrlings PricewaterhouseCoopers AB was appointed as the auditor, with Authorised Public Accountant, Magnus Willfors, as Auditor-in-Charge for the period up to the next Annual General Meeting.

Internal control

The goal for 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 the management apply the internal control system to monitor the operations and the Group's financial position.

Control environment

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

The Board has appointed an Audit Committee, which is responsible for, among other things, ensuring that adopted policies for financial reporting and internal control are complied with. The CEO or CFO reports the results of their work on internal control to the Audit Committee. The results of the work of the Audit Committee in the form of observations, recommendations and proposals for decisions and measures are reported to the Board on an on-going basis. Thus, Arise's internal control environment is based on the division of work between the Company organs, reporting to the Board of Directors, adopted policies and guidelines and on employees' compliance with the policies and guidelines.

Internal control regarding financial reporting

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

Risk assessment and control activities

On an on-going basis, Arise performs risk analyses in order to identify potential sources of errors in the financial reporting. Relevant procedures are documented so as to increase traceability in accounting as Arise expands. Normal control activities include reconciliation of accounts and supporting controls. The purpose of all control activities is to prevent, detect and correct any errors or deviations in financial statements. The most significant risks regarding financial reporting in the Group's activities and internal control are managed through control structures which are primarily based on reports on deviations from adopted goals or standards regarding, for example, currencies and hedging.

Follow-up

On an on-going basis, the Board of Directors evaluates the information provided by the management. In the activities of the Board of Directors and the Audit Committee, great importance is attached to the work on following up the effectiveness of internal control. The activities include, for example, ensuring that measures are taken regarding any proposals for actions arising in external audits. The reports provided by management to the Board of Directors and the Audit Committee include a follow up of the Company's positions pursuant to the finance policy, and any deviations

Information and communication

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

Internal audit

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

Activities in 2014

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

Halmstad, 25 March 2015

Joachim Gahm
Chairman

Jon G Brandsar
Board Member

Maud Olofsson
Board Member

Peter Nygren
Board Member and Chief Executive Officer

Peter Gyllenhammar
Board Member

AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE REPORT

The Board of Directors is responsible for the Corporate Governance Report for the year 2014 on pages 97–100 and for ensuring that it is prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Report and, based on this reading and our knowledge of the Company and the Group, we believe we have a sufficient basis for our opinions. This implies that our statutory review of the Corporate Governance Report has a different direction and a significantly narrower scope than the direction and scope of an audit conducted according to International Standards on Auditing and generally accepted auditing standards in Sweden. We conclude that a Corporate Governance Report has been prepared, and that its statutory content is in accordance with the annual accounts and the consolidated financial statements.

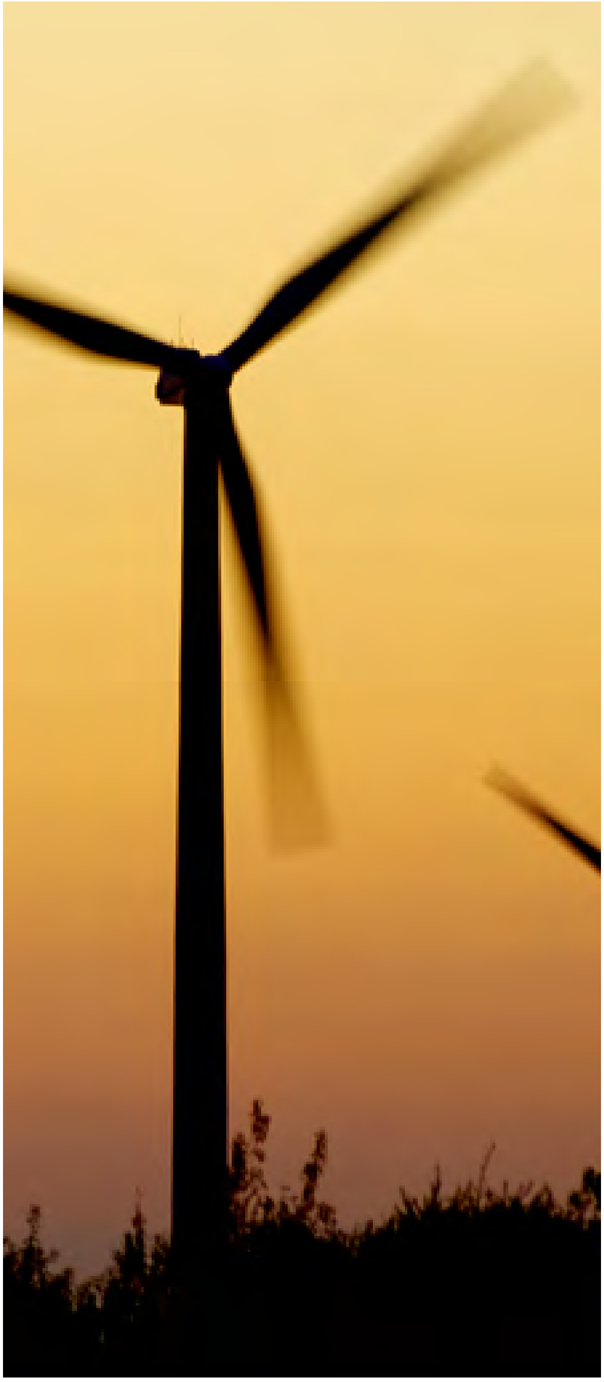
Malmö, 25 March 2015
Öhrlings PricewaterhouseCoopers AB

Magnus Willfors
Authorised Public Accountant

Ownership structure

Share capital

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



Dividend policy and target equity/assets ratio

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

LARGEST SHAREHOLDERS

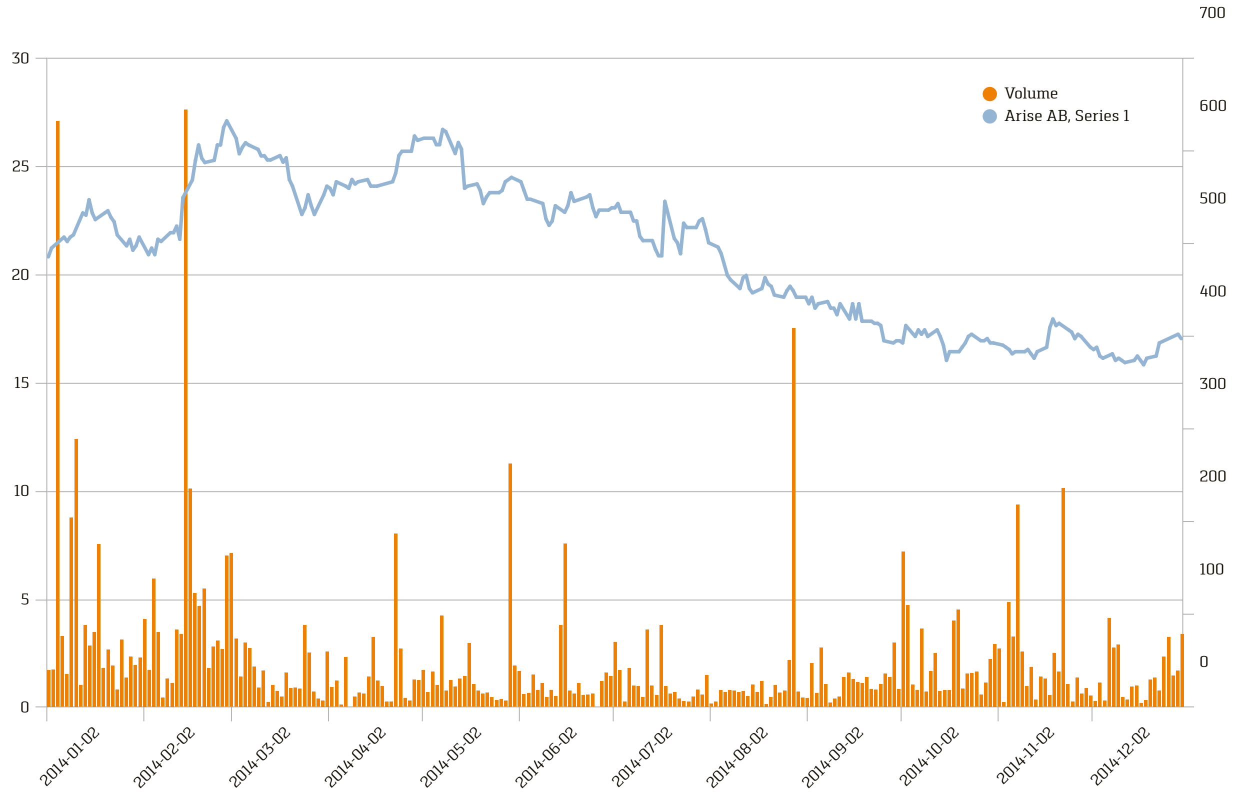
Ownership structure as of 31 December 2014	Shares	Share of votes and capital, %
Claesson & Anderzén with companies	4,040,854	12.09
Third Swedish National Pension Fund	3,340,133	9.99
Founders	3,209,549	9.60
Statkraft AS	2,495,613	7.47
Ernström Finans AB	1,500,000	4.49
Svenska Handelsbanken AB FOR PB	1,369,000	4.10
Catella Funds	1,335,637	4.00
Nordea Investment Funds	1,309,455	3.92
Peter Gyllenhammar with company	1,250,000	3.74
Alecta Pensionsförsäkring	841,000	2.52
Avanza Pension	614,551	1.84
CBLDN-Pohjola Bank PLC Client A/C	580,448	1.74
Nordea Bank Finland ABP	543,706	1.63
KL Ventures AB	500,000	1.50
FT ISE Global Wind Energy Fund	406,806	1.22
Länsförsäkringar, Bohuslän	400,373	1.20
Ethos Aktiefond	390,330	1.17
Tamt AB	365,000	1.09
Nordnet Pensionsförsäkring	303,312	0.91
Lundaslättens Vindfabrik	280,165	0.84
Hanvad Invest AB	255,165	0.76
DZ Privatebank S.A., W8IMY	200,000	0.60
P & B Pettersson & Bendel i Sthlm AB	200,000	0.60
Other shareholders	7,642,779	22.86
Total outstanding shares	**33,373,876**	**99.84**
Arise AB	54,194	0.16
Total number of registered shares	**33,428,070**	**100.00**

HISTORICAL DEVELOPMENT OF SHARE CAPITAL

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

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

SHARE DEVELOPMENT



Arise's board of directors

Joachim Gahm, born 1964

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

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

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

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

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

Jon Gunnar Brandsar, born 1964

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: Executive Vice President Wind Power and Technologies in Statkraft AS with responsibility for onshore wind power, off shore wind power, district heating, innovation, small scale hydropower. Jon G Brandsar's previous positions have included Group Chief Executive at Trondheim Energiverk; Technology Director, Statkraft; Department Manager, Statkraft Engineering and Department Manager at ABB.

EDUCATION: Electrical engineering GIH Gjøvik (1977).

HOLDINGS: –

INDEPENDENCE/DEPENDENCE: Jon G Brandsar is independent in 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, Board member of Diös Fastigheter AB, Envac AB and ROMO Norr AB. Previously leader of the Swedish Centre Party 2001–2011, Sweden's Minister for Enterprise and Energy 2006–2011 and Deputy Prime Minister 2006–2010.

HOLDINGS, OWN AND VIA COMPANY: 4,500 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.

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

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

HOLDINGS, OWN AND VIA COMPANY: 1,250,000 shares.

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

Peter Nygren, born 1958

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

OTHER DIRECTORSHIPS AND POSITIONS: Chairman of the Board of Arise Kran AB, Arise JV AB, Solberg Vindkraft AB, Arise Wind Farm 1 AB and other Arise Wind Farm companies which are Arise's subsidiaries, Chairman of the Board of Arise Wind HoldCo 1 AB and other Arise Wind HoldCo companies which are Arise's subsidiaries, Board member of Sirocco Wind Holding AB, Jädraås Vindkraft AB and Hällåsen Kraft AB, Arise Elnät AB, PLU Energy Holding AB, NyHolding i Motala AB and NyHolding AS.

EDUCATION: MBA, Uppsala University (2001).

HOLDINGS WITH FAMILY AND COMPANY: 1,405,340 shares.

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

The information concerning shareholdings and warrants refers to the situation as of 31 December 2014.

Arise's group management

Peter Nygren, born 1958
CEO since 2007. Peter has extensive experience within major energy projects, notably as head of energy issues in the SCA Group, Vice President Project Financing at NCC, Key Customer Manager at Vattenfall and Project Manager at Calor Industrier.

HOLDINGS WITH FAMILY AND COMPANY: 1,405,340 shares.

Lars Fröding, born 1963
Deputy CEO since July 2012. Lars coordinates much of the day-to-day work undertaken in the Company. He is also responsible for the development of our projects from the signing of the lease to the commissioning of the turbines. Lars has extensive experience of public administration and, therefore, handles a large portion of our external contacts, not least with public authorities.

HOLDINGS: 1,000 shares.

Leif Jansson, born 1954
Leif is responsible for leases, the development of new land areas for the establishment of wind farms and, since February 2011, also for investor relations. Leif has extensive business development experience and has previously held several leading positions, including CEO.

HOLDINGS WITH FAMILY AND COMPANY: 1,293,909 shares.

Thomas Johansson, born 1963
CFO since 2008. Thomas has a broad base of experience, including the role of CEO, Director of Finance and Administration, CFO and authorised public accountant.

HOLDINGS: 57,500 shares.

Gary Ericson, born 1952
Head of Marketing since March 2011. Gary has many years of experience in the energy industry. Before joining Arise, he worked for Halmstads Energi och Miljö AB.

HOLDINGS: None.

Linus Hägg, born 1976
Head of Corporate Finance since October 2011. Linus has extensive experience working in capital markets, as well as mergers and acquisitions. Before joining Arise, he worked at ABG Sundahl Collier.

HOLDINGS: 10,000 shares.

Per-Erik Eriksson, born 1963
Head of Asset Management and JVs. Per-Erik has extensive experience within the energy industry, including project management for large projects and market-related matters. Before joining Arise, he worked for the SCA Group, where he was Global Head of Energy.

HOLDINGS: 4,700 shares.

The information concerning shareholdings and warrants refers to the situation as of 31 December 2014.

Annual general meeting and 2015 calendar

Annual General Meeting

Shareholders are invited to attend Arise's Annual General Meeting to be held at Scandic Hallandia, Halmstad, Sweden on Tuesday, 5 May 2015, at 11 a.m. Light refreshments will be served before the Meeting.

Registration

Shareholders wishing to attend the Annual General Meeting must be registered in the register of shareholders maintained by Euroclear Sweden AB on Tuesday 28 April 2015 and register their attendance along with that of any assistants no later than Tuesday 28 April 2015, preferably before 4 p.m. and by e-mail to info@arise.se. It is also possible to register for the Annual General Meeting by telephone, +46 (0) 35 20 20 900, by fax +46 (0) 35 22 78 00, or by post to Arise AB (publ), Bolagsstämma, Box 808, 301 18 Halmstad.

Shareholders registering their attendance are required to state their name, address, telephone number, Personal / Corporate Identity Number, registered shareholding and details of any representative. The attendance and details of any proxies and representatives are registered with Arise for the purpose of drawing up the electoral roll. Shareholders wishing to be represented by a proxy are required to issue a signed and dated authorisation to their proxy. If the authorisation is issued by a legal entity, a certified copy of the certificate of registration or equivalent document for the legal entity must be presented. All authorisations must be made in writing and submitted no later than at the Annual General Meeting, although a copy should be sent in advance, if possible. The proxy shall be valid for a maximum of five years if this is specified. If no validity is specified, the 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, or sent to any shareholder who so wishes and provides their address.

Shareholders whose shares are registered with a nominee through the trust department of a bank or individual stockbroker are required to have their shares temporarily registered in their own name in order to be entitled to participate in the Annual General Meeting. Such temporary registration of ownership must be completed no later than Tuesday 28 April 2015. This means that shareholders need to notify their nominee or bank in good time before the meeting to request temporary registration of ownership (known also as "registration of voting rights").

Accounting documents and full versions of proposals

Reporting documents, the audit report, the auditor's statement pursuant to Chapter 8, Section 54 of the Companies Act, as well as the Board of Director's proposed appropriation of profits and other complete proposals will be available from the Company's website, *www.arise.se*, no later than 14 April 2014. Copies of the documents will be sent upon request to shareholders providing their address.

Calendar of financial information

All financial information is published at *www.arise.se* as soon as it has been released. In 2015, financial information will be published as follows:

First quarter 2015: 5 May 2015
Second quarter 2015: 17 July 2015
Third quarter 2015: 6 November 2015
Fourth quarter 2015: 12 February 2016

Annual Report

The Annual Report is available from our website, *www.arise.se*. It is sent by post to shareholders who have notified the Company that they wish to receive a copy. Printed copies of the report can be ordered via the form found on the website or through Arise's switchboard, tel +46 (0) 35-20 20 900. The annual report for 2014 is expected to be available at the beginning of April 2015.

IR contact

Peter Nygren, CEO, Thomas Johansson, CFO and Linus Hägg, Head of Corporate Finance are responsible for Arise's financial information. Leif Jansson is responsible for Investor Relations.

Peter Nygren, CEO
Tel. +46 (0) 706-300 680

Thomas Johansson, CFO
Tel. +46 (0) 768-211 115

Linus Hägg, Head of Corporate Finance
Tel. +46 (0) 702-4489 16

Leif Jansson, IR
Tel. +46 (0) 707-340 554.

Financial information in summary

MSEK	2014	2013	2012	2011	2010	2009
Income statements (summary)						
Net sales*	254	260	217	217	67	27
Operating profit before depreciation (EBITDA)**	197	211	186	179	35	2
Operating profit (EBIT)**	91	117	64	105	-2	-11
Profit/loss before tax	-24	32	-22	65	-24	-11
Net profit/loss for the year	-25	29	-16	47	-18	-8
Balance Sheets (summary)						
Total fixed assets	2,701	2,867	2,753	2,615	1,734	918
Cash and cash equivalents	157	191	341	137	250	341
Equity	1,178	1,240	1,152	1,243	1,195	680
Total assets	2,967	3,231	3,207	2,869	2,075	1,348
Interest-bearing net liabilities	1,449	1,438	1,265	1,192	536	259
Cash Flows (summary)						
Cash flow from operating activities	162	213	170	211	32	-120
Cash flow from investing activities	-22	-292	-176	-822	-812	-568
Cash flow from financing activities	-174	-71	210	498	688	620
Cash flow for the year	-34	-150	204	-113	-92	-68
Key ratios						
Operational capacity at period end, MW	261	253	139	136	47	34
Electricity production during period (Own and Co-owned), GWh	650	599	351	247	89	36
Earning per share before dilution, SEK	neg	0,86	neg	1,46	neg	neg
Earning per share after dilution, SEK	neg	0,86	neg	1,46	neg	neg
EBITDA-margin, %	68,4	75,6	75,0	70,1	39,5	5,7
Return on capital employed (EBIT), %	3.4	4.6	2.6	5.2	neg	neg
Return on adjusted capital employed (EBITDA), %	7.3	8.2	7.6	8.8	2.8	0.3
Return on equity, %	neg	2.4	neg	3.9	neg	neg
Equity/assets ratio, %	39.7	38.4	35.9	43.3	57.6	50.5
No. of employees at end of period	31	31	44	35	27	21

* An adjustment has been carried out for development fees included in net sales.

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

Overview of Wind Farms

	Nominal capacity, MW	Expected production during a normal year, GWh[1]	Full capacity hours, MWh/year	Capacity factor, %	Price area	Commisoned year	Book value, MSEK	Book value, SEK/normal year's production, KWh	Book value, MSEK/MW	Number of turbines	Manufacturer	Model	Municipality	Country
Own wind power operations														
Oxhult	24.0	56.8	2,367	27%	IV	2009	321	5.7	13.4	12	Vestas	V 90	Laholm	Sweden
Råbelöv	10.0	22.8	2,280	26%	IV	2010	113	4.9	11.3	5	Vestas	V 90	Kristianstad	Sweden
Brunsmo	12.5	24.0	1,920	22%	IV	2010	163	6.8	13.0	5	GE	2,5 XL	Karlskrona	Sweden
Kåphult	17.5	40.6	2,320	26%	IV	2010/2011	223	5.5	12.7	7	GE	2,5 XL	Laholm	Sweden
Fröslida	22.5	55.4	2,462	28%	IV	2011	283	5.1	12.6	9	GE	2,5 XL	Hylte	Sweden
Idhult	16.0	36.2	2,263	26%	IV	2011	177	4.9	11.0	8	Vestas	V 90	Mönsterås	Sweden
Södra Kärra	10.8	37.4	3,463	40%	III	2011/2012	158	4.2	14.6	6	Vestas	V 100	Askersund	Sweden
Blekhem	10.8	30.1	2,787	32%	IV	2011/2012	153	5.1	14.2	6	Vestas	V 100	Västervik	Sweden
Gettnabo	12.0	30.3	2,525	29%	IV	2011	131	4.3	10.9	6	Vestas	V 90	Torsås	Sweden
Skäppentorp	3.1	8.5	2,764	32%	IV	2012	39	4.6	12.8	1	Vestas	V 112	Mönsterås	Sweden
Skogaby	7.2	24.2	3,361	38%	IV	2013	103	4.3	14.3	4	Vestas	V 100	Laholm	Sweden
Bohult	12.8	46.3	3,617	41%	IV	2014	202	4.4	15.8	8	GE	1,6-100	Halmstad	Sweden
Total	**159.2**	**413**	**2,592**	**30%**			**2,067**	**5.0**	**13.0**	**77**				
Own wind power operations under construction														
No on-going construction project within Own wind power production														
Total own wind power operations	**159.2**	**413**	**2,592**	**30%**			**2,067**	**5.0**	**13.0**	**77.0**				
Co-owned wind power operations														
Jädraås[2]	101.5	286.0	2,818	32%	III	2012/13	1,491	5.2	14.7	33	Vestas	V 112	Ockelbo	Sweden
Total	**101.5**	**286**	**2,818**	**32%**			**1,491**	**5.2**	**14.7**	**33**				
Co-owned wind power production under construction														
No on-going construction project within Co-owned wind power production														
Total Co-owned wind power production in operation	**101.5**	**286.0**	**2,818**	**32%**			**1,491**	**5.2**	**14.7**	**33.0**				
Total Own and Co-owned wind power production in operation	**260.7**	**698.6**	**2,680**	**31%**			**3,558**	**5.1**	**13.7**	**110.0**				
External products under construction and/or management														
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, under construction (client BlackRock)	46.2	n/a	n/a	n/a	IV	2015	n/a	n/a	n/a	14	Vestas	V 126	Mönsterås	Sweden
Storrun (client Whitehelm Capital)	30.0	n/a	n/a	n/a	II	2009	n/a	n/a	n/a	12	Nordex	N90	Krokom	Sweden
Total external projects under management	**81.6**	**n/a**	**n/a**	**n/a**						**29**				

[1] Expected production +/- 5% in a normal wind year

[2] Corresponds to Arise's share of 50%.

PRODUCTION: hstd reklambyrå. PRINTING: Printografen
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