# Annual Report 2018

arise

# A sustainable investment in the future

Arise is one of Sweden's leading independent onshore wind power players. Arise manages the entire value chain – from exploration and permitting, to financing, construction, divestment and long-term management of its own and other companies' wind farms.

## Contents



## Calendar

### ARISE ANNUAL GENERAL MEETING 2019

The Annual General Meeting will be held on 8 May in Halmstad

### FINANCIAL INFORMATION 2019

8 May • Annual General Meeting
8 May • Interim Report for the first quarter
17 July • Interim Report for the second quarter
8 November • Interim Report for the third quarter
14 February 2020 • Interim Report for the fourth quarter

### DISTRIBUTION OF THE ANNUAL REPORT 2018

The Annual Report is available from our website, *www.arise.se*. It will be sent by post to those shareholders who have notified the company that they wish to receive it. Those wishing to receive a printed copy are welcome to order copies via a form on the website or call the Arise switchboard number +46 10 450 71 22.

## Q1

- The Solberg wind farm was completed for Fortum on schedule and according to budget.
- Arise refinanced and successfully completed the early redemption of its secured bonds amounting to approximately MSEK 950.

## Q2

- An option agreement was signed for the right to acquire Krange Vind AB, comprising two projects totalling approximately 180 MW.

## Q3

- Arise signed an asset management agreement with Green Investment Group for the Överturingen wind farm of 235 MW.
- The Bröcklingberget project of 45 MW was divested to a fund managed by re:cap global investors.
- The acquisition and subsequent divestment of the Enviksberget project (37 MW) to a fund managed by BlackRock was completed.
- Arise exceeded 1,000 MW of managed wind power capacity.

## Q4

- The last turbine of the 32 in the Svartnäs wind farm was assembled; a total of 115 MW. Arise was responsible for project management during the construction and will manage the wind farm for the owner BlackRock through an asset management agreement.

Total production
547 GWh

Own wind power operations
295 GWh


# 2018

## IN BRIEF

Co-owned wind power operations

**252 GWh**

# This is Arise

## We are

one of Sweden's leading players in onshore wind power.

## Our organization

Arise has 26 employees comprising employees at head office in Halmstad, at office in Stockholm, and as project managers in the field.

## Our mission

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

## Our vision

We aim to develop renewable energy for a sustainable future!

## Our business areas

- Project development, construction and sales of wind farms, and projects ready for development.
- Management and operation of our own and others' wind farms.
- Production and sales of electricity and electricity certificates from Own and Co-owned wind power operations.

## Our portfolio

- Projects amounting to around 1,000 MW, of which 900 MW is in Sweden and 70 MW in active phase in Scotland.
- Management portfolio of over 1,000 MW in Sweden and Norway.
- Own wind power operations, 10 wind farms totalling 139 MW in southern Sweden.
- Co-owned wind power operations, (50%) 66 turbines in Jädraås in Central Sweden, 203 MW.

# Arise Portfolio overview

## Own wind power operations

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

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

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

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

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

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

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

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

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

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

## Co-owned wind power operations

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

## Managed wind farms

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

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

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

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

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

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

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

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

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

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

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

**22. ÖVERTURINGEN, ÅNGE MUNICIPALITY**
Turbine type: Siemens SWD-DD-130
Quantity: 56
To be commissioned year: 2019
Owner: Green Investment Group

## Wind farms under construction

**23. BRÖCKLINGBERGET, BRÄCKE MUNICIPALITY**
Turbine type: Siemens SWT-DD-142
Quantity: 11
To be commissioned: 2019
Owner: Fund managed by re:cap global investors

**24. ENVIKSBERGET, FALU MUNICIPALITY**
Turbine type: Siemens SWT-DD-142
Quantity: 9
To be commissioned: 2019
Owner: Fund managed by BlackRock

# Sold wind farms

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

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

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

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

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

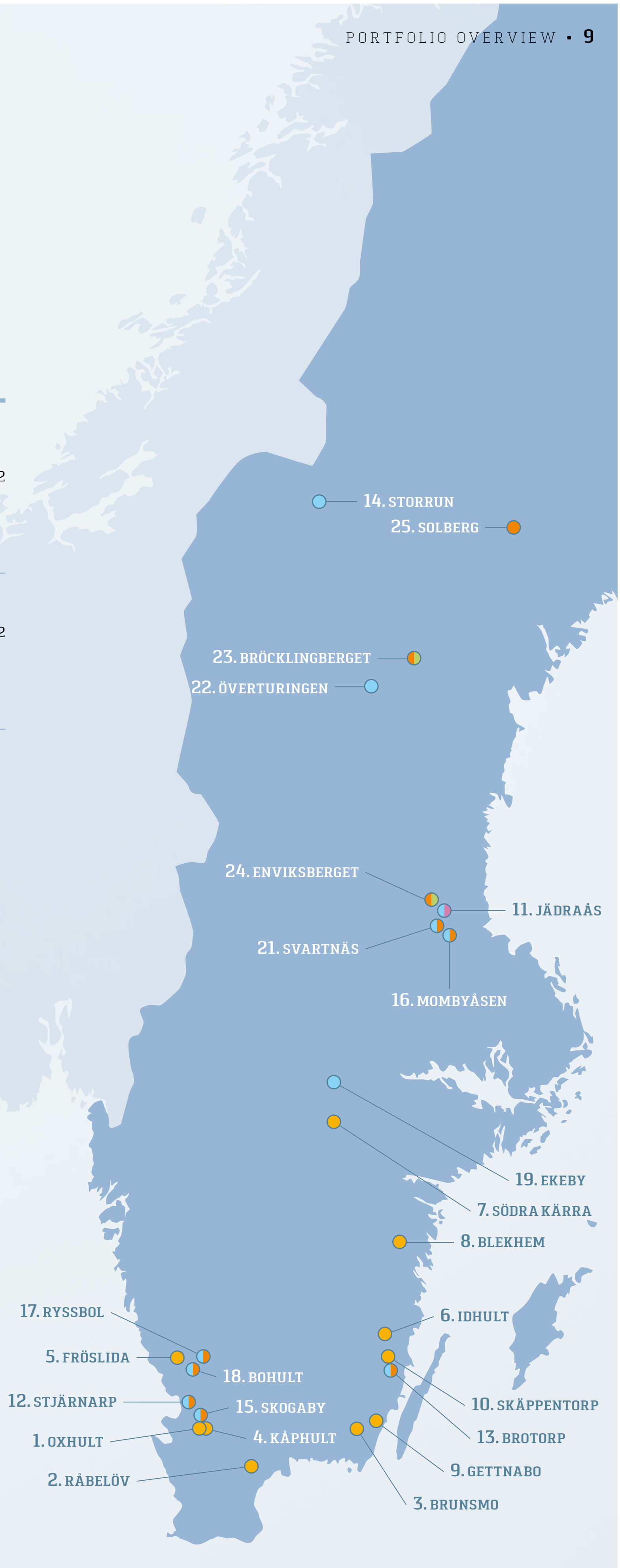
**18. BOHULT, HALMSTAD MUNICIPALITY**
Turbine type: GE 1,6-100
Quantity: 8
Commissioned year: 2014
Owner: Fund managed by Allianz Global Investors

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

**23. BRÖCKLINGBERGET, BRÄCKE MUNICIPALITY**
Turbine type: Siemens SWT-DD-142
Quantity: 11
To be commissioned: 2019
Owner: Fund managed by re:cap global investors

**24. ENVIKSBERGET, FALU MUNICIPALITY**
Turbine type: Siemens SWT-DD-142
Quantity: 9
Commissioned: 2018
Owner: Fund managed by BlackRock

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




"More and more organisations are consciously moving towards 100 % renewable energy."

MESSAGE FROM THE CEO

# 2018 was the year when things seriously turned around for Arise!

- We successfully refinanced our own wind farms.
- We sold two projects (totalling around 82 MW) with a substantial estimated profit of about MSEK 110.
- We successfully completed the construction of the Svartnäs wind farm (about 115 MW), despite difficult weather conditions.
- We made a profit before tax of about MSEK 28, despite a very poor year for wind.
- We have continued to reduce our net debt and cash flows for 2019 are forecast to be strong.
- We have acquired new wind power projects that far exceed the capacity of the two projects we have sold.
- We have four wind power projects with environmental permits which will have a combined capacity of around 500 MW when constructed.
- We plan to sell the Skaftåsen development project (150–200 MW) to investors in 2019.
- We have entered into new agreements with our customers and the total wind power we are currently managing increased to around 1,100 MW.

The industry is experiencing a strong upturn, as part of a global trend. Interest from foreign investors is very high, while Swedish capital has to date been relatively passive. The need for an energy transition is obvious and a great deal of capital is being allocated to investment in infrastructure in general and in renewable energy in particular. This is a natural consequence of low interest rates globally, making it difficult to generate long-term positive returns. More and more companies are keen not to contribute to greenhouse gas emissions via their consumption and are consciously moving towards 100 % renewable power.

Naturally, it is not all roses, but on the whole the outlook is very promising! We would of course prefer more reasonable, predictable and effective permit processes. It would also be most welcome if Sweden's politicians could take responsibility for the electricity certificate system by speedily introducing a stopping mechanism for the system. Two things would be achieved by this. Previous investors could receive reasonable compensation for having championed the expansion of wind power in accordance with the set objectives. And as an industry, we would avoid the uncertainty about the future that subsidies inevitably entail. In addition, there would be savings in terms of the administrative resources required to keep the system running.

I would like to take this opportunity to thank our highly skilled and dedicated employees, and our customers and partners who keep spurring us on, for a 2018 that resulted in growth and development for us all! Many thanks are also due to our shareholders!

We look forward to continuing to be able to deliver underlying profitable growth!

*Halmstad, March 2019*
**Daniel Johansson**
**CEO, Arise AB (publ)**

THE MARKET

# Origin-marked renewable electricity – a green investment

The expansion of wind power capacity in the Nordic region is continuing towards a sustainable energy system.

### TREND FOR NORDIC WIND POWER

The expansion of wind power in Sweden and Norway is driven primarily by strong interest from foreign investors in generating long-term financial returns. In the global low interest rate environment, in recent years it has been difficult to find sources of long-term returns. During the same period, the challenge of climate change has become increasingly apparent and fossil energy sources have gradually started to be replaced by renewable energy. The positive development in wind power technologies, which has seen gradually falling costs per produced unit of energy, has enabled and accelerated this trend.

In comparison with most countries in Europe, Sweden, Norway and Finland have unique opportunities for expanding wind power. These countries have large tracts of land that are sparsely populated and their wind resources are generally good, particularly in Norway and Sweden. The attractiveness of the Nordic region has been further strengthened after the previously so generous subsidies in other parts of Europe have been phased out or reduced.

The expansion of capacity continued in the Nordic countries in 2018 and by 2021, Swedish Wind Energy assesses that Sweden's normal production from wind power will amount to more than 31 TWh. Norway has also seen strong growth in recent years. In 2017, a new record for the production of electricity from Swedish wind power was set 17.6 TWh. Total wind power production in Sweden is estimated to have been lower for 2018 than for 2017, despite this continued expansion. This is due to the fact that 2018 was a particularly bad year for wind.

The potential for further expansion is still assessed as very good. In addition, it is assessed that this can be done entirely without subsidies in the future. There is currently no evidence to suggest that the rate of expansion will decline in the next few years.

### ELECTRICITY CERTIFICATES

At the end of the third quarter in 2018, there were operational, approved facilities for electricity certificates with a normal annual production of around 23.2 TWh, according to the Swedish Energy Agency and the Norwegian Water Resources and Energy Directorate (NVE). These facilities comprised around 16.7 TWh in Sweden and around 6.5 TWh in Norway. The goal for expansion by 2020 is 28.4 TWh in Sweden and Norway combined.

In spring 2016, the Norwegian Government stated that Norway will not continue with the electricity certificate system after 2021, while in 2016, five Swedish political parties reached an accord on Sweden's future energy policy that includes further support for renewable electricity generation through the electricity certificate system being extended and expanded by 18 TWh up until 2030. Since the rate of expansion of wind power increased significantly during 2017 and 2018, it is assessed that investment decisions already account for the total of 46.4 TWh covered by the electricity certificate system. In April 2017, the Swedish Government announced a linear expansion of the electricity certificate system and related quota curve for the years 2022–2030. In addition, a proposal was tabled that would

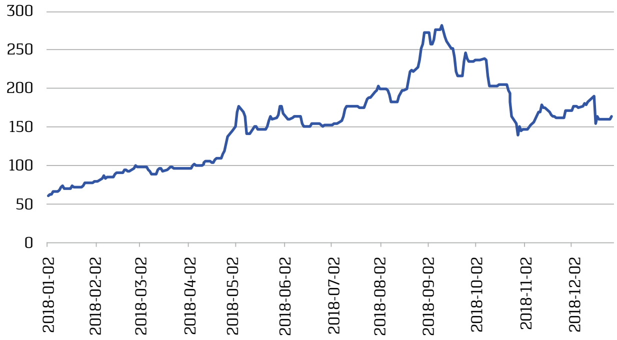
bring forward the quotas and thus increase demand for electricity certificates already from 2018.

The structural surplus of electricity certificates in the market has progressively decreased in 2018 and will continue to decrease in 2019. This has resulted in substantially higher prices in 2018 compared with 2017. For 2019, it appears that the prices can be kept well up, but in the longer term the situation is less certain. The Swedish Energy Agency has been tasked with proposing a stopping mechanism for the electricity certificate system and tabled its proposal in December 2018. The proposal seems odd however, as it suggests that the stopping mechanism would not enter into force until 2030. In practice, this is the same as not introducing a stopping mechanism at all. It will be up to the Swedish Government to decide on the final formulation after the proposal has been circulated for comment. It is likely that there will be a debriefing within the five-party group who came together in support of the 2016 energy policy agreement.

### ELECTRICITY PRICE TREND

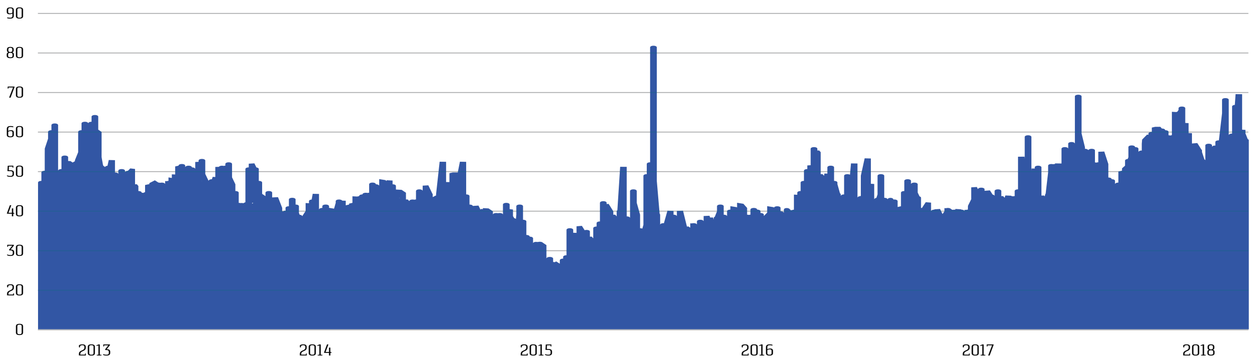
The spot price of electricity in 2018 continued to trend upwards. Prices have risen as a consequence of the hydrologi-

Electricity certificate market, spot SEK/MWh




Historical system price (2013–2018)

EUR/MWh




*Source: Macrobond, Nord Pool Spot*

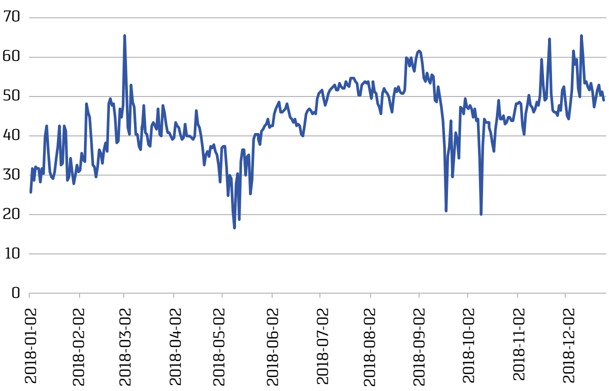
cal situation having deteriorated, i.e. the reservoir fullness factor in hydropower reservoirs having gone down. The forward contracts price trend has also been largely positive, but not as strong. The positive price trend has been supported by strong growth in the price of electricity in Europe. This in turn has been due to higher commodities prices for coal and gas for example, but also due to a dramatic rise in the price of emission allowances for $CO_2$. The price difference between the Nordic countries and the rest of Europe has remained high, where the Nordic region in general has been lagging behind with lower forward contract prices than in the rest of Europe.

New transmission connections from the Nordic region to the rest of Europe are planned, which it can be assumed will eventually even out the price differences. The phasing out of Swedish nuclear power is also expected to reduce the surplus of electricity production, but the expansion of wind power is still continuing. Many exciting developments of a structural nature can be expected to affect electricity prices in the future. Electric cars are now making real inroads in the market. Heavy industry is making serious attempts to phase out dependence on fossil energy and transition to the use of electricity for more processes. IT companies perceive good opportunities for access to electricity at competitive prices in the Nordic region, with little impact on the climate, for their data centres and other facilities. The battery industry has concrete plans to establish manufacturing, with its high demands for electricity, in the Nordic region. Storage options through battery technology will also eventually be able to play a major role in how, when and at what prices electricity can be consumed.

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

*Sources: Swedish Energy Agency, NVE, Swedenergy and the Swedish Wind Energy Economic Association).*

**Electricity market, system spot price EUR/MWh**




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

DEVELOPMENT AND MANAGEMENT

# Arise has exceeded 1,000 MW of wind power under its management

Development and Management are our key growth areas. Arise develops, builds and then continues to manage these assets, building up a long-term and customer-driven business over time.

During the year, growth in wind power management has been strong and profitability has increased significantly in our development business. The goal in 2018 was to divest at least one project and we managed to divest two. We have also increased profit per megawatt sold compared to previous average levels.

We have also acquired new project rights at a faster rate than we have divested them, and as result our portfolio is maturing. We now have a project portfolio of about 1,000 MW, of which four licensed projects totalling around 500 MW in capacity, giving us reason to be optimistic about the next few years. We plan to divest the Skaftåsen project (150–200 MW) in 2019. It is assessed that we can initiate the sale process during the first quarter with a sale sometime during the autumn.

A new management agreement was concluded in 2018 with Green Investment Group for the Överturingen wind farm in Ånge Municipality of about 235 MW. Green Investment Group is a specialist in green infrastructure and part of the Macquarie Group.

The Bröcklingberget (45 MW) and Enviksberget (37 MW) projects were divested during the quarter to funds managed by re:cap global investors and BlackRock, respectively. Both of these wind farms are now under construction with Arise as project manager, and we will also manage these projects after commissioning through asset management agreements. The coming projects mentioned above mean that Arise has exceeded 1,000 MW in total of managed wind power capacity.

Construction of the Svartnäs project proceeded according to plan during 2018 and the last turbine could be assembled just before the end of the year. The wind farm is expected to be complete in its entirety during the first quarter of 2019, and the total financial status for Arise is expected to be better than budgeted.

Income in the Development and Management segment increased by MSEK 67 to MSEK 197 (130), while the cost of sold projects and contracts increased at the same time to MSEK -50 (-42). Other operating expenses and capitalised work were unchanged, MSEK -28 (-28). EBITDA thus increased MSEK 59 to MSEK 119 (60). Depreciation, amortisation and impairment amounted to MSEK 0 (-14) and EBIT thus increased to MSEK 118 (46). Net financial items improved to MSEK -17 (-21). Profit before tax thus increased MSEK 76 to MSEK 101 (25).

| Development and Management in figures, MSEK | 2018 | 2017 |
|---|---|---|
| Income | 197 | 130 |
| Operating expenses and capitalised work | –78 | –70 |
| Operating profit before depreciation (EBITDA) | 119 | 60 |
| Underlying EBIT (before impairment) | 119 | 59 |
| Operating profit (EBIT) | 118 | 46 |
| Profit before tax | 101 | 25 |



| Projects | Status | Size | Timing, forecast | Profit potential |
|---|---|---|---|---|
| Skaftåsen, SWE | Permitted | 33 WTGs / ~165 MW | 2019 | Moderate |
| Ranasjöhöjden, SWE | Permitted | 23 WTGs / ~138 MW | 2020 | Good |
| Salsjöhöjden, SWE | Permitted | 13 WTGs / ~65 MW | 2020 | Moderate |
| Fasikan, SWE | Permitted | 15 WTGs / ~90 MW | 2021–2022 | Good to excellent |
| Kölvallen, SWE | In permitting process | 47 WTGs / ~282 MW | 2021–2022 | Excellent |
| Finnåberget, SWE | In permitting process | 25 WTGs / ~150 MW | 2021–2022 | Good to excellent |
| Tormsdale, Scotland | Pre planning | 16 WTGs / ~72 MW | 2022–2023 | Excellent |
| **Total** | | **172 WTGs / ~962 MW** | | |

# Own wind power operations

Our own wind power operations comprise 10 wind farms in southern Sweden with a total capacity of 139 MW.

Arise is responsible for the management of all of these wind farms. Since May 2017, service operations for Vestas turbines have been outsourced to Vestas through a 15-year full-service agreement. Since 2016, GE's wind farms have been serviced by GE under a 5-year full-service agreement.

All of our own wind farms are located in southern Sweden on either the east or west coast. The first wind farm that Arise commissioned was at Oxhult in Laholm Municipality, which will see its tenth anniversary this year. See also our Project Portfolio on pages 8–9 and the Overview at the end. A wind turbine has a life expectancy of approximately 25 years. A project is being conducted at our own farms to evaluate potentially extending the life expectancy to produce even more energy at the same facility.

It could be concluded at the end of the year that the winds were far weaker than normal during 2018. Production in our wholly-owned wind farms amounted to 295 GWh (348).

| Own wind power operations in figures, MSEK | 2018 | 2017 |
|---|---|---|
| Income | 151 | 137 |
| Operating expenses | –52 | –54 |
| Operating profit before depreciation (EBITDA) | 99 | 83 |
| Operating profit/loss (EBIT) | 27 | -133 |
| Profit/loss before tax | -47 | -194 |
| Income, SEK/MWh | 512 | 380 |
| Cost, SEK/MWh | 178 | 156 |
| Average capital employed | 1,205 | 1,330 |
| Return on capital employed (EBIT) | 2.2% | neg. |
| Return on adjusted capital employed (EBITDA) | 8.2% | 6.2% |

**139**

**10 WIND FARMS**

**MW**

Average income from electricity and electricity certificates increased to SEK 344 per MWh (272) and SEK 169 per MWh (109), respectively. These figures correspond to 28 % under the market price for electricity (SE4) and 9 % above the market price for electricity certificates (SKM) during the period.

Net sales decreased MSEK 20 due to lower production, and increased MSEK 39 due to the higher average price compared with 2017. Overall, net sales and EBITDA thus increased MSEK 18 and MSEK 16, respectively, compared with 2017. Other income amounted to MSEK 0 (4). The specific operating expense increased to SEK 178 per MWh (156). The increase is attributable to lower production. EBIT increased to MSEK 27 (-133) as the previous year was burdened by an impairment charge of MSEK -139. Net financial items declined due to non-recurring costs connected to the refinancing and repurchasing of bonds at a discount during the preceding year. Overall, loss before tax thus improved to MSEK -47 (-194).

# Co-owned wind power operations

The Co-owned wind power operations segment includes the Jädraås wind farm in Ockelbo Municipality, of which Arise owns 50 % (101.5 MW). In total, the wind farm has 66 wind turbines of 203 MW.

The wind farm is a joint project that has been constructed and is now being operated together with Platinum Partners LLP, and here too, Arise owns 50 %.

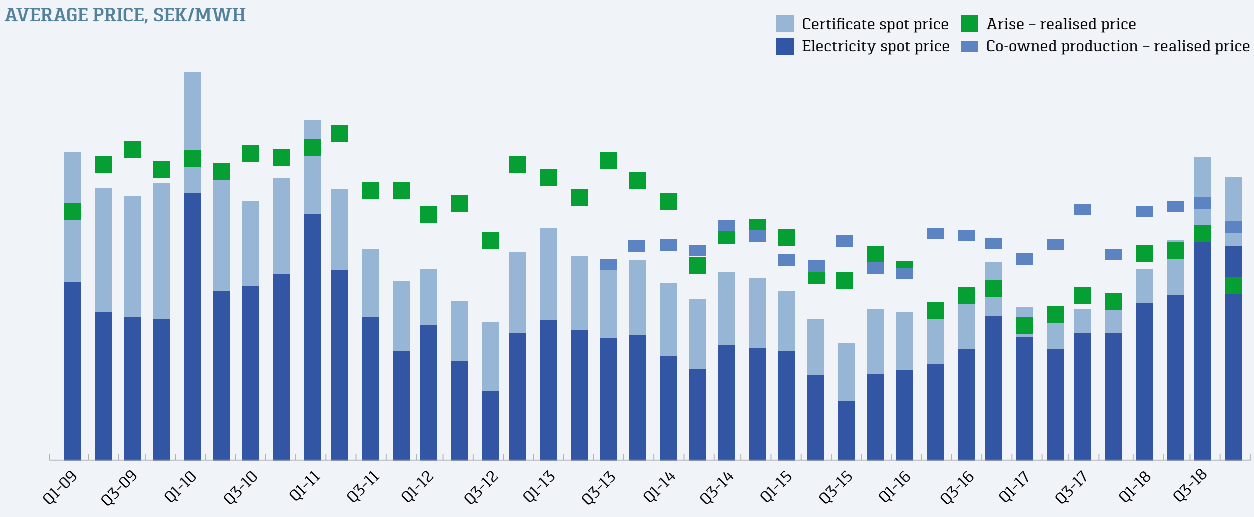
Arise is responsible for the operational management of the wind farm, and the turbine supplier Vestas is stationed on site with a permanent service team.

Electricity production for the year totalled 252 GWh (287). Average income was SEK 587 per MWh (532), of which SEK 413 per MWh (376) pertained to electricity and SEK 175 per MWh (156) to electricity certificates.

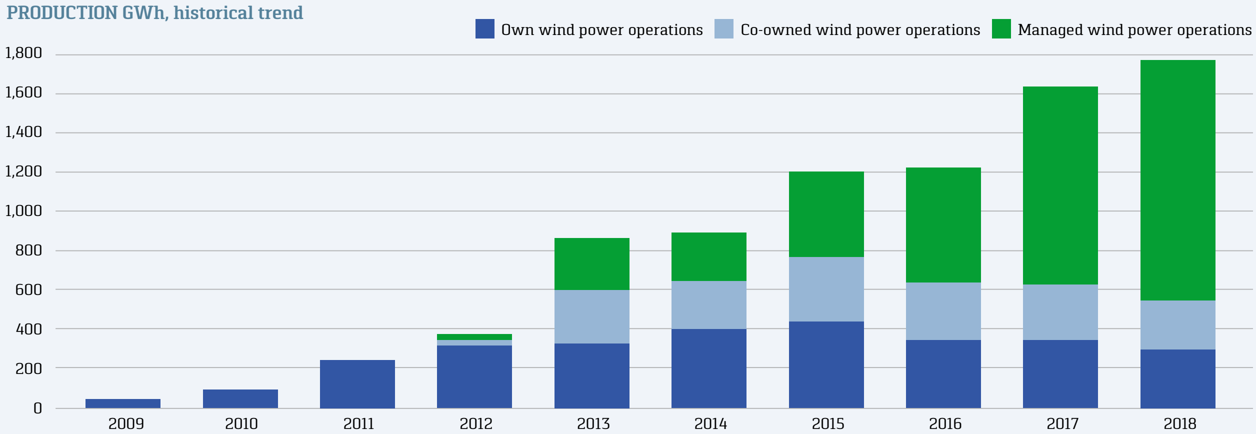
Net sales decreased by MSEK 18 due to lower production, but rose by MSEK 14 due to the higher average price, compared with the preceding year. Net sales declined by MSEK 5, while EBITDA decreased by MSEK 11 due to the specific operating expense increasing to SEK 139 per MWh (101). This was mainly the result of being able to redeem service payments, for which provision had been made last year, after entering into new service agreements. EBIT declined to MSEK 42 (57). Net financial items declined slightly due to currency effects and thus loss before tax declined by MSEK 17 to MSEK –2 (15).

| Co-owned wind power operations in figures, MSEK | 2018 | 2017 |
|---|---|---|
| Income | 148 | 153 |
| Operating expenses | -35 | -29 |
| Operating profit before depreciation (EBITDA) | 113 | 124 |
| Operating profit (EBIT) | 42 | 57 |
| Profit/loss before tax | -2 | 15 |
| Income, SEK/MWh | 587 | 532 |
| Cost, SEK/MWh | 139 | 101 |
| Average capital employed | 1,205 | 1,263 |
| Return on capital employed (EBIT) | 3.5% | 4.5% |
| Return on adjusted capital employed (EBITDA) | 9.4% | 9.8% |

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




## Historical trend in Own, Co-owned and Managed electricity production




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

| PRICE HEDGES AS OF 31 DEC 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|
| **Own production, budget, GWh** | **343** | **343** | **343** |
| Hedged electricity production, GWh | 206 | 204 | – |
| Hedged electricity certificate production, GWh | 144 | 178 | – |
| *Hedged electricity price, SEK/MWh* | *308* | *293* | – |
| *Hedged electricity certificate price, SEK/MWh* | *120* | *128* | – |
| **Co-owned production, budget, GWh** | **286** | **286** | **286** |
| Hedged electricity production, GWh | 177 | 201 | 152 |
| Hedged electricity certificate production, GWh | 235 | 227 | 208 |
| *Hedged electricity price, SEK/MWh* | *334* | *290* | *302* |
| *Hedged electricity certificate price, SEK/MWh* | *80* | *50* | *50* |

10.3 SEK/EUR exchange rated applied

This is Arise's Sustainability Report and refers to the 2018 financial year. The Sustainability Report includes the Parent Company Arise AB (publ.) (556274-6726) and all units consolidated in Arise's consolidated financial statements for the same period specified in Note 8, Notes to the Parent Company's financial statements. The Sustainability Report has been prepared in accordance with Chapters 6 and 7 of the Swedish Annual Accounts Act.

# "We aim to develop renewable energy for a sustainable future"

**Bibbi Franzén, Executive Assistant & Head of Corporate Communications with responsibility for sustainability issues**

# "We achieve this by generating green electricity from wind farms"

Arise is one of Sweden's leading players in onshore wind power. Our core business is to create renewable energy through continuous development of wind power. We work to develop new wind power projects and then construct them on behalf of investors.

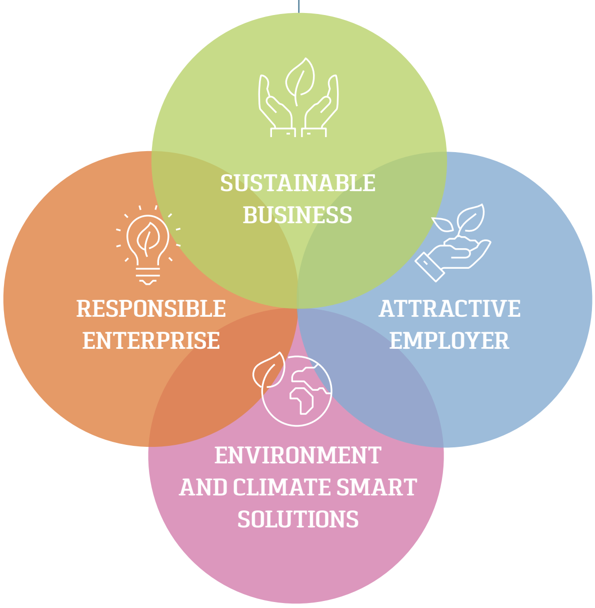
This means that we are also creating new renewable electricity production in addition to our own wind farms that supply renewable electricity on a daily basis. This production contributes to the replacement of non-sustainable electricity production technologies such as coal and nuclear power. Wind power has no emissions into the natural environment nor any hazardous waste from electricity production.

## SUSTAINABLE DEVELOPMENT GOALS – UN 2030 AGENDA

- End poverty in all its forms.
- Reduce inequality.
- Promote just, peaceful and inclusive societies.
- Combat climate change.

We must all work together towards achieving the goals of the 2030 Agenda for Sustainable Development. At Arise, we view goal number 7 "Affordable and clean energy" as our primary task, since our core business is to create renewable energy through continued development of wind power. We also work towards contributing to other goals such as numbers 3, 5, 8, 10, 11, 12, 13 and 15. The big picture perspective is also important, since trade-offs between different goals may be necessary from time to time. It is therefore of great importance to us as a company, and for the expansion of wind power, that professional, objective trade-offs can be taken into account in the permit process. As a company, we can try to assist in finding practical solutions, but our society's institutions must ultimately deal with this key task.

# We have chosen to divide our Sustainability Report into four separate focus areas where in various ways we are working to contribute to the achievement of these goals:




## SUSTAINABLE BUSINESS

**"We are to be the obvious partner to investors in wind power and to create added value throughout the life cycle."**

### OUR BUSINESS MODEL

We divide Arise's business model into the areas project development, management, and the production of renewable energy from our own, co-owned and managed wind farms.

These are reported in three segments:

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

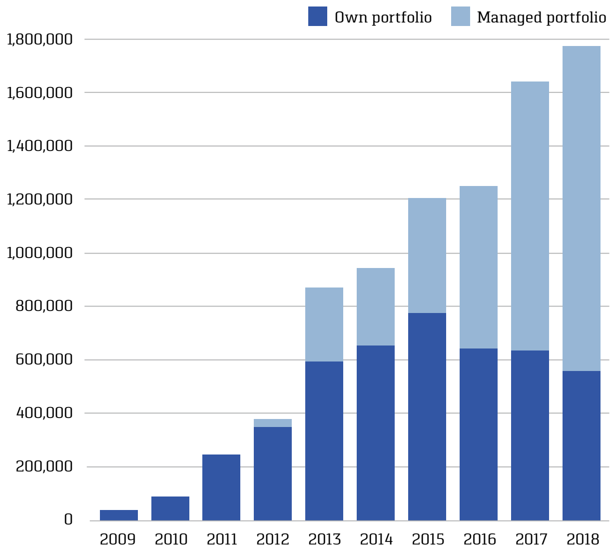

### OUR PRODUCTION

Since Arise began its operations in 2007, the company has constructed 19 wind farms in Sweden comprising a total of 234 turbines equivalent to about 648 MW of onshore wind power. Ten of these farms are still owned by the company.

Since our first wind turbine in Oxhult was commissioned and up until 2018, our wholly-owned wind farms have produced in total 2,700,000 MWh (2,700 GWh), corresponding to a 2.1 million tonne reduction in $CO_2$ emissions. To put this in context, it is equivalent to driving 170,000 cars 100,000 kilometres each. We think that this clearly illustrates the significance of an increase in the production of renewable electricity from wind power in the important work of slowing down climate change.

### Production per year 2009–2018

PRODUCTION MWh




## FINANCIAL RESPONSIBILITY

Arise is to be the obvious partner for investors in wind power and generate added value throughout the wind farm's entire life-cycle. We are to maximise the value of our green electricity production through professional management, sales and financing.

Through efficient financing, management, operation and project development, our overall objective is to provide shareholders with a good return on their investment in the form of dividends and growth in the share price.

Growth in wind power management has been strong and profitability has increased significantly in our development business. Additionally, we have increased profit per megawatt sold compared to previous average levels.

Our goal in 2018 was to divest at least one project and we managed to double this figure by divesting the Bröcklingberget and Enviksberget projects. Both of these wind farms are now under construction with Arise as project manager and we will manage these projects after commissioning.

During the year, Arise has developed an efficient management model whereby we provide complete solutions for our customers, including responsibility for operation and maintenance, technical management, environmental reporting, financial management and administration.

New asset management agreements were concluded during the year with Green Investment Group for the Överturingen wind farm of roughly 235 MW. As we mentioned above, asset management agreements for Bröcklingberget and Enviksberget were also concluded, and Arise has thereby exceeded 1,000 MW of managed wind power assets.

Our goal in 2019 is to divest the Skaftåsen project (150–200 MW) and thus to further expand wind power capacity in Sweden and our wind power asset management operations.

We wish to make a positive contribution to the local economy through economic growth and job creation. The fact that our entire business concept is green and generates substantial benefits by reducing environmental impact is a strength that we view as key to our future ability to remain financially sustainable and to survive as a business. Ultimately, we must transform the financial realities and challenges we encounter into opportunities. This is the best way in which we can remain accountable to our shareholders and to the community at large.

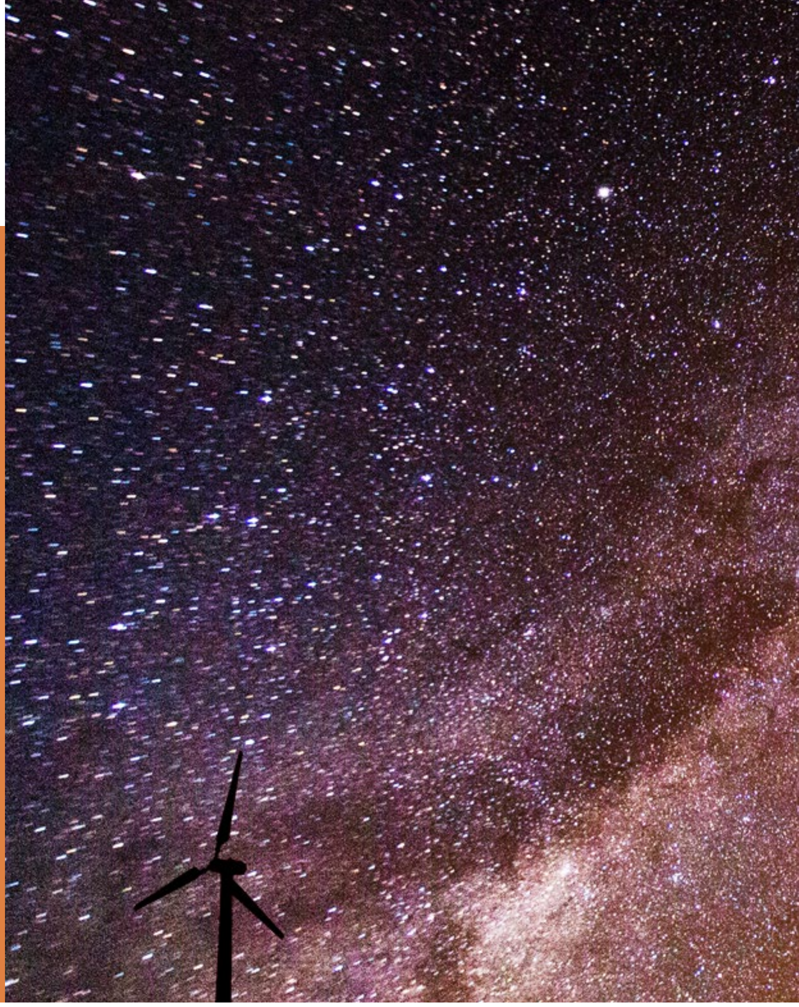
**–9,000 tonnes**

**A modern wind turbine can reduce emissions of $CO_2$ by roughly 9,000 tonnes per year. This is equivalent to emissions from approximately 3,000 ordinary petrol cars.**

## OUR GREEN BOND

In March 2018, Arise refinanced its own wind farms and issued green bonds amounting to MSEK 650. This bond received Moody's Green Bond Assessment rating of GB1 (Excellent), which is the highest rating for green bonds according to Moody's Green Bond Assessment System. The affected wind farms, their production in 2018, and the equivalent reduction in $CO_2$ emissions, are presented in the table below.

| Wind farm: | Production 2018 (MWh) | $CO_2$ Tonnes |
|---|---|---|
| Oxhult | 51,971 | 17,670 |
| Råbelöv | 19,316 | 6,567 |
| Brunsmo | 20,269 | 6,892 |
| Fröslida | 48,294 | 16,420 |
| Idhult | 30,026 | 10,209 |
| Kåphult | 34,389 | 11,692 |
| Södra Kärra | 32,855 | 11,171 |
| Blekhem | 24,921 | 8,473 |
| Gettnabo | 26,274 | 8,933 |
| Skäppentorp | 6,411 | 2,180 |
| **Total** | **294,726** | **100,207** |



# RESPONSIBLE ENTERPRISE

**"As we expand wind power across Sweden, we reduce carbon emissions, create local jobs and development, while focusing on the best interests of the company and society."**

## SOCIAL RESPONSIBILITY

### OUR SOCIAL RESPONSIBILITY

Climate change is de facto a huge challenge and a risk to us all, locally and globally. We want our efforts to expand wind power in Sweden to make a contribution to producing even more green electricity and helping to reduce carbon emissions.

Despite this, the expansion of wind power and renewable energy can also entail some inconvenience for local residents in terms of noise, flickering shadows, etc. We describe how we are working with these risks in more detail on page 31 of our Sustainability Report. Our wind farm activities are also monitored annually via environmental reports and through other accounting in accordance with the conditions set in the permits for operational power plants.

Ahead of the construction of new projects, a consultation meeting is always held to give the local residents affected by the project an opportunity to present their views. We always strive for constructive communications with all parties concerned, and we maintain a continuous dialogue with landowners, local residents' associations, and other associations, and engage with the local residents.

During the year, consultations have been held with landowners in Kölvallen prior to a new application for an environmental permit that was recently submitted.

In some wind farms, an annual grant is distributed among local projects in a district for the purpose of promoting the development of the district.

Thanks to our expansion, we are also contributing to the local economy and jobs growth, particularly in rural areas, and we also create skilled jobs for many people over a long period of time. This is the case both during construction and after commissioning, when we use transport companies, businesses, hotels, etc. and we always strive to engage entrepreneurs as close to the project as possible.

We engage reputable and experienced companies as subcontractors and we have our own project managers in the field to minimise environmental and occupational health and safety risks in the construction projects we are responsible for. We have an obvious goal that there should be no injuries and no environmental impact within the scope of our permit conditions. We constantly strive to create the greatest possible consensus around our deployed wind farms and our development projects.

### SUPPLIERS AND CONTRACTORS

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

We also require in our Code of Conduct for Suppliers that all Arise suppliers respect the principles in the Code of Conduct and comply with these in their operations.

## ETHICS AND MORALS

Maintaining a high standard of business ethics is as important as operating our business in accordance with the applicable acts and provisions, which we emphasise in our Code of Conduct. We require honesty and integrity in all of the company's activities and demand the same from our customers, suppliers and collaborators.

In line with the Code of Conduct, there should be no bribery and this has not taken place. This is why every form of compensation to advisors, suppliers and partners must be paid strictly on the basis of confirmed products and services only. We are highly restrictive with respect to gifts to or from suppliers and business partners. All employees must avoid conflicts of interest between private financial matters and the company's business operations.

## CONTRACTS

Arise's site and plant contractors are primarily located in Sweden and we only engage large, reputable players in the industry. Before establishing a new wind farm, these are the requirements we place on our contractors.

The contractor must:

- have a quality management system that complies with SS-EN ISO 9001:2008.
- have an environmental management system that complies with SS-EN ISO 14001:2004.
- provide a person to be responsible for environmental matters.
- fulfil our requirements in respect of waste management and comply with the ecocycle guidelines from Kretsloppsrådet for the environmentally sound management of waste at the workplace.
- draw up an environmental plan to be approved by Arise before beginning work at the site. The environmental plan also applies to subsuppliers and subcontractors.
- supply documentation and take part in quality and environmental audits periodically conducted by Arise. The audit is to be documented in writing.
- perform internal quality and environmental audits in accordance with the quality and environmental management systems. The results must be documented in writing and reported to Arise.

In 2018, the construction of the Svartnäs wind farm was completed and the Enviksberget and Bröcklingberget wind farms were begun. In all cases, we deliver construction services and asset management with ongoing monitoring to ensure that the above requirements are met. No deviations from these requirements have been identified thus far.

New for 2018 is an expansion of the requirements above such that the contractor must also:

- have a plan for the management of excess material, excavated material and shipments.
- have an emergency response plan.
- demonstrate a plan of measures for reducing $CO_2$ emissions, for example, the use of cement in the project.

These points are followed up in the coming years.

# ATTRACTIVE EMPLOYER

**“We want to offer our skilled employees the right conditions so they can work in a good and safe work environment.”**

To provide a good and safe work environment is an important strategic issue for Arise, as stated clearly in our Occupational Health & Safety Policy. Our aim is to create a healthy workplace where our employees can grow and develop and where they feel highly motivated.

## WORK ENVIRONMENT, JOB SATISFACTION, HEALTH AND SAFETY INDEX

Every year we conduct an employee survey, which is carried out by the same independent company each year, and in 2018 this survey showed an excellent result.

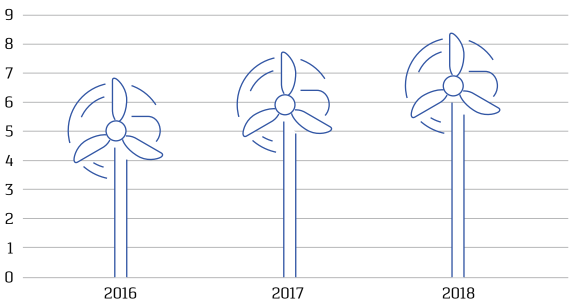
The 2016 survey marked the end of a downward trend and after the implementation of the action plan in 2017, we were able to see that the trend had turned around from 6.9 to 7.8. In 2018, we continued to work on the proposals for measures that emerged from the survey and to our great satisfaction, the result increased further to 8.4. In 2019, our aim is to maintain this high level and an action plan has been drawn up describing how we intend to work with the measures proposed by employees in the survey, and to continue to work for a good work environment. In particular, during the year a course will be provided to all staff focusing on behaviour and group dynamics.

Most of our employees have sedentary jobs and the focus during the year has therefore been on health promotion efforts in various forms. For example, we will continue to offer health promotion grants amounting to SEK 2,500 per year which most staff utilise to purchase a gym membership or pay for some other activity. The goal for the year was that 75 % of staff would utilise this grant. We achieved 70.4 %. This does not mean that the remaining staff were inactive; instead they are engaged in activities that do not attract fees or charges, such as jogging, taking long walks, etc.

We have also jointly participated in many different types of fitness activities arranged by the company and we are proud of the fact that we have a staff who are very active.

During the year, all office staff have been provided with training in ergonomics through our occupational health service. Also via our occupational health service, our staff are regularly given medical examinations with customised

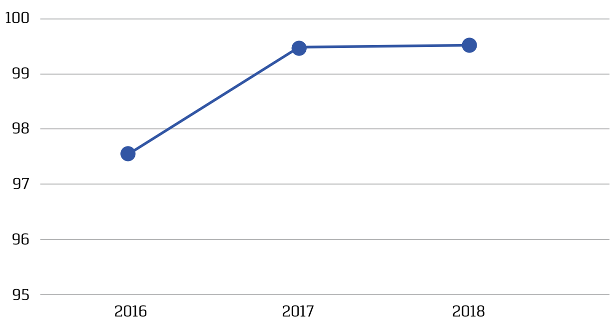
**Satisfied Employee Index**




examinations for those working at high heights. We also have health insurance so that staff can rapidly access the help or health care they require.

That one of the effects of having a sustainable work environment is a low rate of sickness absence in an organisation is a well-known fact. For many years, Arise has had a very low rate of sickness absence, which we are very proud of. This was also the case in 2018, when sickness absence was so low that the attendance rate amounted to all of 99.5% (99.5).

**Health index**




## GENDER EQUALITY, DIVERSITY AND HUMAN RIGHTS

Our Equal Opportunity Policy and Code of Conduct clearly state that we do not discriminate on the basis of gender, age, ethnicity, religion, disability, sexual orientation or other factors. Our attitude is to always provide all our employees with the same opportunities to balance work and family life, and that sexual or other forms of harassment are not tolerated.

The results of our employee survey during the year show that no harassment has occurred at the company. Our aim is, of course, that it will remain obvious that harassment is not tolerated. Company management and all employees have a responsibility to intervene if they see any violations of this policy.

There is currently a slight imbalance in terms of gender, age and ethnicity in the company that we are striving to rectify. We are always looking for highly skilled employees and choose our employees on the basis of merit, which we believe will gradually reduce this imbalance.

The Board has adopted a Diversity Policy which aims to promote diversity on the Board and in the management team. According to this policy, the Board is to be character-

ised by diversity and the composition of the Board is to comply with item 4.1 of our Code of Conduct. Efforts are also being made to achieve an even gender distribution on the Board.

### Composition of the Board of Directors, management, employees

| | Number | Gender distrib. | | Age distrib. | | |
|---|---|---|---|---|---|---|
| | | Women | Men | <29 | 30–50 | >50 |
| Board of Directors | 4 | 1 | 3 | | | 4 |
| Group management | 4 | | 4 | | 2 | 2 |
| Employees | 26 | 8 | 18 | 2 | 14 | 10 |

We work continuously to encourage Arise staff to develop themselves through further education and we can see that a number of roles within the company have grown and broadened.

In 2018, we added skills to the company through a successful collaboration with the Swedish Public Employment Service in Halmstad. After a six-month work placement, Tawfik was employed as operation manager at our head office in Halmstad.

"Having the opportunity to work with wind energy and asset management at Arise means a great deal to me. The atmosphere at Arise is really great, and my work as operation manager is both fun and challenging."

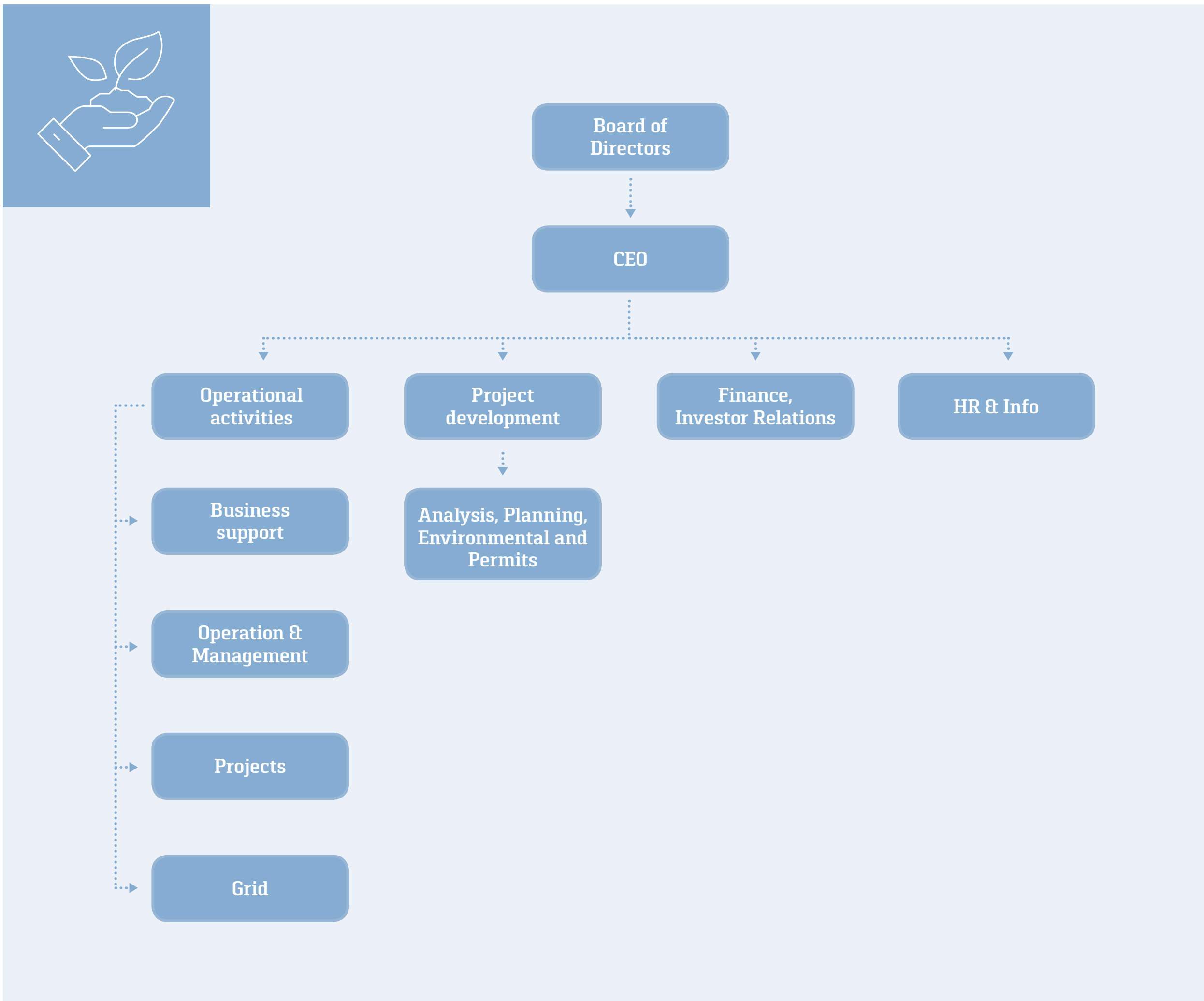
### OFFICE ENVIRONMENTS

Naturally, we also work with sustainability in our office environments and have a well-functioning system for sorting paper, batteries, etc., at the source. We also always do our utmost to recycle or sell old or used equipment.

A recently appointed Sustainability Team within Arise will be working with sustainability issues during 2019, including monitoring and putting forward suggestions and proposing new areas to work with. This team's work will be monitored during the year.

During the year, Arise's internal policies, formal work plans, instructions, guidelines and manuals that guide our employees have been reworked and updated.

### OUR ORGANISATION



# ENVIRONMENT AND CLIMATE SMART SOLUTIONS

**"With our climate-smart solutions, we create renewable energy for a sustainable future."**

## ENVIRONMENTAL RESPONSIBILITY

With our wind power, we are producing green energy and our entire business and focus is on delivering sustainable energy solutions that help to reduce $CO_2$ emissions. We develop wind power projects for our customers, who are often global financial institutions, who are working to generate returns for people's pension savings and to reduce climate-changing emissions.

In our view, contributing to an increased production of renewable electricity as our most important environmental contribution, and it is what we work to develop in everything we do.

Currently we are working on a project in our own wind farms that aims to extend the potential life of our wind farms in order to produce even more energy from the same facility. The starting point is the estimated life of a wind turbine which is approximately 25 years.

## NEW AND COMMISSIONED PROJECTS

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

During the construction of wind farms, electricity is required on site for heating the site shacks, office huts, etc., which in most cases means using diesel generators. In the Enviksberget project, where Arise is the construction project manager, together with the building contractor Svevia and the turbine supplier Siemens, we have instead been able to arrange a fixed electricity connection directly to the local grid. This green set-up entails a substantial reduction in costs as well as $CO_2$ emissions.

The activities involved in the planning of new wind farms and the operation of commissioned wind farms are controlled to a very high degree by current legislation and permit conditions. The environmental permit conditions governing the location of the wind turbines, flickering shadows, and noise, as well as the impact on wildlife, natural values, the cultural environment and archaeology, are key in this work. How we meet these factors is presented in the table below:

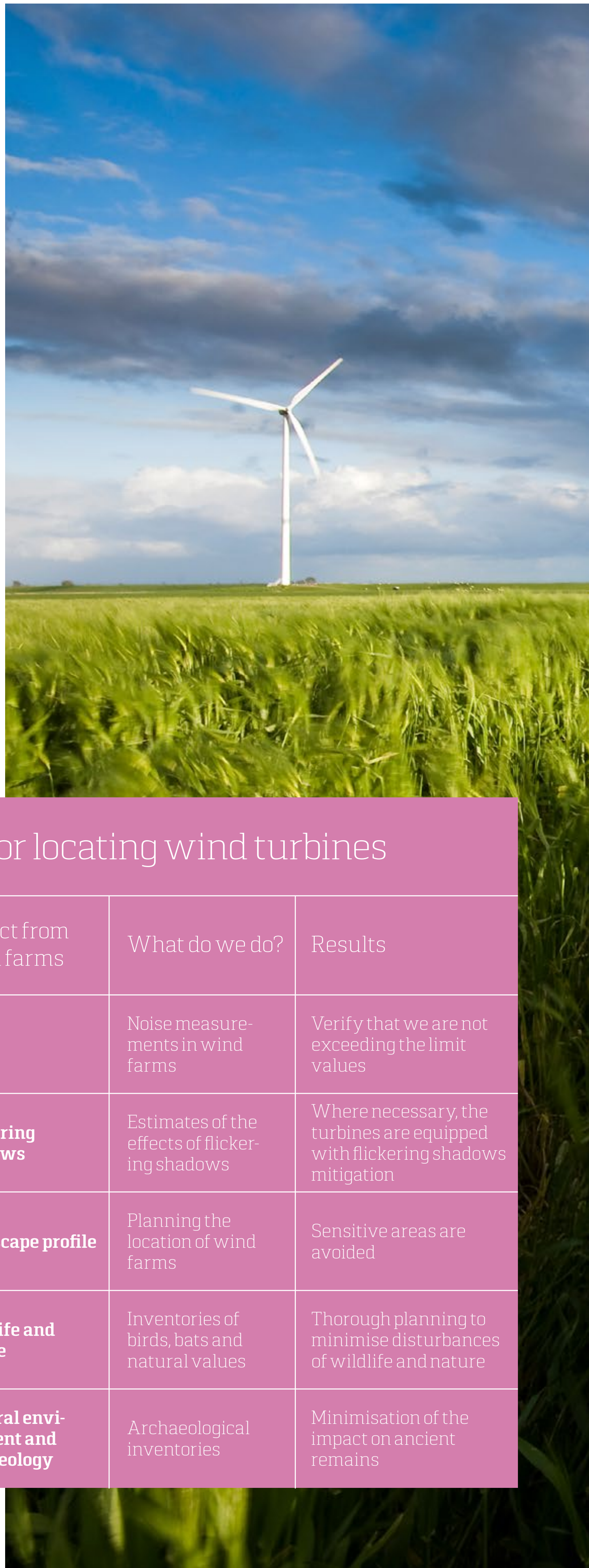
In 2018, Arise voluntarily participated in or contributed data to, a number of research programmes. These include Vindval, which is a research programme about the effect of wind power on people, nature and the environment; and VindEl, a programme which aims to contribute to the transition towards a sustainable and renewable energy system through research on and the development of technologies, systems, methods and questions related to wind power. The Swedish Energy Agency and the Swedish Environmental Protection Agency collaborate in these programmes. Our involvement in these programmes will continue during 2019.

## TRAVEL, ETC.

During the year, Skype for business was implemented and is now available to all employees. It is now being used internally and for external meetings with government agencies, suppliers, etc.

Arise's ambition is to reduce business travel, but with its head office in Halmstad and offices in Stockholm, physical meetings and visits are sometimes required. Currently, both train and air travel is used for trips between these locations.

Carbon offset programmes constitute one way of taking responsibility for the impact of our travel on the climate. An action plan for carbon offsetting of our trips is under preparation and will be presented during the first quarter of 2019.



## Conditions for locating wind turbines

| Impact from wind farms | What do we do? | Results |
|---|---|---|
| **Noise** | Noise measurements in wind farms | Verify that we are not exceeding the limit values |
| **Flickering shadows** | Estimates of the effects of flickering shadows | Where necessary, the turbines are equipped with flickering shadows mitigation |
| **Landscape profile** | Planning the location of wind farms | Sensitive areas are avoided |
| **Wildlife and nature** | Inventories of birds, bats and natural values | Thorough planning to minimise disturbances of wildlife and nature |
| **Cultural environment and archaeology** | Archaeological inventories | Minimisation of the impact on ancient remains |

**AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT**

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

**Engagement and responsibility**

It is the board of directors who is responsible for the statutory sustainability report for the year 2018 on pages 22–32 and that it has been prepared in accordance with the Annual Accounts Act.

**The scope of the audit**

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

**Opinion**

A statutory sustainability report has been prepared.

Malmö, 25 March 2019
Öhrlings PricewaterhouseCoopers AB

**Magnus Willfors**
*Authorised Public Accountant*



# Directors' Report

The Board of Directors and the CEO of Arise AB (publ), Corporate Identity Number 556274-6726, hereby present the Annual Report and consolidated financial statements for the 1 January – 31 December 2018 financial year.

## GROUP

### Operations

Arise AB is the Parent Company of the Arise Group, which develops, constructs and sells wind farms and asset management of these farms. In addition, the Group mainly includes a number of wholly owned subsidiaries usually named "Arise Wind Farm" followed by a number. These companies own and manage Arise's operational wind farms, details of which are provided on page 103. Arise Elnät AB, Arise Kran AB, Kölvallen Vind AB and Arise HoldCo 10 AB were established previously. Arise Kran AB will be discontinued over time since business activities are no longer conducted in this company. In addition, the Group comprise the associate Sirocco Wind Holding AB, which Arise AB co-owns with Sydvästanvind AB, which is, in turn, controlled by the UK company Platina Partners LLP. Sirocco Wind Holding AB owns the Jädraås wind farm, comprising a total of 66 turbines each with an output of 3.1 MW, which are formally operated by both Jädraås Vindkraft AB and Hällåsen Kraft AB.

The Parent Company's operations comprise project development (project planning to identify suitable wind locations, signing leasehold agreements, producing impact assessments, preparing detailed development plans and permits), selling projects to external investors, building new projects, managing both internal and external projects (technically and financially) and managing the Group's electricity and electricity-certificate trading activities. The Parent Company manages the Group's production plans and electricity hedges in accordance with the adopted financial policy.

Arise Elnät AB is fully devoted to consulting on grid-related issues with responsibility for electrical contracts relating to the Group's wind power expansion. This responsibility includes the management of applications for licences to build transmission networks used to transmit electricity produced in the wind farms to the overlying electricity grid. All of the Group's operations are conducted in Sweden. Arise's vision of the future is available on pages 6–15.

### Events in brief

In the first quarter, Solberg wind farm was completed for Fortum on schedule and according to budget. The company refinanced and successfully completed the early redemption of its secured bonds for approximately MSEK 950. After the refinancing, the company can fully focus on increasing growth in its project development and management business as well as value-enhancing measures related to the company's assets. In the second quarter, an option agreement was signed for the right to acquire Krange Vind AB, which owns the Ranasjöhöjden and Salsjöhöjden projects of a total of approximately 180 MW. The company intends to further develop the projects with the aim of presenting them to potential buyers at the end of 2019 or in 2020. In the third quarter, a new asset management agreement was concluded with Green Investment Group for the Överturingen wind farm of approximately 235 MW. The construction-ready projects Bröcklingberget (45 MW) and Enviksberget (37 MW) were divested to funds managed by re:cap global investors and BlackRock, respectively. The asset management agreements were signed for these projects at the same time and Arise thereby exceeded 1,000 MW under management.

### Net sales and results

Net sales attributable to the production of electricity in the Own wind power operations segment consist of income for sold electricity and sold and earned electricity certificates for actual electricity produced. Net sales also include sales proceeds from sold projects, which are recognised gross in net sales and management income.

Arise has continued to successfully divest construction-ready projects and to expand its management operations during the year. In total, agreements regarding divestment of 82 MW and asset management agreements for 317 MW were signed. Development and management income increased to MSEK 197 (130) due to higher revenue


recognition from project sales and higher management income. Production from Own and Co-owned wind power operations during the year amounted to 547 GWh (635), down 14%, of which production from Own wind power operations was 295 GWh (348).

The average price for the company's own production increased SEK 132 to SEK 512 per MWh (380), which more than compensated for the lower production. In total, net sales therefore increased MSEK 86 to MSEK 343 (257).

Operating expenses increased to MSEK 155 (140), of which MSEK 50 (42) was attributable to sales and contracts. The remaining MSEK 105 (98) comprised personnel and other external expenses. Own capitalised work was MSEK 3 (3). Consolidated profit from associates was MSEK 0 (7).

EBITDA rose MSEK 60 to MSEK 191 (131), and EBIT increased to MSEK 118 (–99). The preceding year's EBIT was affected by impairment of MSEK -152. Net financial items declined due to the impact of ineffective swaps, exchange-rate movements and repurchase of bonds at a discount during the previous year, which affected net financial items positively. Profit before and after tax totalled MSEK 28 (–178) and MSEK 21 (–180), respectively.

### Cash flow and investments

Cash flow from operating activities before changes in working capital amounted to MSEK 183 (119). Changes in working capital were MSEK -70 (–23), mainly driven by working capital accumulation in ongoing external projects. Total operating cash flow was therefore MSEK 114 (96). Projects were both acquired and divested during the period, bringing net cash flow from investing activities to MSEK -6 (–23). Cash flow after investments therefore amounted to MSEK 107 (73). During the period, the company's secured bond was refinanced through a new secured bond, bank loans and cash and cash equivalents. Repayments of MSEK 29 were made after refinancing took place. The net of current and non-current interest-bearing liabilities thus reduced cash flow by MSEK -104 (-154). Interest and other financing costs of MSEK -88 (–65) were paid and interest of MSEK 0 (1) was received. Net payments to or from blocked accounts totalled MSEK 0 (3), after which cash flow for the period amounted to MSEK -85 (–143).

### Financing and liquidity

Net debt amounted to MSEK 949 (973), of which convertibles comprised MSEK 236 (233). Cash and cash equivalents amounted to MSEK 61 (146). The company has significant tied-up working capital and remaining revenue recognition in ongoing construction projects. In total, the projects are thus expected to make a net contribution of approximately MSEK 170 to cash flow as these are completed. The equity/assets ratio at the end of the period was 40% (40). Under the assumption that all of the company's convertible bonds would be converted and existing cash netted against interest-bearing liabilities, the equity/assets ratio would correspond to 53%.

### Taxes

Since Arise has only Swedish subsidiaries, tax has been calculated according to the Swedish tax rate of 22.0%. Given the Group's loss carry-forwards and amortisation/deprecation capacity, no corporate tax is expected to be recognised as paid in the next few years.

### Employees

The average number of employees in the Group for the year totalled 25 (26). The total number of employees at year-end was 26 (26). Additional information about the number of employees and salaries, remuneration and terms of employment is provided in Note 4 of the consolidated financial statements.

## PARENT COMPANY

The Parent Company manages the Group's production plans and electricity hedges in accordance with the adopted financial policy. Until February 2018, the electricity-generating subsidiaries sold their electricity production to Arise at spot prices, which Arise then sold to the market at spot price. These intra-Group trading activities were recognised on a gross basis in the income statement. From March 2018, the electricity-generating subsidiaries sell their electricity production directly to counterparties in the market at spot price.

During the year, the Parent Company's total income amounted to MSEK 116 (182), and the purchase of electricity and certificates, personnel and other external expenses, capitalised work on own account and depreciation of non-current assets totalled MSEK -146 (-229), resulting in EBIT of MSEK -30 (-47). Net financial items of MSEK -16 (-108) (including dividends from subsidiaries, impairment of shares in subsidiaries and associates, and sale of shares in subsidiaries of net MSEK 42 (-69)) led to a net loss after tax of MSEK -54 (-160). The Parent Company's net investments amounted to MSEK -12 (-14).

## ENVIRONMENTAL IMPACT

The Group's core business is to develop, construct, sell and manage products that produce renewable electricity without releasing $CO_2$, dust or other emissions into the air, water or ground. The operations also include own production of renewable electricity. Building and construction work, in conjunction with building new wind turbines and related electrical systems, comply with the regulations for such operations.

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

### Sustainability Report

In accordance with Chapter 6, Section 11, of the Swedish Annual Accounts Act, Arise AB (publ) has chosen to prepare a Sustainability Report as a report separate from the Annual Report. The Sustainability Report is available on pages 22–32 in this printed document. The scope of content in Arise's Sustainability Report is based on the global targets, where our operations can contribute towards several of the goals. However, we view Goal 7, Sustainable Energy for All, as our main focus as our core business consists of creating renewable, sustainable energy through continuous development of wind power.

### Legal requirements

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

## RISKS AND UNCERTAINTIES

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

### External risks

Arise believes there will be demand for wind-power produced electricity for the foreseeable future. According to the agreement on Swedish energy policy reached in June 2016, support for renewable electricity production is to continue to be provided by expanding the existing electricity certificate system by 18 TWh between 2021 and 2030. However, new stopping mechanism proposals for the certificate system mean that prices further along the curve are low. There is uncertainty at the moment regarding the final structure of the stopping mechanism.

The price of electricity and electricity certificates can be affected by a number of factors ranging from economic climate, price of raw materials and $CO_2$ prices to the structural supply and demand scenario. These factors could also influence opportunities for accessing equity and raising debt.

Arise's income depends on the prices of electricity and electricity certificates and the amount of electricity generated by the installed wind turbines which, in turn, is dependent on the wind speed during the period in question at the locations concerned, and the availability of the wind turbines. Wind speed varies between seasons and also between individual years. The risk of fluctuation in production volumes is reduced by establishing a portfolio of projects in various geographical locations and by performing extensive wind measurements prior to making investment decisions. Unfavourable weather conditions and climate change may, however, have a negative impact on electricity production which, in turn, would affect the company's earnings. Furthermore, Arise is dependent on income from divesting operational and construction-ready projects to external investors. Through its comprehensive project portfolio and its platform for construction and asset management, Arise is, in terms of its competitive advantages, one of few players in the market able to provide landowners and investors with a complete concept for wind farm construction, including project rights, grid connections and large-scale procurement of turbines. An industrial perspective, combined with the company's own control over the expansion of the operations, are some of the most important prerequisites for the Group's future competitiveness.

### Financial risks

Energy price risk arises due to fluctuations in the price of electricity quoted on the Nord Pool marketplace. The Group manages this risk by hedging a certain portion of planned production. Electricity certificate price risk is managed in a similar manner. Future price trends remain uncertain and any decline in the prices of electricity and electricity certificates could be an indication of the risk of a reduction in value of existing investments.

Currency risk in the Group primarily arises when selling electricity and selling projects, both usually priced in EUR. This risk is managed by hedging the EUR exchange rate to a certain extent using futures. Interest rate risk arises when the Group raises loans and has been managed by fixing the interest rates of most loans raised through swap agreements.

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

Arise is to maintain financial preparedness by holding a liquidity reserve, comprising cash and cash equivalents and unutilised lines of credit, as sufficient at that time.

For more information, refer to Note 11 in the consolidated financial statements.

### Operational risks

The risk of significant consequences from a complete shutdown of all of the company's wind turbines, as a result of simultaneous technical failures, is deemed to be low. This is partly due to the geographical diversity of the farms, and to the fact that different manufacturers have been used. The company has implemented a complete maintenance system for all wind turbines including, for example, qualified vibration measurement in all key components of each turbine, complete component registration and systems for logging errors and corrective measures in the turbines. The Group's insurance cover includes business interruption insurance, liability insurance, product insurance, wealth insurance and limited coverage for environmental damage.

Other than Arise's appeal of the Swedish Tax Agency's decision to introduce a 0.5 % property tax on wind power instead of the statutory 0.2 %, Arise believes that there are no disputes with a potentially significant impact on the Group's financial position. Arise also believes that operational risks are reduced by the size of the Group and the composition of Group management, which comprises employees with insight into, as well as continuous and close contact with, the operations.

## THE WORK OF THE BOARD/ CORPORATE GOVERNANCE REPORT

Information regarding corporate governance and the work undertaken by the Board during the year is provided in the Corporate Governance Report on pages 92–95. This report and other information regarding corporate governance at Arise are available on Arise's website, *www.arise.se*.

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

## DISCLOSURE REGARDING THE COMPANY'S SHARES

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

On 31 December 2018, a total of 33,428,070 shares were issued. Shareholders have the right to vote for all the shares they own or represent. All shares entitle the holder to equal dividends.

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

The Annual General Meeting held on 3 May 2016 resolved to introduce a warrant programme by issuing a maximum of 750,000 warrants to a subsidiary in the Group for transfer to employees of the company. A total of 560,000 warrants were subscribed for by the subsidiary, all of which were transferred to the programme participants. The transfer to participants took place at market value calculated using the Black & Scholes formula. Each warrant entitles the holder to subscribe for one new ordinary share in the company for a subscription price of SEK 18.70. The warrants can be utilised during the period from 4 March 2019 up to and including 15 March 2019. On full utilisation of the warrants, the company's share capital will increase by SEK 44,800 by issuing 560,000 ordinary shares, corresponding to dilution of approximately 2 % based on the number of ordinary shares in the company before any conversion of the convertibles issued in March 2017. The warrants are subject to standard conversion conditions in connection with issues, etc. When this Annual Report was submitted, 117,500 warrants had been utilised through subscription of 117,500 new ordinary shares and the remaining 442,500 warrants expired.

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

### Authorisation

The Annual General Meeting held on 3 May 2018 resolved to authorise the Board, for the period until the next Annual General Meeting, to resolve on issues of ordinary shares, preference shares and convertibles, repurchases of the company's treasury shares and transfers of such shares. There are no restrictions regarding the transfer of shares stipulated in the Articles of Association or applicable legislation. Furthermore, the company is not aware of any agreements between shareholders that would restrict the transfer of shares.

### Shareholders

Information on the company's shareholders is provided on page 96. The company has two shareholders with a direct or indirect participation representing more than 10 % of the votes, which are Johan Claesson with companies and Briban Invest AB.

## AGREEMENTS WITH CLAUSES CONCERNING CHANGES IN OWNERSHIP

With a change in ownership entailing a "change of control" or if Arise is de-listed from Nasdaq Stockholm, a clause in the company's bond agreements and loan agreements applies, under which the bond holder has the right to claim redemption of the bonds including accrued interest and the bank has the right to call for the repayment of loans including accrued interest.

Except for these agreements, the Group has no other material agreements that could be terminated on the basis of changes in ownership. There are no agreements between the company and members of the Board or employees regulating remuneration if such individuals terminate their employment, are dismissed without a valid reason or if their employment or contract ceases as a result of a public takeover bid.

## CODE OF CONDUCT

Arise places great importance on conducting its business activities based on sound legal and business ethics. The company's Code of Conduct highlights the principles governing the Group's relationships with its employees, business partners and other stakeholders. The Code of Conduct applies to both employees and the Board of Directors. The Group's suppliers and partners are also expected to respect our Code of Conduct for suppliers and undertake to work proactively to meet these demands in both their own operations and in the supply chain.

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

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

The Code of Conduct also governs the company's work towards a sustainable society, stipulating that the Group's products and processes are to be designed in a manner effectively utilising energy and resources, as well as minimising waste and residual products over the product's useful lifetime. Arise recruits and treats its employees in a manner ensuring that there is no discrimination on the basis of gender, ethnicity, religion, age, disability, sexual orientation, nationality, political belief, origin, etc. The Group encourages diversity on all levels. Neither child labour nor work under duress is tolerated. Freedom of association and the right to collective bargaining and agreements are respected.

## GUIDELINES REGARDING REMUNERATION OF SENIOR EXECUTIVES

The company's guidelines regarding remuneration of senior executives were adopted at the Annual General Meeting held on 3 May 2018, and apply until the next Annual General Meeting. Salaries and other employment conditions are to be at such a level that the Group can always attract and retain competent senior executives.

### Fixed salary

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

### Variable remuneration

Each senior executive may, from time to time, be offered variable remuneration. Such variable remuneration is to be specified in the employment contract for each executive. The company's maximum costs for variable remuneration of senior executives, including social security contributions, are reported at the company's Annual General Meeting. Variable remuneration is primarily based on the company's results. Variable remuneration for 2018 will be paid to senior executives in an amount totalling MSEK 3.1 (0.4). The Remuneration Committee proposes and evaluates the variable targets for senior executives each financial year. The Remuneration Committee's evaluation is reported to the Board. Certain senior executives were offered the opportunity to be included in Arise's share-based warrant programmes, which are described in the Annual Report and, where applicable, in the complete proposals to the Annual General Meeting. Each year, the Remuneration Committee and the Board are to evaluate whether share-based warrant programmes are to be proposed to the Annual General Meeting.

### Pensions

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

### Termination of employment and severance pay

For senior executives, the period of notice is 6 months when initiated by the employee and a maximum of 6 months when initiated by the company, except for one senior executive who has a 24-month period of notice when termination of employment is initiated by the company, of which the last 12 months can be settled against other employment. No severance pay is paid during the termination period except for the executive's normal salary.

Largely similar guidelines regarding remuneration of senior executives are proposed for 2019. A more detailed description of the guidelines is found on the company's website under Corporate Governance.

## EVENTS AFTER BALANCE SHEET DATE

On 28 February, Arise entered into an agreement with The Renewables Infrastructure Group ("TRIG"), a London-listed investment company advised by InfraRed Capital Partners, for the sale of its 50 % holding in Sirocco Wind Holding AB, which owns the approximately 213 MW wind farm Jädraås. The transaction was completed on 22 March when Arise received net proceeds corresponding to approximately MSEK 195. An additional MSEK 5 is expected to be received later in 2019. The sale resulted in a pre-tax loss of approximately MSEK 245 due to, for example, swap break costs. The underlying enterprise value of the transaction amounts to approximately MEUR 206, which corresponds to a multiple of approximately SEK 3.8/kWh. This demonstrates the high value of Arise's remaining portfolio of operational wind farms. With this sale Arise is set for a new phase supported by a strong balance sheet and profitable growth.

## PROPOSED APPROPRIATION OF PROFITS

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

| **Parent Company** | |
|---|---|
| Accumulated loss from preceding year | -554,138,075 |
| Share premium reserve non-restricted equity | 1,368,475,008 |
| Profit/loss for the year | -53,669,736 |
| **Total unappropriated earnings, SEK** | **760,667,197** |

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

| | |
|---|---|
| **To be carried forward, SEK** | **760,667,197** |

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

# Consolidated income statement

| Amounts to the nearest MSEK | NOTE | 2018 | 2017 |
|---|---|---|---|
| Net sales | | 343 | 257 |
| Other operating income | | 0 | 5 |
| **Total income** | 2 | **343** | **261** |
| Capitalised work on own account | 2 | 3 | 3 |
| Personnel costs | 4 | -42 | -36 |
| Other external expenses | 5 | -113 | -105 |
| Profit from associates | 10 | 0 | 7 |
| **Operating profit before depreciation (EBITDA)** | | **191** | **131** |
| Depreciation and impairment of property, plant and equipment | 9 | -73 | -230 |
| **Operating profit/loss (EBIT)** | | **118** | **-99** |
| Financial income | 6 | 1 | 5 |
| Financial expenses | 6 | -91 | -85 |
| **Profit/loss before tax** | | **28** | **-178** |
| Tax on profit/loss for the year | 7 | -7 | -1 |
| **Profit/loss for the year** | | **21** | **-180** |
| Earnings are 100 % attributable to the Parent Company shareholders. | | | |
| **Earnings per share (SEK)** | | | |
| Basic | | 0.64 | -5.39 |
| Diluted | | 0.64 | -5.39 |
| Treasury shares held by the company, amounting to 54,194 shares, were not included in the calculation. | | | |
| Number of shares at the beginning of the year | | 33,428,070 | 33,428,070 |
| Number of shares at year-end | | 33,428,070 | 33,428,070 |

Basic earnings per share are calculated by dividing profit/loss for the year by the number of shares. The average number of outstanding shares applied in calculating basic earnings per share amounted to 33,373,876 shares (2017: 33,373,876 shares). The company has issued warrants that could result in dilution, but no dilution is recognised since the average listed share price for the year is less than the average subscription price of the warrants.

# Consolidated statement of comprehensive income

| Amounts to the nearest MSEK | 2018 | 2017 |
|---|---|---|
| **Profit/loss for the year** | **21** | **-180** |
| Other comprehensive income | | |
| *Items that may be reclassified to the income statement* | | |
| Translation differences for period | 0 | 1 |
| Cash flow hedges | -52 | 36 |
| Net investment in foreign currency | 17 | 13 |
| Share of other comprehensive income in associates, after tax | -12 | -42 |
| Income tax attributable to components of other comprehensive income | 6 | -10 |
| **Other comprehensive income for the year, net after tax** | **-41** | **-2** |
| **Total comprehensive income for the year** | **-20** | **-182** |

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

# Consolidated balance sheet

| Amounts to the nearest MSEK | NOTE | 2018 | 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 1,330 | 1,398 |
| Participating interests in associates | 10 | – | 5 |
| Receivables from associates | 22 | 428 | 418 |
| Deferred tax assets | 7 | 46 | 47 |
| Other financial non-current assets | 12 | 9 | 10 |
| **Total non-current assets** | | **1,812** | **1,878** |
| **Current assets** | | | |
| Inventories | 13 | 8 | 4 |
| Accounts receivable | 15 | 9 | 7 |
| Other current receivables | 14 | 10 | 22 |
| Derivative assets | 11 | 1 | 2 |
| Contract assets | 16 | 141 | 56 |
| Prepaid expenses and accrued income | 16 | 25 | 9 |
| Cash and cash equivalents | | 61 | 146 |
| **Total current assets** | | **256** | **247** |
| **TOTAL ASSETS** | | **2,069** | **2,124** |
| **EQUITY** | | | |
| Share capital | 17 | 3 | 3 |
| Other contributed capital | | 1,327 | 1,327 |
| Reserves | | -146 | -105 |
| Retained earnings/accumulated loss | | -360 | -381 |
| **Total equity** | | **824** | **843** |
| **LIABILITIES** | | | |
| Non-current liabilities | | | |
| Non-current interest-bearing liabilities | 18 | 922 | 1,079 |
| Provisions | 19 | 46 | 46 |
| **Total non-current liabilities** | | **968** | **1,124** |
| **Current liabilities** | | | |
| Current interest-bearing liabilities | 18 | 97 | 50 |
| Accounts payable | | 19 | 8 |
| Derivative liabilities | 11 | 117 | 54 |
| Other liabilities | 11 | 5 | 1 |
| Accrued expenses and deferred income | 20 | 39 | 43 |
| **Total current liabilities** | | **277** | **157** |
| **TOTAL EQUITY OCH LIABILITIES** | | **2,069** | **2,124** |

# Consolidated cash flow statement

| Amounts to the nearest MSEK | NOTE | 2018 | 2017 |
|---|---|---|---|
| **Operating activities** | | | |
| Operating profit/loss (EBIT) | | 118 | -99 |
| Adjustment for non-cash items | 8 | 73 | 226 |
| Tax paid | | -8 | -8 |
| **Cash flow from operating activities before changes in working capital** | | **183** | **119** |
| **Cash flow from changes in working capital** | | | |
| Increase (-) / decrease (+) in inventories | | 0 | 14 |
| Increase (-) / decrease (+) in operating receivables | | -89 | -21 |
| Increase (+) / decrease (–) in operating liabilities | | 19 | -16 |
| **Cash flow from operating activities** | | **114** | **96** |
| **Investing activities** | | | |
| Investments in property, plant and equipment | | -33 | -60 |
| Sales of property, plant and equipment | | 27 | 38 |
| **Cash flow from investing activities** | | **-6** | **-23** |
| **Financing activities** | | | |
| Loan repayments | | -929 | -398 |
| Loans raised | | 825 | 244 |
| Interest paid | | -88 | -65 |
| Interest received | | – | 1 |
| Deposits to/payments from blocked accounts | | – | 3 |
| **Cash flow from financing activities** | | **-192** | **-216** |
| **Cash flow for the year** | | **-85** | **-143** |
| Cash and cash equivalents at beginning of year | | 146 | 287 |
| Exchange-rate difference in cash and cash equivalents | | 0 | 2 |
| Cash and cash equivalents at year-end | | 61 | 146 |
| Interest-bearing liabilities at year-end | | 1,020 | 1,129 |
| Blocked cash and cash equivalents at year-end | | -9 | -10 |
| **Net debt** | | **949** | **973** |

## Change in liabilities in financing activities

| Amounts to the nearest MSEK | 31 Dec 2017 | Cash flow | Non-cash impairment | 31 Dec 2018 |
|---|---|---|---|---|
| Bond loans | 896 | -250 | -8 | 638 |
| Bank loans | – | 146 | – | 146 |
| Convertible loan | 233 | – | 2 | 236 |
| **Total** | **1,129** | **-104** | **-6** | **1,020** |

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

# Group equity

| Amounts to the nearest MSEK | Share capital | Other contributed capital | Reserves | Retained earnings/accu-mulated deficit | Total equity |
|---|---|---|---|---|---|
| **Opening balance on 1 Jan 2017** | 3 | 1,321 | -102 | -201 | 1,020 |
| Profit/loss for the year | | | | -180 | -180 |
| Other comprehensive income for the year | | | -2 | | -2 |
| Other adjustment | | | | -1 | -1 |
| **Total comprehensive income** | **3** | **1,321** | **-105** | **-381** | **838** |
| **Transactions with shareholders in their capacity as owners** | | | | | |
| Value adjustment, issued warrants | | 1 | | | 1 |
| Convertible loan | | 5 | | | 5 |
| **Total transactions with shareholders** | **–** | **6** | **–** | **–** | **6** |
| **Closing balance on 31 Dec 2017** | **3** | **1,327** | **-105** | **-381** | **843** |
| **Opening balance on 1 Jan 2018** | **3** | **1,327** | **-105** | **-381** | **843** |
| Profit/loss for the year | | | | 21 | 21 |
| Other comprehensive income for the year | | | -41 | | -41 |
| **Total comprehensive income** | **3** | **1,327** | **-146** | **-360** | **824** |
| **Transactions with shareholders in their capacity as owners** | | | | | |
| Convertible loan | | 0 | | | 0 |
| **Total transactions with shareholders** | **–** | **0** | **–** | **–** | **0** |
| **Closing balance on 31 Dec 2018** | **3** | **1,327** | **-146** | **-360** | **824** |

## DEFINITIONS OF KEY RATIOS

**EBITDA margin**
EBITDA as a percentage of total income.

**Operating margin**
EBIT as a percentage of total income.

**Return on capital employed**
Rolling 12-month EBIT as a percentage of average capital employed.

**Return on adjusted capital employed**
Rolling 12-month EBITDA as a percentage of average capital employed.

**Return on equity**
Rolling 12-month net profit as a percentage of average equity.

**Equity per share**
Equity divided by the average number of shares.

**Equity per share after dilution**
Equity divided by the average number of shares after dilution.

**Net financial items**
Financial income less financial expenses.

**Average equity**
Rolling 12-month average equity.

**Average capital employed**
Rolling 12-month average capital employed.

**Operating cash flow**
Cash flow from operating activities after changes in working capital.

**Net debt**
Interest-bearing liabilities less cash and blocked cash and cash equivalents.

**Interest coverage ratio**
Operating profit (EBIT) plus financial income in relation to financial expenses.

**Debt/equity ratio**
Net debt as a percentage of equity.

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

**Specific operating expenses, SEK per MWh**
Operating expenses for electricity production divided by electricity production during the period.

**Capital employed**
Equity plus net debt.

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

**Rounding**
Figures in this report have been rounded while calculations have been made without rounding. Hence, it may appear that certain tables and figures do not add up correctly.

# Notes to the consolidated financial statements

## NOTE 1 • ACCOUNTING POLICIES

### ACCOUNTING POLICIES FOR THE GROUP

### 1. General information

Arise AB (publ), Corporate Identity Number 556274–6726, is a limited liability company registered in Sweden, and its shares are listed on Nasdaq Stockholm. The company's registered office is located in Halmstad. The company's and its subsidiaries' primary operations are described in the Directors' Report in this Annual Report. The consolidated financial statements for the financial year ending on 31 December 2018 were approved by the Board of Directors on 25 March 2019, and will be presented to the Annual General Meeting for adoption on 8 May 2019.

### 2. Summary of important accounting policies

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

#### Basis of preparation of the financial statements

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

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

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

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

*New standards and amendments – effective from 1 January 2018*

The new and amended standards and interpretations that have been published and are to be adopted for the first time for the financial years beginning on or after 1 January 2018 are presented below:

*IFRS 9 Financial Instruments*

IFRS 9 Financial Instruments and consequential changes in other standards. IFRS 9 replaced those parts of IAS 39 addressing the classification and measurement of financial instruments. IFRS 9 retains a variable measurement approach but simplifies this approach in some respects. There are three measurement categories for financial assets – amortised cost, fair value through other comprehensive income, and fair value through profit or loss. The classification of an instrument depends on the company's business model and the characteristics of the instrument. Investments in debt instruments are measured at amortised cost if: *a)* the purpose of the holding is to obtain contractual cash flows and *b)* the contractual cash flows solely comprise interest and amortisation. All other debt and equity instruments, including investments in complex instruments, are to be measured at fair value. All changes in fair value of financial assets are recognised through profit or loss, with the exception of investments in equity instruments held for trading, for which there is an alternative to recognise changes in fair value in other comprehensive income. No reclassification to profit or loss will then occur on the divestment of the instrument. For financial liabilities measured at fair value, companies must recognise the portion of the change in value attributable to changes in the company's own credit risks in other comprehensive income. The new hedge accounting rules in IFRS 9 offer the company a better opportunity to reflect its applicable risk management strategies. Generally speaking, it is now simpler to qualify for hedge accounting. The new standard increases disclosure requirements and introduces certain changes to the presentation. IFRS 9 also introduces a new model for the calculation of credit loss reserve based on expected credit losses. The new model for impairment consists of a three-stage model based on changes to credit quality of the financial assets. The different stages govern how a company measures and recognises impairment and how it applies the effective interest rate method. For financial assets with a material financing component, for example normal accounts receivable and lease assets, simplified rules exist that mean the company can directly recognise a reserve for the asset's total maturity and therefore does not need to identify when a material deterioration of creditworthiness occurs.

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

*IFRS 15 Revenue from Contracts with Customers*

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

**Step 1:** identify the contract with a customer

**Step 2:** identify the performance obligations in the contract

**Step 3:** determine the transaction price

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

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

The main changes compared with previous rules are:

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

The transition to IFRS 15 has been evaluated by the company by reviewing the company's revenue streams and analysing material types of contracts. The transition did not have any material effect on the Group's revenue recognition, and is only deemed to entail additional disclosure requirements. The company has selected a prospective transition period that entails that comparative figures are not restated. Accounting policies for the Group for the comparative year are presented in their entirety in the 2017 Annual Report.

**New standards and interpretations not yet applied by the Group**

The new and amended standards and interpretations that have been published but which come into effect after 31 December 2018 are presented below.

*IFRS 16 Leases*

IFRS 16 will primarily impact reporting by the lessee and will mean that almost all lease agreements will be recognised in the balance sheet. For Arise, this primarily refers to changed recognition of leasehold agreements for operational wind farms. The standard makes no distinction between operating and financial leases. An asset (the right to utilise a leased asset) and financial liability corresponding to the commitment the company has to pay lease fees is to be recognised for almost all leasing commitments. One exception is for short-term contracts and contracts of low-value. Profit or loss will also be affected as costs are normally higher during the first years of a lease and then decline. In addition, costs are to be recognised as interest expenses and amortisation instead of other external expenses. This will impact key ratios, such as EBITDA. The cashflow statement will be influenced as cash flow from operating activities will increase when the largest share of payments related to the lease liability are classified as financing activities. Only the portion of payments pertaining to interest can continue to be included in operating activities. Recognition for lessors will remain unchanged in all material aspects. Certain differences may however arise as a result of new guidance in assessing what constitutes a lease agreement. Under IFRS 16, a contract is a lease agreement if the contract entails the right to use an identified asset for a specified period in return for compensation.

The Group has completed its analysis of the implementation of IFRS 16. The transition to IFRS 16 will be recognised according to the modified retrospective approach, which entails a calculation model based only on the remaining payments, the comparative year is not restated and leases of less than 12 months are not be considered.

For remaining lease commitments, the Group expected to recognise lease liabilities of MSEK 55 and rights-of-use of MSEK 55 as per 1 January 2019. Leases primarily refer to rights-of-use for wind farms and office premises.

Arise has applied the following practical IFRS 16 solutions to the transition:

- a discount rate on lease assets of similar characteristics.
- excluding direct acquisitions costs when measuring the rights-of-use.
- the assessment of remaining lease term was adopted in connection with the implementation of the standard.

None of the other IFRS or IFRIC interpretations yet to enter into force are expected to have any material effect on the consolidated financial statements.

### Consolidated financial statements

*Subsidiaries*

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

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

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

*Sales of subsidiaries*

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

### Associates

Associates are those companies in which the Group has a significant influence but does not exercise control, which, in principle, applies to a holding amounting to between 20% and 50% of the votes. Holdings in associates are recognised according to the equity method.

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

When the Group's share of losses in an associate is the same amount as or exceeds the holding in this associate, the Group no longer recognises any additional losses unless the Group has undertaken to pay or made payments on behalf of the associate.

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

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

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

### Segment reporting

An operating segment, which for Arise entails Own wind power operations, Co-owned wind power operations and Development and management, is part of the Group that conducts business operations from which it generates revenues and incurs costs and for which independent financial information is available. An operating segment's earnings are reported to the chief operating decision maker, who at Arise is the CEO, for more information refer to Note 3.

### Translation of foreign currencies

*Functional currency and presentation currency*

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

*Transactions and balance sheet items*

Transactions in foreign currencies are translated to the functional currency at the exchange rates applicable on the transaction date or the day on which the items were remeasured. Exchange rate gains and losses arising on payment of such transactions and in the translation of monetary assets and liabilities in foreign currency at the closing rate are recognised in the income statement. The exception is transactions that are hedges that meet the conditions for hedge accounting of cash flows or net investments for which gains/losses are recognised in other comprehensive income. Exchange rate differences on operating receivables and operating liabilities are recognised in EBIT, while exchange rate differences on financial receivables and liabilities are recognised in net financial items. Realised gains and losses on hedging derivatives are recognised in the income statement items in which the hedged transactions are recognised.

*Group companies*

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

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

### Revenue recognition

Income is recognised in the income statement when control has been passed to the purchaser. The time when control is passed is based on Arise's opinion of whether the Group's performance obligation will be satisfied at a point in time or over time. Arise's 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. Net sales also includes development income from sold projects and management income. Sales of projects are considered to constitute sales of inventory assets, see Note 2 for more information. Such sales are recognised gross in the consolidated financial statements, whereby the carrying amount of the non-current asset comprises the cost of goods sold, with the corresponding income amount recognised gross as net sales. Capital gains/losses are thus recognised at the corresponding amount as though the company had recognised the profit on the sale at net value. Development income, management income and sales of projects are excluded from calculations of average prices. Other operating income comprises sales of non-current assets and other items, see Note 2.

Income arising from the sale of generated electricity is recognised at a point in time in the period in which delivery took place, at the spot price, forward price or other contracted price. Income relating to electricity certificates is recognised over time at the applicable spot price, forward price or other contracted price for the period in which the electricity certificate is earned, which is the period in which the electricity was produced. Income from electricity and electricity certificates is recognised in net sales for the Own wind power operations segment, from the date of commissioning.

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

Income from sales of projects is recognised concurrently as the risks inherent to the project are transferred from Arise to the purchaser. For development projects, income and the costs attributable to the project are recognised as revenue and expenses in relation to the degree of completion of the project on the balance sheet date (percentage of completion). Arise estimates the degree of completion of each project by comparing the incurred costs with the estimated total expenses, and by estimating the risk in the remaining stages of the project. Management income is recognised in revenue according to contract in line with the service being delivered.

### Current and deferred tax

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

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

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

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

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

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

### Leases

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

#### *Finance leases*

The Group has no finance leases.

#### *Operating leases*

The Group signs leasehold agreements with landowners for periods of 30 years or more for the construction of wind turbines. Leases regarding land are defined as operating leases.

Lease fees for operating leases are expensed systematically over the term of the lease.

### Property, plant and equipment

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

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

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

Land is assumed to have an indefinite useful life and is therefore not depreciated. The value of wind farms is depreciated on a straight-line basis down to a maximum of the asset's estimated residual value and over the asset's expected useful life. The Group applies component depreciation, meaning that the components' estimated useful lives form the basis of straight-line depreciation. The depreciation of wind farms is initiated when taken over from the supplier. For the calculation of depreciation according to plan, the following useful lives are applied:

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

### Impairment of non-financial assets

Assets that are depreciated are assessed based on a decline in value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment is recognised at the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling expenses and its value in use. The value in use comprises the present value of all incoming and outgoing payments attributable to the asset during the period in which it is expected to be utilised in the operations, plus the present value of the net realisable value at the end of the asset's useful life. If the calculated recoverable amount is less than the carrying amount, the asset is impaired to its recoverable amount. When testing for impairment, assets are grouped at the lowest level where there are essentially independent cash flows (cash generating units).

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

### Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, which are measured at amortised cost.

### Accounts receivable

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

Accounts receivable are initially measured at fair value and, thereafter, at amortised cost, applying the effective interest method, reduced by the Group's credit loss risk reserve ("loss allowance"). The Group assesses future expected credit losses on accounts receivable and recognises a loss allowance for such expected credit losses on every reporting date. For accounts receivable, the Group applies the simplified approach, meaning the loss allowance will correspond to the expected losses over the full lifetime of the accounts receivable. The Group makes use of forward-looking variables for expected credit losses. Expected credit losses are recognised in the Group's EBIT.

### Inventories

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

## Financial assets and liabilities

### Classification

The Group classifies its financial instruments into the following categories:

- financial assets/liabilities measured at amortised cost
- financial assets/liabilities measured at fair value through other comprehensive income
- financial assets/liabilities measured at fair value through profit or loss
- derivative instruments held for trading or hedging

The Group classifies its financial assets and liabilities depending on the purpose for which the financial asset or liability was acquired. The classification of investments in debt instruments is based on the Group's business model and whether the contractual conditions of the assets' cash flows comprise solely payments of principal and interest (the SPPI test).

#### *Financial assets measured at amortised cost*

Financial assets measured at amortised cost are financial assets that are not derivatives, that have determined, or determinable, payments and that are not quoted on an active market. Assets held to collect the contractual cash flows and where these cash flows comprise solely payments of principal and interest are measured at amortised cost. These items are included in current assets, with the exception of items maturing later than 12 months after the balance sheet date, which are classified as non-current assets. The Group's assets measured at amortised cost comprise "Receivables from associates," "Blocked accounts," "Accounts receivable," "Other receivables" and "Cash and cash equivalents" in the balance sheet.

Assets in this category are initially measured at fair value and, thereafter, at amortised cost, applying the effective interest method, less any reserve for declines in value.

#### *Derivatives and hedging*

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

Measurement of hedging instruments for electricity prices, currencies and interest rates is based on observable data. For derivative instruments or other financial instruments that meet the requirements for hedge accounting under the method for cash flow hedges or hedge of net investments in a foreign operation, the effective portion of the change in value is recognised in other comprehensive income. For derivatives where hedge accounting is not applied and for derivatives included in a fair value hedge, any changes in value are recognised in the income statement.

*Cash flow hedges*

In cash flow hedging, changes in value are recognised in other comprehensive income and are recognised separately in specific categories within equity until the hedged item is recognised in the income statement. Any gains or losses on hedging instruments attributable to the effective portion of hedging are recognised in other comprehensive income and are recognised separately in equity under hedge reserve. Any gains or losses attributable to the ineffective portions of hedging are recognised in the income statement, electricity and currencies in EBIT and interest derivatives in net financial items. Hedge accounting is discontinued when a hedging instrument expires, is sold or when the hedge no longer meets the criteria for hedge accounting. The amount that has been accumulated in equity remains there until the forecast transaction occurs If the forecast transaction is no longer expected to occur, that amount in the cash flow hedge reserve is immediately reclassified to the income statement.

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

*Hedging of net investments*

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

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

*Calculation of fair value of financial instruments*

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

*Recognition and derecognition from the balance sheet*

A financial asset or a financial liability is recognised in the balance sheet when Arise becomes a party to the instrument's contractual terms and conditions. A financial asset is derecognised from the balance sheet when the rights of the agreement are realised, expire or the company loses control over them. A financial liability is derecognised from the balance sheet when the obligations in the agreement are fulfilled or otherwise extinguished. Acquisitions and sales of financial assets are recognised on the transaction date, which is the date on which the company commits to acquire or sell the asset, except for cases in which the company acquires or sells listed securities, in which case settlement accounting is applied.

*Impairment*

From 1 January 2018, the Group measures future expected credit losses that are related to financial assets measured at amortised cost or measured at fair value with changes in other comprehensive income based on forward-looking information. The Group applies a simplified method for impairment testing of accounts receivable and contract assets in accordance with the rules of IFRS 9. This simplification entails that the loss allowance for expected credit losses is based on the risk of loss for the full lifetime of the receivable and is recognised on initial recognition This method requires that a loss allowance is established for expected losses for the full lifetime of the accounts receivable and the contract assets. To measure expected credit losses, accounts receivable and contract assets have been grouped based on their credit risk characteristics and days past due. The Group makes use of forward-looking variables for expected credit losses.

*Offset of financial assets and liabilities*

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

**Accounts payable and other liabilities**

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

Accounts payable and other liabilities are classified as current liabilities if they fall due within one year or earlier. If not, they are recognised as non-current liabilities.

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

### Borrowing and borrowing costs

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

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

### Provisions

Provisions for environmental restoration, restructuring costs and legal requirements are recognised when the Group has a legal or informal obligation as a result of events that have occurred, when it is probable that an outflow of resources will be required to settle the obligation, and when the amount has been reliably estimated.

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

Provisions are measured at the present value of the amount expected to be required to settle the obligation, refer to Note 19.

### Cash flow statement

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

### Employee benefits

*Short-term employee benefits*

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

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

*Post-employment benefits*

With regard to pension commitments, the Group has only defined contribution pension plans which primarily include retirement pension, disability pension and family pension.

Premiums are paid regularly during the year by each Group company to independent legal entities, normally insurance companies. The size of the premium is based on the salary level and, other than pension payments, the Group has no obligation to pay further benefits. The expenses are charged to the Group's profit at the same time as the benefits are earned, which normally coincides with the time at which the premiums are paid. For information regarding remuneration of senior executives, refer to the Directors' Report on page 38.

*Share-based payment*

On 31 December 2018, the Group had one share-based payment plan, in which settlement is provided in the form of shares. The acquisition price of warrants is based on the estimated market price on the subscription date according to the Black & Scholes valuation model. When the warrants are exercised, the company issues new shares. Payments received, after deductions for any directly attributable transaction costs, are credited to share capital (quotient value) and other contributed capital.

### Share capital

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

### Earnings per share

Basic earnings per share is calculated by dividing:

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

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

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

### New accounting policies that will be applied by the Group from 1 January 2019

*IFRS 16*

The Group's leases primarily comprise rights-of-use for wind farms and office premises. Leases are recognised as rights-of-use with the corresponding lease liability on the day that the leased asset is available for use by the Group. Short-term leases and leases for which the underlying asset is of a low value are exempted.

Each lease payment is divided between repayment of the lease liability and a financial cost. The financial cost is to be distributed over the lease term so that each reporting period is charged with an amount corresponding to the fixed interest rate for the liability recognised in each period.

The lease period is determined as the non-cancellable period together with both periods that are covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The Group's lease liabilities are recognised at the present value of the Group's future lease payments. The lease payments are discounted using the Group's incremental borrowing rate.

The Group's rights-of-use are recognised at cost and include the initial present value of the lease liability, adjusted by lease payments paid at or prior to commencement and initial direct costs. Restoration costs are included in the asset if a corresponding provision for restoration costs has been identified. The right-of-use is depreciated straight-line over the shorter of the asset's useful life and the term of the lease.

## 3. Significant estimates and assessments

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

### Critical accounting estimates and assumptions

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

*Impairment testing for property, plant and equipment*

The Group has significant values recognised in the balance sheet relating to property, plant and equipment in the form of wind farms and wind power projects. The carrying amounts of these are tested for impairment in accordance with the accounting policies described in this note.

The recoverable amounts of wind farms and wind power projects, which are deemed to comprise cash generating units, have been determined by calculating the value in use for wind farms in operation or expected value in use for the project portfolio. These calculations require the use of estimates of future cash flows and assumptions regarding the required return and choice of discount rate.

Projects in Development and management and Own wind power operations were tested for impairment. The 2018 tests did not indicate any impairment requirement (MSEK 139 in 2017). The tests performed in Development and management were based on whether the projects could be expected to be realised at reasonable conditions in the future. In Own wind power operations, the value in use was calculated at MSEK 1,206 (1,276), excluding restoration costs. The discount rate amounted to 6.8 % (6.8).

The continuing average useful life is estimated at 17.2 years (18.2) and is consistent with the company's assessment of the total useful life (see below). A normal production year is estimated at 343 GWh and is based on production outcome. The Board's and company management's assumption regarding the future price trend of electricity and electricity certificates is based on observable forward curves for the first five years and thereafter price forecasts produced by external experts. Future price assumptions relating to electricity and electricity certificates and the discount rate are the factors with the most influence in a sensitivity analysis. The price trend is dependent on factors including the trend in prices for certificates, and the general trend in electricity prices, as well as the effect of the Group's price hedging. The discount rate depends on the underlying interest rate levels, risk factors and the availability of financing. Should the price levels of electricity and electricity certificates decline, or should the anticipated future price trend not be realised, while, at the same time, the chosen discount rate remains unchanged, then the estimated value in use will also decrease. This could have a material effect on Arise's earnings and financial position. For more information regarding the company's non-current assets, refer to Note 9.

*Impairment testing for financial non-current assets.*

The Group has significant values recognised in the balance sheet relating to financial receivables from associates. The carrying amounts of these financial receivables are tested for any credit losses in accordance with the accounting policies described in this note.

Financial receivables from associates are tested by measuring the value in use of the underlying wind farm that the receivable finances. This means the cash flows from the underlying asset form the basis of the assessment of expected credit losses on the financial receivable that the Group has. These calculations require the use of estimates of future cash flows and assumptions regarding the required return and choice of discount rate.

Tests in 2018 were carried out, which resulted in a reserve for the receivable for expected credit losses of MSEK –25 (–10), after which the carrying amount of the financial receivable was MSEK 428 (418).

The discount rate amounted to 6.5 % (6.5). The continuing average useful life is estimated at 19.3 years and is consistent with the company's assessment of the total useful life (see below). A normal production year is estimated at 286 GWh and is based on production outcome. The Board's and company management's assumption regarding the future price trend of electricity and electricity certificates is based on observable forward curves for the first five years and thereafter price forecasts produced by external experts. Future price assumptions relating to electricity and electricity certificates and the discount rate are the factors with the most influence in a sensitivity analysis. The price trend is dependent on factors including the trend in prices for certificates, and the general trend in electricity prices, as well as the effect of the associate's price hedging. The discount rate depends on the underlying interest rate levels, risk factors and the availability of financing to the associate. Should the price levels of electricity and electricity certificates decline further, or should the anticipated future price trend not be realised, while, at the same time, the chosen discount rate remains unchanged, then the estimated value in use that forms the basis of the assessment of expected credit losses, will also decrease. This could have a material effect on Arise's earnings and financial position. For more information, refer to Note 10 and 22.

*Valuation of loss carry-forwards*

Deferred tax assets attributable to loss carry-forwards recognised in the Group amount to MSEK 15 (26), see Note 7. The carrying amount of these tax assets was assessed on the balance sheet date and it has been deemed likely that these loss carry-forwards will be offset against any surpluses in future taxation. The tax assets refer to Swedish loss carry-forwards, which can be utilised for an indefinite period. It is expected that it will be possible to offset the loss carry-forwards against taxable profits within the foreseeable future.

*Useful lives of wind turbines*

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

*Framework agreements with suppliers – cancellation fees*

The company has concluded framework agreements for the purchase of wind turbines, which include clauses on cancellation fees to apply under certain circumstances. Based on current purchasing plans and forecasts, company management's assessment is that potential cancellation fees in 2019 may amount to a maximum of MSEK 24. If a cancellation is necessary in 2019, it is management's assessment that the total will be lower than this maximum amount.
In connection with the Mombyåsen project, Arise signed a construction contract for the construction of roads, foundations and internal electricity grid. The company has also signed a construction contract in connection with the Bröcklingberget project, under which the company has committed to execute certain construction procedures relating to roads, foundations and the electricity grid. In connection with these construction contracts, bank guarantees have also been issued for Arise's completion of the construction contracts. A guarantee for a grid connection was also agreed for the Bröcklingberget project, refer to Note 21.

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

*Restoration costs*

In certain projects, there are requirements for the restoration of land after the expiration of the wind turbines.
The expenses for dismantling wind turbines and restoring the land around the wind turbines have been estimated at MSEK 46 (46) for operational turbines, for which a provision has been made in the financial statements, see Note 19, and included in the depreciable amount.

*Holding in associate, Sirocco Wind Holding AB*

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

For information regarding Arise's loans to Sirocco Wind Holding AB, see above in this note under "Impairment testing for financial non-current assets" and also refer to Note 22.

## NOTE 2 • INCOME

Net sales include the sale of generated electricity, earned and sold electricity certificates, as well as gains and losses from electricity and currency derivatives attributable to the hedged production. Net sales also include development income from sold projects and management income. Management income is recognised according to contract based on monthly and quarterly invoices. When projects are sold, they are reclassified from non-current assets to current assets. Accordingly, such sales are recognised gross in the consolidated financial statements, with the carrying amount of the non-current asset comprising the cost of goods sold, and the corresponding income amount recognised gross as net sales. Capital gains/losses are thus recognised at the corresponding amount as though the company had recognised the profit on the sale at net value.

| | 2018 | 2017 |
|---|---|---|
| Electricity | 101 | 95 |
| Electricity certificates | 50 | 38 |
| Development and management income | 192 | 124 |
| **Net sales** | **343** | **257** |

Income for electricity and electricity certificates is recognised in the Own wind power operations segment and income for development and management is recognised in the Development and management segment, refer to Note 3.

Realised derivatives impacted net sales by MSEK –29 (–5).

Funds managed by BlackRock and funds managed by re:cap global investors accounted for more than 10 % of development and management income in 2018 and in 2017 funds managed by BlackRock accounted for more than 10 %.

Electricity production in Own wind power operations amounted to 294.7 GWh (348.4) for the year. Average income for electricity was SEK 344 (272) per MWh and for electricity certificates was SEK 169 (109) per MWh, meaning an average income per produced MWh of SEK 512 (380).

The following items are included in other operating income:

| | 2018 | 2017 |
|---|---|---|
| Gains on sales of non-current assets | – | 0 |
| Other items | 0 | 5 |
| **Other operating income** | **0** | **5** |

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

Contracted future expected income for as yet unfulfilled performance obligations is presented below and is attributable to ongoing development projects on 31 December 2018 that are recognised as contract assets in Note 16.

| Projects | 2019 | 2020 | TOTAL |
|---|---|---|---|
| Svartnäs | 3 | – | 3 |
| Bröcklingberget | 20 | – | 20 |
| Enviksberget | 15 | – | 15 |
| | **39** | **–** | **39** |

## NOTE 3 • SEGMENT REPORTING

### Accounting policies

An operating segment is part of the company that provides goods and services and that by nature differs from other operating segments. The returns and profitability of an operating segment are monitored by the company's chief operating decision maker, which for Arise is the CEO. Internal prices between the various segments of the Group are determined on the basis of the "arm's length" principle, that is, between parties who are independent, well informed and who have an interest in the transactions being undertaken. Segment income, earnings and assets include directly attributable items and items that can be allocated to segments in a reasonable and reliable manner.

### Segment division

The division of segment reporting is based on the Group's products and services, meaning the grouping of operations. The purpose of the Development and management segment is to develop, construct, sell and manage wind farms. Own wind power operations are the Group's wholly owned operational wind farms that are owned in separate subsidiaries. Associates, which, for accounting purposes, are not consolidated and currently only consist of Sirocco Wind Holding AB, the Jädraås project, are shown in the Co-owned wind power operations segment as if these operations were consolidated. The Unallocated revenue/expenses pertains to the Group's shared expenses.

| | Development and management | | Own wind power operations | | Co-owned wind power operations | | Unallocated rev./expenses | | Eliminations | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Amounts to the nearest MSEK** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** |
| Net sales, external | 192 | 124 | 151 | 133 | 148 | 153 | – | – | -148 | -153 | 343 | 257 |
| Net sales, internal | 5 | 6 | – | – | – | – | – | – | -5 | -6 | – | – |
| Other operating income Note a | 0 | 0 | 0 | 4 | – | – | 0 | 0 | – | – | 0 | 5 |
| **Total income** | **197** | **130** | **151** | **137** | **148** | **153** | **0** | **0** | **-153** | **-158** | **343** | **261** |
| Capitalised work on own account | 3 | 3 | – | – | – | – | – | – | – | 0 | 3 | 3 |
| Operating expenses | -81 | -73 | -52 | -54 | -35 | -29 | -27 | -19 | 41 | 35 | -155 | -140 |
| Profit/loss from associates | – | – | – | – | – | – | 0 | 7 | – | – | 0 | 7 |
| **Operating profit before depr./imp (EBITDA)** | **119** | **60** | **99** | **83** | **113** | **124** | **-27** | **-12** | **-113** | **-124** | **191** | **131** |
| Depreciation/amortisation | 0 | 0 | -72 | -77 | -71 | -66 | 0 | 0 | 71 | 66 | -73 | -78 |
| Impairment | – | -14 | – | -139 | – | – | – | – | – | – | – | -152 |
| **Operating profit/loss (EBIT)** | **118** | **46** | **27** | **-133** | **42** | **57** | **-27** | **-12** | **-42** | **-57** | **118** | **-99** |
| Net financial items Note b | -17 | -21 | -74 | -61 | -44 | -42 | 1 | 2 | 44 | 42 | -90 | -80 |
| **Profit/loss before tax (EBT)** | **101** | **25** | **-47** | **-194** | **-2** | **15** | **-26** | **-10** | **2** | **-15** | **28** | **-178** |
| **Property, plant and equipment** | **84** | **80** | **1,246** | **1,318** | **1,303** | **1,317** | **0** | **0** | **-1,303** | **-1,317** | **1,330** | **1,398** |

Funds managed by BlackRock and funds managed by re:cap global investors accounted for more than 10% of development and management income in 2018 and in 2017 funds managed by BlackRock accounted for more than 10%. There were no other customers who accounted for more than 10% of this income during the year.

| | Development and management | | Own wind power operations | | Co-owned wind power operations | | Unallocated rev./expenses | | Eliminations | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Amounts to the nearest MSEK** | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| **Note a – Other operating income** | | | | | | | | | | | | |
| Gains on sales of non-current assets | – | 0 | – | 2 | – | – | – | – | – | – | – | 2 |
| Other items | 0 | 0 | 0 | 2 | – | – | 0 | 0 | – | – | 0 | 3 |
| | **0** | **0** | **0** | **4** | **–** | **–** | **0** | **0** | **–** | **–** | **0** | **5** |
| **Note b – Net financial items** | | | | | | | | | | | | |
| Total net financial items | -17 | -21 | -74 | -61 | -72 | -70 | 1 | 2 | 72 | 70 | -90 | -80 |
| Less interest expenses on shareholder loans | – | – | – | – | 28 | 27 | – | – | -28 | -27 | – | – |
| **Net financial items excl. shareholder loans** | **-17** | **-21** | **-74** | **-61** | **-44** | **-42** | **1** | **2** | **44** | **42** | **-90** | **-80** |

The Co-owned wind power operations segment is recognised excluding internal interest expenses on shareholder loans.

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

## NOTE 4 • PERSONNEL

| Average number of employees | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | **Women** | **Men** | **Total** | **Women** | **Men** | **Total** |
| Parent Company | 8 | 14 | 22 | 8 | 16 | 24 |
| Subsidiaries | – | 3 | 3 | – | 2 | 2 |
| **Group total** | **8** | **17** | **25** | **8** | **18** | **26** |

| Salaries and other remuneration | Board and CEO | of which variable remuneration | Other employees | Board and CEO | of which variable remuneration | Other employees |
|---|---|---|---|---|---|---|
| Parent Company | 4.9 | 1.1 | 19.4 | 4.0 | 0.2 | 17.0 |
| Subsidiaries | – | – | 2.7 | 1.0 | – | 1.2 |
| **Group total** | **4.9** | **1.1** | **22.1** | **5.0** | **–** | **18.1** |

| 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 | 24.3 | 12.8 | 4.4 | 20.9 | 12.2 | 4.4 |
| Subsidiaries | 2.7 | 2.0 | 0.9 | 2.2 | 1.7 | 0.8 |
| **Group total** | **27.0** | **14.8** | **5.3** | **23.1** | **13.8** | **5.1** |

## 2018

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

| | Directors' fee | Salary | Variable remuneration | Other benefits | Pension costs |
|---|---|---|---|---|---|
| Joachim Gahm, Chairman | 0.75 | | | | |
| Maud Olofsson | 0.35 | | | | |
| Peter Gyllenhammar | 0.33 | | | | |
| Jon G Brandsar | 0.25 | | | | |
| **Total remuneration of the Board** | **1.68** | | | | |
| | | | | | |
| Daniel Johansson, CEO | | 2.2 | 1.1 | 0.1 | 0.7 |
| Other senior executives (3 individuals) | | 4.7 | 2.0 | 0.2 | 1.3 |
| **Total remuneration of CEO and senior executives** | | **6.9** | **3.1** | **0.3** | **2.0** |

## 2017

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

| | Directors' fee | Salary | Variable remuneration | Other benefits | Pension costs |
|---|---|---|---|---|---|
| Joachim Gahm, Chairman | 0.75 | | | | |
| Maud Olofsson | 0.35 | | | | |
| Peter Gyllenhammar | 0.33 | | | | |
| Jon G Brandsar | 0.25 | | | | |
| **Total remuneration of the Board** | **1.68** | | | | |
| | | | | | |
| Daniel Johansson, CEO | | 2.1 | 0.2 | 0.1 | 0.6 |
| Other senior executives (3 individuals) | | 4.5 | 0.3 | 0.2 | 1.3 |
| **Total remuneration of CEO and senior executives** | | **6.6** | **0.4** | **0.3** | **1.9** |

### Basic salary/Directors' fees

The Chairman and members of the Board are paid a Directors' fee in accordance with the resolution of the Annual General Meeting. Board members who are employees of the Group did not receive any remuneration or benefits other than those relating to their employment. Remuneration of the CEO and other senior executives consists of basic salary, variable remuneration, other benefits and pensions. Senior executives refers to the group of three individuals who, together with the CEO, formed the Group management in 2018.

### 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 an individual remuneration programme based on individual targets. The level of target fulfilment in 2018 was high and variable remuneration of MSEK 4.7 (0.4) was paid. No other payments or remuneration with a dilution effect were made.

### Warrants

The Annual General Meeting held on 3 May 2016 resolved to introduce a warrant programme by issuing a maximum of 750,000 warrants to a subsidiary in the Group for transfer to employees of the company. A total of 560,000 warrants were subscribed for by the subsidiary, all of which were transferred to the programme participants. The transfer to participants took place at market value calculated using the Black & Scholes formula. Important input data in the model were the weighted-average share price of SEK 14.97 on the allotment date, the following redemption price, volatility of 25.6 %, expected dividend of 0 %, expected maturity of the warrants of 2.75 years, and an annual risk-free rate of interest of –0.37 %. Volatility, measured as the standard deviation of expected return on the share price, is based on a statistical analysis of daily share prices over the last three years. Each warrant entitles the holder to subscribe for one new ordinary share in the company for a subscription price of SEK 18.70. The warrants can be utilised during the period from 4 March 2019 up to and including 15 March 2019. On full utilisation of the warrants, the company's share capital will increase by SEK 44,800 by issuing 560,000 ordinary shares, corresponding to dilution of approximately 2 % based on the number of ordinary shares in the company. The warrants are subject to standard conversion conditions in connection with issues, etc. When this Annual Report was submitted, 117,500 of the above-mentioned warrants had been utilised through subscription of 117,500 new ordinary shares and the remaining 442,500 warrants expired, after which there were no outstanding options.

### Other benefits

Other benefits primarily refer to company cars.

### Pensions

The retirement age for the CEO and other senior executives is 65. The pension contribution to the CEO is 30 % of the pensionable salary and follows the defined contribution plan. Other senior executives also have defined contribution pension plans and, for 2018, the pension premium averaged 28 % (28) of the basic salary. Variable remuneration is not pensionable for the CEO or for senior executives. All pensions are vested, meaning that they are not conditional upon future employment.

### Financial instruments

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

### Severance pay

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

### Preparatory work and decision-making process

During the year, the Remuneration Committee provided the Board with recommendations on principles for remuneration of senior executives. The recommendations included the scale of any salary increases and the criteria for evaluation of variable remuneration. The Board discussed the Committee's proposals and made a recommendation on the remuneration policy, which was also adopted by the Annual General Meeting. Remuneration of the CEO for the 2018 financial year was determined by the Board Chairman in accordance with the recommendations of the Remuneration Committee, and the remuneration policy adopted by the Annual General Meeting. Remuneration of other senior executives was determined by the CEO after consultation with the Remuneration Committee, within the framework of the remuneration policy.

During the year, the Remuneration Committee included Joachim Gahm, (Chairman), Maud Olofsson, Peter Gyllenhammar and Jon Brandsar. The CEO usually participates in the Committee's meetings, but abstains from matters in which his own salary or other benefits are addressed. The Committee is convened when required, but at least twice a year to prepare proposals on remuneration of management and other matters that are the duty of the Remuneration Committee in accordance with its formal work plan and within the framework of the remuneration policy approved by the AGM. The Committee met on two occasions in 2018.

### Gender distribution among senior executives

| | 2018 | | | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | Women | | Men | | Women | | Men | |
| | No. of | % | No. of | % | No. of | % | No. of | % |
| Board | 1 | 25% | 3 | 75% | 1 | 25% | 3 | 75% |
| Group management | 0 | 0% | 4 | 100% | 0 | 0% | 4 | 100% |

## NOTE 5 • EXTERNAL EXPENSES

| Other external expenses | 2018 | 2017 |
|---|---|---|
| Operating expenses | 45 | 45 |
| Cost of goods and contracts sold | 50 | 42 |
| Other external expenses [1] | 18 | 17 |
| | **113** | **105** |

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

| Auditing fees | 2018 | 2017 |
|---|---|---|
| **Öhrlings PricewaterhouseCoopers** | | |
| Audit assignment | 1.4 | 1.5 |
| Audit activities not included in the audit assignment | 0.1 | 0.1 |
| Tax consultancy services | 0.0 | 0.0 |
| Other services | – | 0.1 |
| **Total** | **1.5** | **1.6** |

## NOTE 6 • FINANCIAL INCOME AND EXPENSES

| | 2018 | 2017 |
|---|---|---|
| Interest income | 0 | 4 |
| Exchange rate gains | 1 | 1 |
| **Total financial income** | **1** | **5** |
| | | |
| Interest expenses | -91 | -85 |
| Exchange rate losses | – | 0 |
| **Total financial expenses** | **-91** | **-85** |

## NOTE 7 • TAXES

| Tax on profit/loss for the year | 2018 | 2017 |
|---|---|---|
| Deferred tax | -7 | -1 |
| **Recognised tax** | **-7** | **-1** |

| Deferred tax | 2018 | 2017 |
|---|---|---|
| Attributable to unutilised loss carry-forwards [1] | 15 | 26 |
| Derivatives at fair value | 24 | 12 |
| Non-current assets | 8 | 10 |
| Other items | -1 | -1 |
| **Total recognised deferred tax** | **46** | **47** |

| Reconciliation of recognised tax in the Group | 2018 | 2017 |
|---|---|---|
| Profit/loss before tax | 28 | -178 |
| Tax 22% | -6 | 39 |
| Tax effects of: Non-deductible expenses/ non-taxable income | 17 | -14 |
| Adjusted tax rate due to new tax rules | -2 | – |
| Loss carry-forwards for which no tax asset was recognised | -15 | -26 |
| **Recognised tax, profit/loss for the year** | **-7** | **-1** |

| Change in deferred tax | 2018 | 2017 |
|---|---|---|
| Opening amount, net | 47 | 59 |
| Recognised deferred tax on profit/loss for the year | -7 | -1 |
| Other items | 0 | 0 |
| Tax items recognised directly in other comprehensive income [2] | 6 | -11 |
| **Closing amount, net** | **46** | **47** |

[1] Total loss carry-forwards for the legal entities amounted to MSEK 531 (492). Of this amount, MSEK 274 is blocked from utilisation for new companies in the Group until the 2023 income year. Of the tax loss carry-forwards, a total of MSEK 460 is not expected to be utilisable against future taxable profits. The remaining MSEK 71 is expected to be utilisable against future taxable profits, arising from operating surpluses, and from gains on sales of wind farms. In addition, the tax loss carry-forwards are expected to be offset against the dissolution of excess depreciation on property, plant and equipment. Loss carry-forwards are subject to no time limits on use.

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

| Change in deferred tax 2018 | Attributable to: | | | | |
|---|---|---|---|---|---|
| | **Loss carry-forward** | **Non-current assets** | **Cash flow hedges** | **Other items** | **Total** |
| Opening amount, net | 26 | 10 | 12 | -1 | 47 |
| Recognised deferred tax on profit/loss for the year | -12 | -1 | 6 | 0 | -7 |
| Other items | – | – | – | 0 | 0 |
| Tax items recognised directly in other comprehensive income | – | – | 6 | – | 6 |
| **Closing amount, net** | **15** | **8** | **24** | **-1** | **46** |

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

Cash and cash equivalents comprise cash and bank balances.

| Adjustment for non-cash items | 2018 | 2017 |
|---|---|---|
| Depreciation and impairment of property, plant and equipment | 73 | 230 |
| Items attributable to holdings in associates | 0 | -7 |
| Capital gains/losses on sales of non-current assets | – | 3 |
| **Total** | **73** | **226** |

## NOTE 9 • PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings [1] | | Wind power, foundations and electrical installations | | Equipment, tools and fittings | | Advances and construction in progress | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Opening cost | 1 | 1 | 2,166 | 2,140 | 9 | 14 | 157 | 126 | 2,334 | 2,282 |
| Purchases/investments | – | – | 0 | 34 | 0 | 0 | 18 | 41 | 18 | 74 |
| Sales/disposals | – | – | – | -8 | – | -5 | -12 | -9 | -12 | -22 |
| Reclassifications | – | – | – | – | – | – | -2 | – | -2 | – |
| **Closing cost** | **1** | **1** | **2,167** | **2,166** | **9** | **9** | **161** | **157** | **2,338** | **2,334** |
| Opening accumulated depreciation and impairment | 0 | 0 | -849 | -638 | -9 | -13 | -78 | -65 | -936 | -716 |
| Depreciation for the year | 0 | 0 | -72 | -78 | 0 | 0 | – | 0 | -73 | -78 |
| Impairment for the year [2] | – | – | – | -139 | – | – | – | -14 | – | -152 |
| Sales/disposals | – | – | – | 6 | – | 5 | – | 0 | – | 11 |
| **Closing accumulated depreciation and impairment** | **0** | **0** | **-921** | **-849** | **-9** | **-9** | **-78** | **-78** | **-1,008** | **-936** |
| **Closing residual value according to plan** | **1** | **1** | **1,246** | **1,318** | **1** | **1** | **82** | **79** | **1,330** | **1,398** |

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

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

*Finance leases*

Company cars are leased under cancellable leases with a term of three years. The residual value according to plan includes finance leases of MSEK 0 (0).

*Operating leases*

The company has entered into operating leases, primarily leaseholds for land in connection with the construction of wind turbines with minimum lease payments as described below.

| Operating leases | 2018 | 2017 |
|---|---|---|
| Within 1 year | 3 | 3 |
| Within 2 to 5 years | 12 | 12 |
| Within 6 to 20 years | 19 | 22 |
| **Total** | **34** | **37** |

Operating lease costs for the year were MSEK 8 (7), of which variable fees amounted to MSEK 5 (4) and minimum lease payments to MSEK 3 (3).

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

## NOTE 10 • HOLDINGS IN ASSOCIATES

| Holdings in associates | 2018 | 2017 |
|---|---|---|
| Opening carrying amount | 5 | – |
| Share of profit/loss in associates | -3 | -11 |
| Conversion from loan to shareholders' contribution | 10 | 58 |
| Exchange rate differences | – | – |
| Derivative items [1] | -12 | -42 |
| **Closing carrying amount** | **–** | **5** |

| Profit/loss from associates | 2018 | 2017 |
|---|---|---|
| Share of profit/loss in associates (net after tax, 22%) | -3 | -11 |
| Financial income from | | |
| associates (gross before tax) | 28 | 27 |
| Less uncapitalised share | -25 | -10 |
| Impairment of receivable | – | – |
| **Total** | **0** | **7** |

[1] Items attributable to other comprehensive income.

The Group's holdings in associates that are recognised according to the equity method comprise the 50% holding in Sirocco Wind Holding AB, see the Parent Company's Note 9. This associate's share capital consists entirely of ordinary shares which are owned directly by the Group. Sirocco Wind Holding AB's operations are conducted in Sweden. Sirocco Wind Holding AB is a private company and no quoted prices are available for its shares.

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

### Condensed financial information on associates

Condensed financial information for Sirocco Wind Holding AB is presented below, recognised according to the equity method. The information reflects the amounts recognised in the associate's annual financial statements (not Arise AB's share of these amounts) adjusted for discrepancies between the accounting policies of the Group and the associate. Amounts have been translated at the closing rate of SEK/EUR 10.2549 (9.8442) and the average rate of SEK/EUR 10.2968 (9.6438), and the amounts are presented in MSEK.

| Condensed information from the balance sheet | 2018 | 2017 |
|---|---|---|
| Non-current assets | 2,636 | 2,660 |
| Current assets | 84 | 123 |
| **Total assets** | **2,720** | **2,783** |
| Non-current liabilities [1] [2] | 2,748 | 2,625 |
| Current liabilities | 111 | 147 |
| **Total liabilities** | **2,859** | **2,773** |
| **Net assets** | **-139** | **11** |
| [1] Of which, shareholder loans | 985 | 912 |

[2] Including derivatives

In accordance with IAS 28, no negative participating interests in associates are recognised in 2018.

| Condensed information from income statement and statement of comprehensive income | 2018 | 2017 |
|---|---|---|
| Total income | 296 | 305 |
| Total profit/loss for the year | -3 | -22 |
| Other comprehensive income | -125 | -18 |
| **Total comprehensive income** | **-128** | **-39** |

In 2018, MEUR 2 (12), corresponding to approximately MSEK 21 (116), was converted from shareholder loans to shareholders' contributions.

## NOTE 11 • FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The most significant financial risks to which the Group is exposed include energy price risk, currency risk, interest rate risk, financing risk, capital risk and credit risk. The overall goal of the Group's financial risk management is to identify and control the Group's financial risks. Risk management is centralised in the Parent Company's finance function. All financial risks that exist or arise in the Group's subsidiaries are managed by the central finance function.

### Electricity price risk

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

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

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

For portfolio B, hedging must be undertaken at a minimum of 30 % and a maximum of 75 %, where the lower time limit is three years and the upper limit is ten years on a rolling basis. On 31 December 2018, 940 GWh had been hedged (including Arise's 50 % share of Jädraås), corresponding to 50 %, for the next three years. Price hedging is, at any moment in time, to be within a specified hedging interval. The remaining volume which is not hedged is sold at variable prices.

Prices can be hedged bilaterally, through physical delivery contracts with major consumers of electricity and financially by purchasing electricity derivatives on the Nordic power exchange (Nord Pool), through banks, or through other counterparties trading in financial hedges.

If the price of electricity to be delivered is hedged before the production capacity concerned has become operational, a volume risk arises, that is, the risk of non-delivery or delays in the delivery. The Group strives to hedge electricity prices from facilities that have yet to be put into operation: firstly, through bilateral contracts, which limit the volume risk; and secondly, through financial hedging on Nord Pool, provided that this results in higher income. However, financial hedging of electricity prices from facilities that have yet to be put into operation is not to exceed 25 % of the planned annual output. The remaining portion, up to the target price hedging level, can be hedged through bilateral contracts.

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

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

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

### Electricity certificate price risk

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

Price hedges of certificates can only be made bilaterally through the subscription of physical supply contracts with large electricity users. The supply of electricity certificates is not conducted regularly during the year, which means a "safety stock" of certificates must be created to ensure delivery in accordance with the hedging agreements. Sales can only be made of electricity certificates held beyond this "safety stock."

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

### Currency risk

The Group's currency risk exposure arises primarily in conjunction with the sale of electricity on the Nord Pool power market (transaction exposure), the sale of projects and where applicable the purchase of wind turbines and the translation of balance sheet items in foreign currency (translation exposure). These transactions usually take place in EUR. The Group's currency risk exposure on 31 December 2018 was MEUR 44.8.

#### *Transaction exposure*

Currency exposure on sales arises when electricity is sold in EUR on Nord Pool. Sales of electricity and electricity certificates, and bilateral sales contracts signed directly with the end users of electrical energy are, however, normally denominated in SEK and thus do not give rise to any currency exposure.

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

The company's policy is that the daily supply of electricity is not hedged. The reason for this is that the production varies with wind conditions on a day-to-day or hour-to-hour basis, and is thus difficult to predict. By contrast, sales of electricity that are hedged financially in EUR should also be price-hedged in SEK. Currency hedging can be undertaken as a monthly or quarterly hedged amount. Accordingly, the company's policy is that spot sales of electricity in EUR cannot be price-hedged or currency-hedged. Since the company also has partially ongoing payments in EUR for service costs for turbine suppliers, for example, a natural hedge of EUR flow can be achieved. Any excess liquidity in EUR is to be continuously sold.

The Group strives to hedge flows for projects sold in EUR. Hedging of wind power investments in foreign currencies takes the form of forward cover entered into in conjunction with the investment decision or through the purchase of currency which is deposited in an account.

The Group uses forward contracts to manage currency risk exposure and applies hedge accounting for contracted future payment flows and the translation of financial assets and liabilities. Arise's net foreign currency flow is almost exclusively in EUR. Exchange rate differences on operating liabilities attributable to investments are recognised along with the investment in question.

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

#### *Translation exposure*

Financial and other operating assets and liabilities denominated in foreign currencies arise almost exclusively in conjunction with the purchase of wind turbines and other electrical installations, which are normally hedged using forward contracts. Currency exposure exists in conjunction with the investment in the Jädraås project, since the accounting currency of the associate is EUR. This translation exposure is not hedged. Other items are not significant and are not currency-hedged.

### Interest rate risk

Interest rate risk is defined as the risk of a decrease in profit caused by a change in market interest rates. The Group's financial policy provides guidelines for fixed interest rates (terms).

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

### Sensitivity analysis

A change in any of the variables below has an impact on profit/loss before tax for 2018 (in MSEK) as follows:

| Variable | Change | Impact on profit/loss before tax |
|---|---|---|
| Production | +/-10% | +/- 16 |
| Electricity price | +/-10% | +/- 10 |
| Electricity certificate price | +/-10% | +/- 5 |
| Interest | +/-1 pp | +/- 5 |
| EUR/SEK for electricity prices | +/-10% | +/- 14 |

Note that the impact on profit/loss before tax is based on the electricity hedges reported by the Group in 2018.

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

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Interest-bearing | | Non-interest-bearing | Interest-bearing | | Non-interest-bearing |
| | Fixed rate | Variable rate | | Fixed rate | Variable rate | |
| Non-current receivables | 428 | – | – | 418 | – | 0 |
| Blocked cash and cash equivalents | – | 9 | – | – | 9 | – |
| Current receivables | – | – | 12 | – | – | 19 |
| Cash and cash equivalents | – | 61 | – | – | 146 | – |
| Non-current liabilities | -968 | 30 | 16 | -1,119 | 31 | 10 |
| Current liabilities | -97 | – | -141 | -50 | – | -64 |
| **Total** | **-638** | **100** | **-113** | **-751** | **186** | **-35** |

### Capital risk

The Group's objective regarding the capital structure is to safeguard the ability to continue operations in order to provide returns for shareholders and value for other stakeholders, and to ensure that the capital structure is optimal with respect to the cost of capital. Examples of measures that the Group can take to adjust the capital structure include the issuance of new shares, the issuance of corporate bonds or the sale of assets. See also information about the dividend policy and the target equity/assets ratio on page 96. The Group's equity/assets ratio adjusted for cash and cash equivalents should be in the interval 40–50%. The equity/assets ratio adjusted for cash and cash equivalents entails a reduction in total assets using current cash and cash equivalents. On 31 December 2018, the equity/assets ratio amounted to 39.8% (39.7) and the adjusted equity/assets ratio was 41.0% (42.6).

### Financing risk

Financing risk is defined as the risk of being unable to meet payment obligations as a result of insufficient liquidity or difficulties in obtaining financing. The Group's goal is to always have more than one lender who is willing to offer financing on market terms. However, the Group is dependent on its ability to refinance outstanding borrowings from time to time. The Group's policy states that sufficient liquidity should be available at any given time, including unutilised overdraft facilities.

### Credit risk

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

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

### Fair value

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

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

The fair value of interest rate swaps is calculated as the present value of expected cash flows based on observable yield curves. The fair value of electricity futures is calculated as the present value of expected cash flows based on observable electricity prices. The fair value of currency futures is determined using forward rates on the balance sheet date.

### Hedging reserve

The hedging reserve consists of interest, electricity future contracts and forward contracts, as well as net investments in foreign currency. According to the financial policy, a certain portion of the Group's transaction exposure must be hedged through hedging of prices and exchange rates in future contracted payment flows using electricity and forward contracts. Contracts have been concluded with maturities matching those of the underlying contracted orders and payment flows. The table below presents the Group's outstanding derivative contracts as of 31 December, excluding participations in associates' derivatives.

The fair value is calculated on the basis of market-based quotations and generally accepted valuation techniques. Currency futures refer to sales and purchases of EUR for hedging of electricity sales, project sales and purchases of wind turbines. There is a counter-flow in SEK for every position. The change in the ineffective portion associated with cash flow hedges, recognised in the income statement, amounted to MSEK -1 (4).

| Outstanding derivative contracts | 2018 | 2017 |
|---|---|---|
| Electricity futures | -73 | 0 |
| Currency futures, SEK/EUR | 1 | – |
| Interest rate swaps 1–2 years | -10 | -25 |
| Interest rate swaps 3–5 years | – | -2 |
| Interest rate swaps 6–10 years | -34 | -26 |
| **Outstanding derivative contracts** | **-116** | **-52** |

| Netting of derivatives 31 Dec 2018 | Assets | Liabilities |
|---|---|---|
| Gross amount | 17 | -133 |
| Nettable amount | -16 | 16 |
| **Net amount** | **1** | **117** |

### Electricity future contracts

The nominal amount of outstanding forward contracts excluding participations in associates' electricity future contracts totalled MSEK 127 (30). The hedged, highly probable forecast transactions of electricity sales are expected to take place at varying points in time in the next three years. Gains and losses from electricity futures, which are recognised in other comprehensive income and are included in equity, are recognised in the income statement in the period, or periods, in which the hedged transaction affects the income statement.

Electricity futures impact the Group's financial position and earnings as follows:

| Derivative instruments – Electricity futures | 2018 | 2017 |
|---|---|---|
| Recognised amount (liability/asset) | -73 | 0 |
| Nominal amount | 127 | 30 |
| Maturity date | Jan 2019–Dec 2021 | Jan 2018–Dec 2021 |
| Hedge ratio | 1:1 | 1:1 |
| Change in real value of outstanding hedging instrument since 1 January | -73 | 8 |
| Change in value of hedged item to determine effectiveness | 73 | -8 |
| Weighted average for forward rates during the year | SEK 10.35: EUR 1 | SEK 9.62: EUR 1 |

### Forward contracts

The nominal amount of outstanding forward contracts on the balance sheet date totalled MSEK 155 (0). Gains and losses from forward contracts, which are recognised in other comprehensive income, and which are included in equity, are recognised in the income statement in the period, or periods, in which the hedged transaction affects the income statement.

Forward contracts impact the Group's financial position and earnings as follows:

| Derivative instruments – Forward contracts | 2018 | 2017 |
|---|---|---|
| Recognised amount (asset) | 1 | – |
| Nominal amount | 155 | – |
| Maturity date | Mar 2019–Dec 2020 | – |
| Hedge ratio | 1:1 | – |
| Change in real value of outstanding hedging instrument since 1 January | 1 | – |
| Change in value of hedged item to determine effectiveness | -1 | – |
| Weighted average for forward rates during the year | SEK 10.36: EUR 1 | – |

### Interest rate swaps

The nominal amount of outstanding interest rate swaps excluding participations in associates' interest rate swaps totalled MSEK 931 (981). The fixed interest rates fluctuate between 1.4 % and 1.9 % (1.4 and 1.9). The most significant variable interest rates are Stibor and Euribor. Gains and losses from interest rate swaps, which are recognised in other comprehensive income and are included in equity, are continuously transferred to financial expenses in the income statement, until the loans have been repaid.

Interest rate swaps impact the Group's financial position and earnings as follows:

| Derivative instruments – Interest rate swaps | 2018 | 2017 |
|---|---|---|
| Recognised amount (liability) | -59 | -79 |
| Nominal amount | 931 | 981 |
| Maturity date | Apr 2019–Feb 2024 | Apr 2019–Feb 2024 |
| Hedge ratio | 1:1 | 1:1 |
| Change in real value of outstanding hedging instrument since 1 January | 20 | 28 |
| Change in value of hedged item to determine effectiveness | -20 | -28 |
| Weighted average for forward rates during the year | 1.98% | 2.06% |

### Net investment in foreign currency

The nominal amount of net investment in foreign currency on the balance sheet date amounted to MEUR 20.1 (20.8). Gains and losses on net investment in foreign currency recognised in other comprehensive income and included in equity is recognised in the income statement when all loans are repaid.

Net investment in foreign currency impacts the Group's financial position and earnings as follows:

| Derivative instruments – Net investment in foreign currency | 2018 | 2017 |
|---|---|---|
| Recognised amount (asset) | 36 | 19 |
| Nominal amount in EUR | 20 | 21 |
| Hedge ratio | 1:1 | 1:1 |
| Change in carrying amount due to changes in exchange rate since 1 January | 17 | 13 |
| Change in value of hedged item to determine effectiveness | -17 | -13 |
| Weighted average for forward rates during the year (incl. forward points) | SEK 10.30: EUR 1 | SEK 9.64: EUR 1 |

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

**PRICE HEDGES AS OF 31 DEC 2018**

| | 2019 | 2020 | 2021 |
|---|---|---|---|
| **Own production, budget, GWh** | 343 | 343 | 343 |
| Hedged electricity production, GWh | 206 | 204 | – |
| Hedged electricity certificate production, GWh | 144 | 178 | – |
| *Hedged electricity price, SEK/MWh* | *308* | *293* | – |
| *Hedged electricity certificate price, SEK/MWh* | *120* | *128* | – |
| **Co-owned production, budget, GWh** | 286 | 286 | 286 |
| Hedged electricity production, GWh | 177 | 201 | 152 |
| Hedged electricity certificate production, GWh | 235 | 227 | 208 |
| *Hedged electricity price, SEK/MWh* | *334* | *290* | *302* |
| *Hedged electricity certificate price, SEK/MWh* | *80* | *50* | *50* |

Exchange rate applied: SEK/EUR 10.3

## CLASSIFICATION OF FINANCIAL INSTRUMENTS

The tables below present the classification of the financial instruments in the balance sheet in 2018 and 2017.
The classification of financial instruments has changed in accordance with IFRS 9. Financial assets and liabilities are now categorised according to whether they are measured at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss.

### 2018

#### Assets

| | Financial assets measured at amortised cost | Derivative instruments for hedging purchases | Total |
|---|---|---|---|
| Receivables from associates | 428 | – | 428 |
| Blocked accounts | 9 | – | 9 |
| **Current assets** | | | |
| Accounts receivable | 9 | – | 9 |
| Derivative assets | – | 1 | 1 |
| Other receivables | 1 | – | 1 |
| Cash and cash equivalents | 61 | – | 61 |
| Total current assets | 72 | 1 | 73 |
| **Total assets** | **508** | **1** | **510** |

| Liabilities | Financial assets measured at amortised cost | Derivative instruments for hedging purchases | Total |
|---|---|---|---|
| Non-current interest-bearing liabilities | 922 | – | 922 |
| **Current liabilities** | | | |
| Current interest-bearing liabilities | 97 | – | 97 |
| Accounts payable | 19 | – | 19 |
| Derivative liabilities | – | 117 | 117 |
| Other liabilities | 5 | – | 5 |
| Total current liabilities | 121 | 117 | 238 |
| **Total liabilities** | **1,043** | **117** | **1,160** |

### 2017

#### Assets

| | Financial assets measured at amortised cost | Derivative instruments for hedging purchases | Total |
|---|---|---|---|
| Receivables from associates | 418 | – | 418 |
| Blocked accounts | 10 | – | 10 |
| **Current assets** | | | |
| Accounts receivable | 7 | – | 7 |
| Derivative assets | – | 2 | 2 |
| Other receivables | 10 | – | 10 |
| Cash and cash equivalents | 146 | – | 146 |
| Total current assets | 163 | 2 | 165 |
| **Total assets** | **590** | **2** | **592** |

| Liabilities | Financial assets measured at amortised cost | Derivative instruments for hedging purchases | Total |
|---|---|---|---|
| Non-current interest-bearing liabilities | 1,079 | – | 1,079 |
| **Current liabilities** | | | |
| Current interest-bearing liabilities | 50 | – | 50 |
| Accounts payable | 8 | – | 8 |
| Derivative liabilities | – | 54 | 54 |
| Other liabilities | 1 | – | 1 |
| Total current liabilities | 59 | 54 | 114 |
| **Total liabilities** | **1,138** | **54** | **1,193** |

### Maturity structure of financial liabilities

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

### Capital management

As the company and its operations develop, the possibilities to improve the efficiency and diversification of the capital structure increase through various measures, such as the issuance of shares, preference shares, corporate bonds, convertible instruments, sales of wind turbines or farms, repayments of capital to shareholders or other measures. The objective is to maintain an optimal capital structure. Consequently, a trade-off constantly needs to be made between the cost of capital, financial risk, expected return and cash flow in the company's investments. The capital is assessed based on the adjusted equity/assets ratio, calculated as shareholders' equity divided by total assets less current cash and cash equivalents. The Group's equity/assets ratio adjusted for cash and cash equivalents should be in the interval 40–50 %. On 31 December 2018, the equity/assets ratio amounted to 39.8 % (39.7) and the adjusted equity/assets ratio was 41.0 % (42.6).

## NOTE 12 • OTHER FINANCIAL NON-CURRENT ASSETS

| | 2018 | 2017 |
|---|---|---|
| Blocked cash and cash equivalents | 9 | 10 |
| Other receivables | – | – |
| **Total** | **9** | **10** |

## NOTE 13 • INVENTORIES

| | 2018 | 2017 |
|---|---|---|
| Electricity certificates | 8 | 4 |
| **Total** | **8** | **4** |

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

## NOTE 14 • OTHER CURRENT RECEIVABLES

| | 2018 | 2017 |
|---|---|---|
| Current tax assets | 8 | 9 |
| Other receivables | 3 | 14 |
| **Total** | **10** | **22** |

## NOTE 15 • ACCOUNTS RECEIVABLE AND OTHER CURRENT RECEIVABLES

| | 2018 | 2017 |
|---|---|---|
| Accounts receivable | 17 | 15 |
| Accumulated impairment of accounts receivable | -8 | -8 |
| Accounts receivable – net | 9 | 7 |
| Receivables from related parties (Note 22) | 428 | 418 |
| Other receivables (Note 14) | 10 | 22 |
| Less non-current portion | -428 | -418 |
| **Current portion** | **19** | **29** |

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

| | 2018 | 2017 |
|---|---|---|
| Not fallen due/Due in less than 3 months | 8 | 6 |
| 3–6 months | – | – |
| 6 months or later | 9 | 9 |
| **Total** | **17** | **15** |

## NOTE 16 • PREPAID EXPENSES AND ACCRUED INCOME

| | 2018 | 2017 |
|---|---|---|
| Accrued development income [1] | 141 | 56 |
| Accrued electricity and certificate income | 18 | 5 |
| Other prepaid expenses | 7 | 4 |
| **Total** | **167** | **65** |

[1] Contract assets that refer to development and management income increased MSEK 85 in 2018. The change was attributable to revenue recognition in ongoing projects. The Solberg project was completed and financial settlement took place in 2018, the Svartnäs project is proceeding according to plan and the Bröcklingberget and Enviksberget projects were added. Future expected income for as yet unfulfilled performance obligations in development projects is presented in Note 2.

## NOTE 17 • SHARE CAPITAL

| Number of registered shares in Parent Company | 2018 | 2017 |
|---|---|---|
| Issued as per 1 January | 33,428,070 | 33,428,070 |
| **Issued as per 31 December** | **33,428,070** | **33,428,070** |

All shares have been fully paid up. All shares entitle the holder to an equal right to the assets and profits of the company. The share's quotient value is SEK 0.08. Treasury shares amount to 54,194 shares.

### Warrants

#### Scope

In 2016, warrants were issued for shares in Arise AB in a programme directed to employees. The total number of warrants issued on 31 December 2018 amounted to 560,000. When this Annual Report was submitted, 117,500 of the above-mentioned warrants had been utilised through subscription of 117,500 new ordinary shares and the 442,500 warrants expired, after which there were no outstanding options.

| | Number of warrants |
|---|---|
| Warrants 2018 | 560,000 |
| Entitling subscription to the following number of shares | 560,000 |
| Subscription price (SEK) | 18.70 |

#### Valuation

The outstanding warrant programme in 2018 comprised one series. The acquisition price of these warrants directed to employees is based on the estimated market price on the subscription date according to the Black & Scholes valuation model. For more information, refer to Note 4.

#### Terms and conditions of subscription

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

#### Dilution

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

### Convertibles

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

#### Terms and conditions of subscription

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

#### Dilution

At full conversion of issued convertibles, the number of shares in the company will increase from 33,428,070 to 44,552,695, corresponding to a dilution of about 25 % without taking into account outstanding warrants in the company.

## NOTE 18 • INTEREST-BEARING LIABILITIES

The Group has signed credit agreements with banks and issued bond loans. The agreements include so-called negative clauses which provide the lender with the right to cancel the loans as a result of changes in Arise's financial key ratios. These clauses, called covenants, reflect the requirements typical of the industry regarding solvency, a specified required relationship between earnings and interest paid, plus amortisation. No covenants were breached during the year.

The Group's bond loans totalled MSEK 650 (900) on 31 December 2018. During the year, the company refinanced the secured bond totalling MSEK 1,100 with a new bond of MSEK 650, and a bank loan of MSEK 100 and a bank loan of MSEK 75. Interest payments are hedged through interest rate swaps. At present, a number of contracts are in place with an average fixed interest rate term of 2.9 years (3.1). The financing cost is based on the agreed fixed interest rate and agreed margin. The Group's average effective interest rate for the year amounted to 6.0 % (5.7). In spring 2017, the company conducted an issue of convertible bonds, which amounted to MSEK 240 (239) on 31 December 2018. The term to maturity of the loan is five years.

| Interest-bearing liabilities | 2018 | 2017 |
|---|---|---|
| Non-current portion | 922 | 1,079 |
| Current portion | 97 | 50 |
| **Total** | **1,020** | **1,129** |

### Fair value of liabilities

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

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Bond loans | 650 | 900 | 650 | 900 |
| Bank loans | 146 | – | 146 | – |
| Convertible loan | 240 | 239 | 240 | 239 |
| **Total** | **1,036** | **1,138** | **1,036** | 1,138 |

The fair value of short-term borrowings correspond to the carrying amount, as the discount effect is insignificant. The fair value is based on discounted cash flows incurring an interest rate based on the loan interest of between 1.75% and 5.75%, (2017: 3.00 to 5.75%), entailing Level 2 in the fair value hierarchy.

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

| Amounts to the nearest MSEK | Within 3 Months | 3 Months –1 year | Within 2–3 years | Within 4–5 years | After 5 years | Total contracted cash flow |
|---|---|---|---|---|---|---|
| Bond loans * | 13 | 32 | 707 | 17 | 4 | 773 |
| Bank loans | 68 | 31 | 49 | – | – | 148 |
| Convertible loan | 4 | 11 | 28 | 248 | – | 290 |
| Accounts payable | 19 | 0 | 0 | – | – | 19 |
| **Total** | **103** | **74** | **784** | **266** | **4** | **1,231** |

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

The secured bond loan is listed on the Nasdaq Stockholm has a nominal value of MSEK 650, of which MSEK 650 is outstanding, and bears a variable interest rate of STIBOR 0 floor + 4.5 percentage points. The bond loan matures in March 2021.

The bank loans have nominal values of MSEK 100 and MSEK 75, respectively, and bear a variable interest rate of STIBOR 0 floor + 1.75 percentage points. The bank loans fall due for payment in December 2020 and December 2019, respectively.

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

## NOTE 19 • PROVISIONS

| | 2018 | 2017 |
|---|---|---|
| **At the beginning of the year** | **46** | **20** |
| Additional provisions | – | – |
| Reversed amounts pertaining to divested turbines | – | – |
| Revaluation of restoration costs due to changed estimates and assessments | – | 26 |
| **At year-end** | **46** | **46** |

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

## NOTE 20 • ACCRUED EXPENSES AND DEFERRED INCOME

| | 2018 | 2017 |
|---|---|---|
| Accrued financial expenses | 5 | 9 |
| Accrued personnel-related expenses | 12 | 7 |
| Deferred income | 1 | 2 |
| Accrued property tax | 6 | 6 |
| Other accrued expenses | 16 | 19 |
| **Total** | **39** | **43** |

## NOTE 21 • PLEDGED ASSETS AND CONTINGENT LIABILITIES

| Pledged assets | 2018 | 2017 |
|---|---|---|
| Pledged shares in subsidiaries | 418 | 390 |
| Collateral transfer of wind turbines, land leases and operating agreements | 1,206 | 1,276 |
| **Total** | **1,623** | **1,667** |
| | | |
| **Guarantee** | 16 | – |
| **Contingent liabilities** | 14 | 34 |

The company has concluded framework agreements for the purchase of wind turbines, which include clauses on cancellation fees to apply under certain circumstances. Based on current purchasing plans and forecasts, company management's assessment is that potential cancellation fees in 2019 may amount to a maximum of MSEK 24. If a cancellation is necessary in 2019, it is management's assessment that the total will be lower than this maximum amount.

The company has signed a construction contract in connection with the Mombyåsen project, under which the company has committed to execute certain construction procedures relating to roads, foundations and the internal electricity grid. The company has also signed a construction contract in connection with the Bröcklingberget project, under which the company has committed to execute certain construction procedures relating to roads, foundations and the electricity grid. In connection with these construction contracts, bank guarantees have also been issued for Arise's completion of the construction contracts amounting to EUR 460,000 for Mombyåsen and EUR 900,000 for Bröcklingberget. A guarantee was also entered into for the Bröcklingberget project to ensure a bank guarantee of SEK 15,950,000 raised by Bröcklingberget for the benefit of the provider of the grid connection for the project. There was a bank guarantee for the Svartnäs project amounting to SEK 29,500,000 at the end of 2017.

## NOTE 22 • RELATED-PARTY TRANSACTIONS

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

Sirocco Wind Holding AB owns 100 % of Jädraås Vindkraft AB and Hällåsen Kraft AB. Together, this group of companies forms the "Jädraås project", which consists of 66 turbines totalling 203 MW in Jädraås, outside Gävle.

| The following transactions with related parties took place | 2018 | 2017 |
|---|---|---|
| Project management and administrative services | 3 | 3 |
| **Total** | **3** | **3** |

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

| Loans to related parties | 2018 | 2017 |
|---|---|---|
| **Loans to associates:** | | |
| At the beginning of the year | 418 | 446 |
| Accrued interest | 28 | 27 |
| Exchange rate differences | 17 | 13 |
| Provisions/impairment | -25 | -10 |
| Conversion from loan to shareholders' contribution | -10 | -58 |
| Loans paid during the year | – | -1 |
| **At year-end** | **428** | **418** |
| Of which non-current portion: | 428 | 418 |
| Of which current portion: | – | – |

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

The fair value of this loan corresponds to the carrying amount, which has been adjusted for accumulated expected credit losses of MSEK 65 based on the assessment in accordance with IFRS 9. The amounts recognised in the balance sheet for these loans are tested for impairment according to the policies described in Point 3 of Note 1. Accrued interest on the balance sheet date amounted to MSEK 28 (27) which has been recognised in the income statement. A reserve for the receivable was made in the amount of MSEK 25 (10) for the year.

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

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

## NOTE 23 • EVENTS AFTER THE END OF THE REPORTING PERIOD

On 28 February, Arise entered into an agreement with The Renewables Infrastructure Group ("TRIG"), a London-listed investment company advised by InfraRed Capital Partners, for the sale of its 50 % holding in Sirocco Wind Holding AB, which owns the approximately 213 MW wind farm Jädraås. The transaction was completed on 22 March when Arise received net proceeds corresponding to approximately MSEK 195. An additional MSEK 5 is expected to be received later in 2019. The sale resulted in a pre-tax loss of approximately MSEK 245 due to, for example, swap break costs. The underlying enterprise value of the transaction amounts to approximately MEUR 206, which corresponds to a multiple of approximately SEK 3.8/kWh. This demonstrates the high value of Arise's remaining portfolio of operational wind farms. With this sale Arise is set for a new phase supported by a strong balance sheet and profitable growth.

# Parent company income statement

| Amounts to the nearest MSEK | NOTE | 2018 | 2017 |
|---|---|---|---|
| Sales of electricity and electricity certificates | | 76 | 154 |
| Development and management income | | 40 | 28 |
| Other operating income | | 0 | 0 |
| **Total income** | 2 | **116** | **182** |
| Capitalised work on own account | | 1 | 1 |
| Purchase of electricity and certificates | | -75 | -160 |
| Cost of sold projects and contracts | | -16 | -7 |
| Personnel costs | 3 | -37 | -32 |
| Other external expenses | 4 | -18 | -18 |
| **Operating profit/loss before depreciation (EBITDA)** | | **-30** | **-33** |
| Depreciation and impairment of property, plant and equipment | 7 | 0 | -14 |
| **Operating profit/loss (EBIT)** | | **-30** | **-47** |
| Financial income | 5 | 368 | 162 |
| Financial expenses | 5 | -384 | -271 |
| **Profit/loss after financial items** | | **-47** | **-155** |
| Group contributions | | – | – |
| **Profit/loss before tax** | | **-47** | **-155** |
| Tax on profit/loss for the year | 6 | -7 | -4 |
| **Profit/loss for the year** | | **-54** | **-160** |

# Parent company balance sheet

| Amounts to the nearest MSEK | NOTE | 2018 | 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 7 | 55 | 46 |
| Shares in subsidiaries | 8 | 1,210 | 1,505 |
| Holdings in associates | 9 | – | – |
| Receivables from associates | 18 | 428 | 418 |
| Deferred tax assets | 6 | 1 | 8 |
| Other financial non-current assets | 10 | 9 | 9 |
| **Total non-current assets** | | **1,703** | **1,986** |
| **Current assets** | | | |
| Inventories | 11 | 6 | 2 |
| Receivables from Group companies | | 18 | 54 |
| Receivables from associates | 18 | – | – |
| Accounts receivable | | 8 | 6 |
| Other current receivables | | 3 | 19 |
| Prepaid expenses and accrued income | 12 | 102 | 53 |
| Cash and cash equivalents | | 41 | 81 |
| **Total current assets** | | **177** | **216** |
| **TOTAL ASSETS** | | **1,881** | **2,201** |
| **EQUITY** | | | |
| **Restricted equity** | | | |
| Share capital | | 3 | 3 |
| Statutory reserve | | 0 | 0 |
| Other restricted equity | | 5 | 5 |
| **Non-restricted equity** | | | |
| Share premium reserve | | 1,368 | 1,368 |
| Accumulated loss | | -554 | -394 |
| Profit/loss for the year | | -54 | -160 |
| **Total equity** | | **769** | **822** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Non-current interest-bearing liabilities | 13 | 922 | 1,079 |
| **Total non-current liabilities** | | **922** | **1,079** |
| **Current liabilities** | | | |
| Current interest-bearing liabilities | 13 | 97 | 50 |
| Liabilities to Group companies | | 60 | 226 |
| Accounts payable | | 9 | 2 |
| Other liabilities | | 1 | 1 |
| Accrued expenses and deferred income | 14 | 23 | 22 |
| **Total current liabilities** | | **190** | **300** |
| **TOTAL EQUITY OCH LIABILITIES** | | **1,881** | **2,201** |

# Parent company cash flow statement

| Amounts to the nearest MSEK | NOTE | 2018 | 2017 |
|---|---|---|---|
| **Operating activities** | | | |
| Operating profit/loss (EBIT) | | -30 | -47 |
| Adjustment for non-cash items | 15 | 0 | 14 |
| Tax paid | | -1 | -1 |
| **Cash flow from operating activities before changes in working capital** | | **-31** | **-35** |
| **Cash flow from changes in working capital** | | | |
| Increase (-) / decrease (+) in inventories | | -4 | 4 |
| Increase (-) / decrease (+) in operating receivables | | 54 | 1 |
| Increase (+) / decrease (–) in operating liabilities | | 21 | 151 |
| **Cash flow from operating activities** | | **40** | **121** |
| **Investing activities** | | | |
| Investments in/sales of property, plant and equipment | | -12 | -25 |
| Investments in/divestment of subsidiaries | | – | 11 |
| **Cash flow from investing activities** | | **-12** | **-14** |
| **Financing activities** | | | |
| Loan repayments | | -929 | -398 |
| Loans raised | | 825 | 244 |
| Deposits to/payments from blocked accounts | | – | 3 |
| Interest paid | | -88 | -65 |
| Interest received | | 0 | 1 |
| Dividends | | 124 | – |
| **Cash flow from financing activities** | | **-67** | **-215** |
| **Cash flow for the year** | | **-39** | **-108** |
| Cash and cash equivalents at beginning of year | | 81 | 187 |
| Exchange-rate difference in cash and cash equivalents | | 0 | 2 |
| Cash and cash equivalents at year-end | | 41 | 81 |

# Parent company equity

| | Restricted equity | | | Non-restricted equity | | |
|---|---|---|---|---|---|---|
| Amounts to the nearest MSEK | Share capital | Statutory reserve | Other restricted equity | Share premium reserve | Acc. profit/loss incl. profit/loss for the year | Total equity |
| **Opening balance on 1 Jan 2017** | **3** | **0** | **–** | **1,368** | **-394** | **976** |
| Profit/loss for the year | | | | | -160 | -160 |
| **Total comprehensive income** | **3** | **0** | **–** | **1,368** | **-554** | **816** |
| **Transactions with shareholders in their capacity as owners** | | | | | | |
| Value adjustment, issued warrants | | | | 1 | | 1 |
| Convertible loan | | | 5 | | | 5 |
| **Total transactions with shareholders** | **–** | **–** | **5** | **1** | **–** | **6** |
| **Closing balance on 31 Dec 2017** | **3** | **0** | **5** | **1,368** | **-554** | **822** |
| **Opening balance on 1 Jan 2018** | **3** | **0** | **5** | **1,368** | **-554** | **822** |
| Profit/loss for the year | | | | | -54 | -54 |
| **Total comprehensive income** | **3** | **0** | **5** | **1,368** | **-608** | **769** |
| **Transactions with shareholders in their capacity as owners** | | | | | | |
| Convertible loan | | | 0 | | | 0 |
| **Total transactions with shareholders** | **–** | **–** | **0** | **–** | **–** | **0** |
| **Closing balance on 31 Dec 2018** | **3** | **0** | **5** | **1,368** | **-608** | **769** |

# Notes to the Parent company's financial statements

## NOTE 1 • ACCOUNTING POLICIES

### ACCOUNTING POLICIES FOR THE PARENT COMPANY

The Parent Company has prepared its Annual Report in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities, and the applicable statements from the Swedish Financial Reporting Board. RFR 2 states that the Parent Company, in its preparation of the Annual Report for the legal entity, applies all of the IFRSs and statements approved by the EU, as far as possible within the bounds of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act, with respect to the relationship between accounting and taxation. The Parent Company primarily applies the same policies as those described referring to the Group. The Parent Company applies the exemption rule in IFRS 9, meaning that financial instruments are measured at cost. Other differences between the Group's and the Parent Company's accounting policies are described below.

#### Income

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

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

Sales of projects are considered to constitute sales of inventory assets. Accordingly, such sales are recognised gross with the carrying amount of the non-current asset comprising the cost of goods sold, with the corresponding income amount recognised gross as net sales. Capital gains/losses are thus recognised at the corresponding amount as though the company had recognised the profit on the sale at net value. Income from sales of projects is recognised concurrently as control of the project is passed from Arise to the purchaser. Management income is recognised according to contract based on monthly and quarterly invoices.

#### Taxes

Tax legislation permits allocation to special reserves and funds which are reported separately in the Parent Company. This allows companies to appropriate and retain reported profits in the business, within certain limits, rather than being taxed immediately. The untaxed reserves are not subject to taxation until they are utilised. However, in the event that the business reports a loss, the untaxed reserves can be appropriated to cover the loss without being subject to tax.

#### Group contributions and shareholders' contributions

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

## NOTE 2 • INCOME

Income comprises sales of generated electricity in the first quarter of 2018 and electricity certificates, income from electricity sold but not yet generated, gains and losses from electricity and currency derivatives attributable to hedged production, consulting expenses invoiced internally in the Group, management services to external customers and income from sales of projects. Sales of projects are considered to constitute sales of inventory assets. Accordingly, such sales are recognised gross with the carrying amount of the non-current asset comprising the cost of goods sold, with the corresponding income amount recognised gross as net sales. Capital gains/losses are thus recognised at the corresponding amount as though the company had recognised the profit on the sale at net value. Income from sales of projects is recognised concurrently as control of the project is passed to the purchaser. Management income is recognised according to contract based on monthly and quarterly invoices. Loss from financial derivatives is recognised net in an amount of MSEK –8 (–1).

## NOTE 3 • PERSONNEL

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

## NOTE 4 • AUDITING FEES

| | 2018 | 2017 |
|---|---|---|
| **Öhrlings PricewaterhouseCoopers** | | |
| Audit assignment | 0.9 | 0.8 |
| Audit activities not included in the audit assignment | 0.1 | 0.1 |
| Tax consultancy services | 0.0 | 0.0 |
| Other services | – | 0.1 |
| **Total** | **1.0** | **1.0** |

## NOTE 5 • FINANCIAL INCOME AND EXPENSES

| | 2018 | 2017 |
|---|---|---|
| Dividends from subsidiaries | 295 | – |
| Gain on divestment of subsidiaries | 52 | 131 |
| Interest income | 3 | 18 |
| Exchange rate gains | 18 | 14 |
| **Total financial income** | **368** | **162** |
| | | |
| Impairment of shares in subsidiaries | -295 | -142 |
| Impairment of shares in associates | -10 | -58 |
| Interest expenses | -79 | -71 |
| **Total financial expenses** | **-384** | **-271** |

## NOTE 6 • TAXES

| Tax on profit/loss for the year | 2018 | 2017 |
|---|---|---|
| Deferred tax | -7 | -4 |
| **Recognised tax** | **-7** | **-4** |
| | | |
| **Deferred tax** | | |
| Attributable to unutilised loss carry-forwards [1] | 2 | 10 |
| Other items | -1 | -1 |
| **Total recognised deferred tax** | **1** | **8** |
| | | |
| **Reconciliation of recognised tax in the Parent Company** | | |
| Profit/loss before tax | -47 | -155 |
| Tax 22% | 10 | 34 |
| Tax effects of: Non-deductible expenses/ non-taxable income expenses | 4 | -15 |
| Adjusted tax rate due to new tax rules | 0 | – |
| Loss carry-forwards for which no tax asset was recognised | -21 | -23 |
| **Recognised tax, profit/loss for the year** | **-7** | **-4** |
| | | |
| **Change in deferred tax** | | |
| Opening amount, net | 8 | 14 |
| Recognised deferred tax on net profit for the year regarding loss carry-forwards | -7 | -4 |
| Other items | 0 | -1 |
| **Closing amount, net** | **1** | **8** |

[1] The Parent Company's total loss carry-forwards amounted to MSEK 206 (142). Of this amount, MSEK 66 is blocked from utilisation for new companies in the Group until the 2023 income year. The tax loss carry-forwards are expected to be utilisable against future taxable profits, primarily arising from operating surpluses, but also from gains on sales of wind farms. Loss carry-forwards are subject to no time limits on use.

## NOTE 7 • PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings [1] | | Equipment, tools and fittings | | Advances and construction in progress | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Opening cost | 1 | 1 | 13 | 17 | 121 | 94 | 135 | 112 |
| Purchases/investments | – | – | 0 | 1 | 14 | 37 | 15 | 37 |
| Sales/disposals | – | – | – | -5 | -3 | -9 | -3 | -14 |
| Reclassifications | – | – | – | – | -2 | – | -2 | – |
| **Closing cost** | **1** | **1** | **14** | **13** | **130** | **121** | **145** | **135** |
| Opening accumulated depreciation and impairment | 0 | 0 | -12 | -17 | -77 | -63 | -89 | -80 |
| Depreciation for the year | 0 | 0 | 0 | 0 | – | – | 0 | 0 |
| Impairment for the year [2] | – | – | – | – | – | -14 | – | -14 |
| Sales/disposals | – | – | – | 5 | – | – | – | 5 |
| **Closing accumulated depreciation and impairment** | **0** | **0** | **-13** | **-12** | **-77** | **-77** | **-90** | **-89** |
| **Closing residual value according to plan** | **1** | **1** | **1** | **1** | **53** | **44** | **55** | **46** |

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

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

The company has concluded framework agreements for the purchase of wind turbines, which include a clause on cancellation fees to apply under certain circumstances.

The company also signed a construction contract for the Mombyåsen and Bröcklingberget projects. A guarantee was also agreed for the Bröcklingberget project, refer to Note 16.

## NOTE 8 • SHARES IN SUBSIDIARIES

| | 2018 | 2017 |
|---|---|---|
| **Opening carrying amount** | **1,505** | **1,745** |
| Investments in subsidiaries | – | 0 |
| Impairment of shares | -295 | -142 |
| Liquidation of subsidiaries [1] | – | -98 |
| **Closing carrying amount** | **1,210** | **1,505** |

[1] Arise Wind Farm 2 AB was liquidated in 2017.

### PARENT COMPANY'S HOLDINGS

| Name | Corporate Identity Number | Registered offices | Number of shares | Participating interest % | Carrying amount of holdings | Equity |
|---|---|---|---|---|---|---|
| Arise Elnät AB | 556747-2641 | Halmstad | 1,000 | 100% | 1 | 1 |
| Arise Kran AB | 556758-8966 | Halmstad | 1,000 | 100% | 5 | 5 |
| Arise Wind Farm 9 AB | 556833-5813 | Halmstad | 1,000 | 100% | 0 | 0 |
| Arise Wind HoldCo 1 AB | 556869-2114 | Halmstad | 500 | 100% | 0 | 0 |
| Arise Wind HoldCo 2 AB | 556867-9913 | Halmstad | 500 | 100% | 4 | 13 |
| Arise Wind HoldCo 3 AB | 556867-9798 | Halmstad | 500 | 100% | 15 | 71 |
| 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% | 1,185 | 1,185 |
| Arise Wind HoldCo 10 AB | 559075-2746 | Halmstad | 500 | 100% | 0 | 0 |
| **Total** | | | | | **1,210** | **1,276** |

## NOTE 9 • SHARES IN ASSOCIATES

| | 2018 | 2017 |
|---|---|---|
| **Opening cost of participations** | **178** | **120** |
| Conversion of associate loans | 10 | 58 |
| **Closing cost of participations** | **188** | **178** |

| | 2018 | 2017 |
|---|---|---|
| **Opening accumulated depreciation and impairment** | **-178** | **-120** |
| Impairment of participations | -10 | -58 |
| **Closing accumulated depreciation and impairment** | **-188** | **-178** |
| **Carrying amount at year-end** | **0** | **0** |

### PARENT COMPANY'S HOLDINGS

| Name | Corporate Identity Number | Registered offices | Number of shares | Participating interest % | Carrying amount of holdings | Equity |
|---|---|---|---|---|---|---|
| Sirocco Wind Holding AB | 556864-8058 | Stockholm | 6,000 | 50% | 0 | 79 |
| – Jädraås Vindkraft AB | 556733-6481 | Stockholm | 1,000 | 100% | – | – |
| – Hällåsen Kraft AB | 556864-2077 | Stockholm | 50,000 | 100% | – | – |
| **Total** | | | | | **0** | **79** |

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

## NOTE 10 • OTHER FINANCIAL NON-CURRENT ASSETS

| | 2018 | 2017 |
|---|---|---|
| Blocked cash and cash equivalents | 9 | 9 |
| **Total** | **9** | **9** |

## NOTE 11 • INVENTORIES

| | 2018 | 2017 |
|---|---|---|
| Electricity certificates | 6 | 2 |
| **Total** | **6** | **2** |

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

## NOTE 12 • PREPAID EXPENSES AND ACCRUED INCOME

| | 2018 | 2017 |
|---|---|---|
| Accrued development income | 101 | 49 |
| Accrued electricity income | – | 3 |
| Prepaid expenses | 1 | 1 |
| **Total** | **102** | **53** |

## NOTE 13 • INTEREST-BEARING LIABILITIES

| | 2018 | 2017 |
|---|---|---|
| Bond loans | 650 | 900 |
| Convertible loan | 240 | 239 |
| Bank loans | 146 | – |
| Bank charges | -16 | -10 |
| | **1,020** | **1,129** |
| Current portion | -97 | -50 |
| **Non-current portion** | **922** | **1,079** |

## NOTE 14 • ACCRUED EXPENSES AND DEFERRED INCOME

| | 2018 | 2017 |
|---|---|---|
| Accrued personnel-related expenses | 11 | 6 |
| Accrued interest expenses | 8 | 12 |
| Other accrued expenses | 4 | 3 |
| **Total** | **23** | **22** |

## NOTE 15 • ADDITIONAL DISCLOSURES REGARDING CASH FLOW STATEMENT

Cash and cash equivalents comprise cash and bank balances.

| Adjustment for non-cash items | 2018 | 2017 |
|---|---|---|
| Depreciation and impairment of property, plant and equipment | 0 | 14 |
| Capital gains/losses on sales of non-current assets | – | 0 |
| **Total** | **0** | **14** |

## NOTE 16 • PLEDGED ASSETS AND CONTINGENT LIABILITIES

| Pledged assets | 2018 | 2017 |
|---|---|---|
| Shares in subsidiaries | 1,185 | 1,480 |
| **Total** | **1,185** | **1,480** |
| **Guarantee** | 16 | – |
| **Contingent liabilities** | 14 | 34 |

The company has concluded framework agreements for the purchase of wind turbines, which include clauses on cancellation fees to apply under certain circumstances. Based on current purchasing plans and forecasts, company management's assessment is that potential cancellation fees in 2019 may amount to a maximum of MSEK 24. If a cancellation is necessary in 2019, it is management's assessment that the total will be lower than this maximum amount.

The company has signed a construction contract in connection with the Mombyåsen project, under which the company has committed to execute certain construction procedures relating to roads, foundations and the internal electricity grid. The company has also signed a construction contract in connection with the Bröcklingberget project, under which the company has committed to execute certain construction procedures relating to roads, foundations and the electricity grid. In connection with these construction contracts, bank guarantees have also been issued for Arise's completion of the construction contracts amounting to EUR 460,000 for Mombyåsen and EUR 900,000 for Bröcklingberget. A guarantee was also entered into for the Bröcklingberget project to ensure a bank guarantee of SEK 15,950,000 raised by Bröcklingberget for the benefit of the provider of the grid connection for the project. There was a bank guarantee for the Svartnäs project amounting to SEK 29,500,000 at the end of 2017.

## NOTE 17 • RELATED-PARTY TRANSACTIONS

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

| | 2018 | 2017 |
|---|---|---|
| Sales of goods and services to subsidiaries | 16 | 13 |
| Purchases of goods and services from subsidiaries | 67 | 149 |
| Transactions with other senior executives | – | – |

The Parent Company's transfer of projects and charging of services to its subsidiaries amounted to MSEK 16 (13). Services sold refer primarily to consulting fees relating to permits and planning work, invoiced administrative expenses and management services to subsidiaries that own operational wind farms. The Parent Company's purchases of goods and services from subsidiaries amounted to MSEK 67 (149) and consist of electricity in the first quarter of 2018, electricity certificates and the purchase of various consulting services.

No Board member or senior executive has been engaged, either directly or indirectly, in any business transactions between themselves and the company which is, or was, unusual in character with respect to the terms and conditions applying. Remuneration of Board members and senior executives is presented in Note 4 to the consolidated financial statements.

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

## NOTE 18 • RECEIVABLES FROM ASSOCIATES

For information on receivables from associates, see Note 22 to the consolidated financial statements.

## NOTE 19 • PROPOSED APPROPRIATION OF PROFITS

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

| **Parent Company** | |
|---|---|
| Accumulated loss from preceding year | -554,138,075 |
| Share premium reserve non-restricted equity | 1,368,475,008 |
| Profit/loss for the year | -53,669,736 |
| **Total unappropriated earnings, SEK** | **760,667,197** |

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

| | |
|---|---|
| **To be carried forward, SEK** | **760,667,197** |

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

### THE INCOME STATEMENTS AND BALANCE SHEETS WILL BE PRESENTED FOR ADOPTION AT THE ANNUAL GENERAL MEETING ON 8 MAY.

The Board of Directors and Chief Executive Officer hereby certify that the annual accounts have been prepared in compliance with the Annual Accounts Act and RFR 1 and give a true and fair view of the company's financial position and results, and that the Directors' Report gives a true and fair view of the development of the company's business, financial position and results, and describes significant risks and factors of uncertainty faced by the company.

The Board of Directors and Chief Executive Officer hereby certify that the consolidated financial statements have been prepared in compliance with the *International Financial Reporting Standards* (IFRS), as adopted by the EU, and give a true and fair view of the Group's financial position and results, and that the Directors' Report for the Group gives a true and fair view of the Group's financial position and results and describes the significant risks and factors of uncertainty faced by the companies included in the Group.

Halmstad, 25 March 2019

**Joachim Gahm**
*Chairman*

**Jon G Brandsar**
*Board member*

**Maud Olofsson**
*Board member*

**Daniel Johansson**
*CEO*

**Peter Gyllenhammar**
*Board member*

Our auditor's report was submitted on 25 March 2019
Öhrlings PricewaterhouseCoopers AB

**Magnus Willfors**
*Authorised Public Accountant*


Vestas

# Auditor's report

## To the general meeting of the shareholders of Arise AB (publ)
Corporate identity number 556274-6726

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

### Opinions
We have audited the annual accounts and consolidated accounts of Arise AB (publ) for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 34–86 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

### Basis for Opinions
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

### Our audit approach
*Audit scope*

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

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

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

*Materiality*

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

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

### Key audit matters

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

| KEY AUDIT MATTER | HOW OUR AUDIT ADDRESSED THE KEY MATTER |
|---|---|
| *Impairment test of owned windpower farms in operation*<br>Reference to Note 1 on page 53 in the annual report "Significant estimates and assumptions for accounting purposes", and Note 9 on page 62 "Property, plant and equipment".<br>As at 31 December 2018 the value of owned windpower farms in operation amounts to 1,242 MSEK.<br>The value of the windpower farms depends, among other things, on future prices for electricity and electricity certificates. These prices have fluctuated since the time of the investment. The company annually carries out impairment tests, which for 2018 have not resulted in any write-downs.<br>The assumptions and judgements performed by management in conjunction with the impairment test are complex such as future cash flows and other circumstances and have a large impact on the calculated value-in-use. In particular the assumptions of the future price levels on electricity and certificates as well as the weighted average cost of capital (WACC), where small deviations can result in large impact on the calculated value-in-use. | Our audit was focused to ensure that the impairment test performed by the Company, is true and fair and that no further requirements for impairment charges are required.<br>We have obtained and reviewed the impairment tests performed by the Company. These include the prognosis of future cash flow made by the Group management based on the discount rate they selected. Assumptions regarding future market prices for electricity and electricity certificates are based on market price projections made by external expertise.<br>We have developed an understanding how the development of macroeconomic factors impact Arise. We have also assessed the process through which, the Group management and Board of Directors gather the necessary macro market data to support their assumptions and decisions.<br>Our review of the impairment tests has included:<br>▪ Assessed the calculation model applied by management.<br>▪ Assessed and checked the mathematical accuracy of the WACC applied by management<br>▪ Reconciled input data regarding future revenues against external data, forward prices and opinions from external expertise.<br>▪ Assessed and challenged input data regarding planned production volumes and reconciled them against the company´s projections and against historical performance<br>▪ Assessed and challenged input data regarding estimated operating cost and other data, and reconciled them against the company´s projections and against historical performance.<br>▪ Performed sensitivity analysis for changes in key assumptions, such as market price development for electricity, electricity certificates and the discount rate applied.<br>In our review, we have not noted any significant deviations. |

| KEY AUDIT MATTER | HOW OUR AUDIT ADDRESSED THE KEY MATTER |
|---|---|
| *Transactions – selling of projects*<br>Reference to Note 1 page 48 in the Annual Report section for accounting principles Revenue, and Note 2 revenue and Note 16 prepaid expenses and accrued income page 55 and page 72.<br>Arise business concept implies potential acquisitions and selling of one or several projects directly or through a company.<br>During the year the company have sold subsidiaries containing the projects Bröcklingeberget and Enviksberget, continuing building the project Svartnäs and final settlement of the project Solberg. Each separate transaction is individual and the contracts contains specific terms of agreements which stipulates, amongst others, model for payments and the respective parts commitments and requirements during the durations time of the agreements.<br>The business arrangement and accompanying agreements are complex areas in which interpretation of the performed transaction and the accompanying terms of agreements might have a material effect on the accounting records and the revenue recognition. | Our audit focus on that the performed transactions are treated correctly in the accounting records.<br>Each separate agreement with regards to selling a company or a project is individual and the contracts contains specific terms of agreements. We have in our audit:<br>▪ Audited the Company's capital gain through a reconciliations against the selling agreement.<br>▪ Audited the company's accounting records with regards to the selling on company level.<br>▪ Audited the company's accounting records with regards to the selling on group level.<br>▪ Audited that the classification for the capital gain has been treated correctly in accordance with the accounting principles for the company.<br>▪ We have identified no significant deviations in conjunction with our audit procedures. |

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

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–33 and 96–104. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

### Responsibilities of the Board of Director's and the CEO

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

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

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

### Auditor's responsibility

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: *www.revisorsinspektionen.se/revisornsansvar*. This description is part of the auditor´s report.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the CEO of Arise AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

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

### Basis for Opinions

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

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

### Responsibilities of the Board of Director's and the CEO

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

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

### Auditor's responsibility

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

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

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

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

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: *www.revisorsinspektionen.se/revisornsansvar*. This description is part of the auditor's report.

Öhrlings PricewaterhouseCoopers AB, was appointed auditor of Arise AB (publ) by the general meeting of the shareholders on the 3 May 2018 and has been the company's auditor since the 2008. The company has been a company of public interest since the listing, 24 March 2010.

Malmö 25 March 2019
Öhrlings PricewaterhouseCoopers AB

**Magnus Willfors**
*Authorized Public Accountant*

# Corporate Governance Report

### Corporate Governance Report for the Group

Arise AB (publ) ("Arise") is a Swedish public limited liability company listed on Nasdaq Stockholm. Accordingly, Arise applies the Swedish Corporate Governance Code (the "Code"). This Corporate Governance Report refers to the 2018 financial year and 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. Arise's Articles of Association and other information regarding corporate governance in Arise are available on our website, *www.arise.se*.

### Application of the Code

Corporate governance in Arise complies with the Code and is, therefore, based on the principles stated in applicable legislation, listing agreements, guidelines and good practice. Deviations from the Code are presented in the relevant sections of this Corporate Governance Report. In 2018, the company did not contravene any regulations applied in the regulated market in which the company's shares are quoted for trading, nor did it, in any other manner, deviate from accepted practice in the securities market.

### Shareholders

According to the shareholder register maintained by Euroclear Sweden AB, Arise had approximately 3,395 shareholders on 28 December 2018. The company has two shareholders with a direct or indirect participation representing 10 % or more of the votes, which are Johan Claesson with companies (20.4 %) and Briban Invest AB (16.3 %). Information about the ten largest shareholders can be found on page 96 of this Annual Report and on Arise's website, *www.arise.se*.

### Shares

The share capital in Arise as per 31 December 2018 amounted to SEK 2,674,245.60, distributed between 33,428,070 shares. All shares are of the same class and thus entitle the respective holders to equal rights to the company's assets, profits and dividends.

### Annual General Meeting

Arise's highest decision-making body is the Annual General Meeting of shareholders. Notice of the Annual General Meeting, or an extraordinary general meeting at which potential changes in the Articles of Association are discussed, is given not earlier than six weeks and not later than four weeks prior to the meeting. All shareholders listed in the shareholder register five weekdays prior to the Meeting, and who have announced to the company their intention to participate before the registration period has elapsed, have the right to attend and vote at the meeting. The number of votes a shareholder is entitled to exercise is not restricted. Shareholders who are unable to attend the meeting in person may be represented by proxies. The company does not apply special arrangements with regard to the function of the Annual General Meeting, either on the basis of regulations in the Articles of Association or, to the extent they are known to the company, shareholder agreements. Furthermore, the Articles of Association do not include specific regulations relating to changes in the Articles of Association. The most recent Annual General Meeting took place on 3 May 2018 in Halmstad. At the Annual General Meeting, resolutions were passed regarding the authorisation of the Board to resolve on issues of ordinary shares, preference shares and convertibles, repurchases of the company's own shares and transfers of such shares. The minutes from the Annual General Meeting are available on Arise's website. The next Annual General Meeting will be held on 8 May 2019 in Halmstad.

Shareholders wishing to add items to the agenda of the Annual General Meeting may send a written request to Arise AB (publ), Att: Chairman of the Board, Box 808, SE-301 18 Halmstad, Sweden. Such requests must reach the Board of Directors not later than seven weeks prior to the meeting, or at least in sufficient time so that the issue can, if required, be included in the notice of the meeting.

### Nomination Committee

Under the Code, Arise is to have a Nomination Committee whose task is to include the preparation of proposals for members of the Board, the Chairman of the Board, the Chairman of general meetings and auditors as well as procedures for the next year's Nomination Committee. The Nomination Committee is also to submit proposals on fees for Board members and auditors. The Annual General Meeting on 3 May 2018 resolved to establish procedures for the appointment of a Nomination Committee prior to the next election and for the determination of remuneration. According to the resolution, the Nomination Committee is to comprise five regular members appointed by the four largest shareholders as of the start of October as well as the Chairman of the Board.

The Nomination Committee prior to the 2019 Annual General Meeting comprised Johan Claesson (Johan Claesson and companies), Bengt Hellström (Third Swedish National Pension Fund), Jan Barchan (Briban Invest AB), Peter Gyllenhammar (privately and via companies) and Chairman of the Board Joachim Gahm. The majority of the Nomination Committee's members are independent in relation to the company and management. No remuneration has been paid to the members of the Board for work on the Nomination Committee. The composition of the Nomination Committee ahead of the Annual General Meeting to be held on 8 May 2019 was published on Arise's website before 8 November 2018.

In its work, the Nomination Committee applied the diversity policy adopted by the Board. Item 4.1 of the Code comprises part of this diversity policy. The result of the work on the diversity policy is that the Nomination Committee has taken into account that, considering Arise's operations, stage of development, prevailing business and social conditions and other circumstances, the Board is to be characterised by diversity and breadth with regard to the expertise, experience and background of the Board members elected by the General Meeting. Efforts have also been made to achieve an even gender distribution on the Board. By applying the above, the Nomination Committee has a solid basis for determining whether the Board's composition is appropriate and whether Arise's needs for expertise, experience and diversity on the Board have been met. As a result, the Nomination Committee has proposed the re-election of Board members Joachim Gahm, Maud Olofsson and Jon Brandsar prior to the Annual General Meeting on 8 May 2019. Peter Gyllenhammar has declined re-election. Furthermore, the Nomination Committee has proposed the re-election of Joachim Gahm as Chairman of the Board. The Nomination Committee's proposal entails that 33.33% of the Board members elected by the General Meeting are women.

The Nomination Committee will present a description of its activities at the Annual General Meeting on 8 May 2019. Shareholders wishing to submit proposals and opinions to the Nomination Committee are requested to contact the Chairman of the Nomination Committee: Arise AB (publ), Att: Chairman of the Nomination Committee, Box 808, SE-301 18 Halmstad, Sweden.

## THE BOARD OF DIRECTORS

### General information

The Board of Directors is responsible for the management of the company's affairs and its organisation. The Articles of Association stipulate that the Board of Directors is to comprise not fewer than three and not more than nine Board members. The Articles of Association do not include any specific regulations regarding the appointment or dismissal of Board members. At the most recent Annual General Meeting, held on 3 May 2018, a Board was elected consisting of the members Joachim Gahm (Chairman), Maud Olofsson, Jon Brandsar and Peter Gyllenhammar. No deputy Board members were appointed. In accordance with the formal work plan for the Board of Directors, the Board is to hold at least six scheduled meetings between each Annual General Meeting. During the 2018 financial year, the Board of Directors held 12 meetings, with minutes taken at each meeting. The Board members' attendance at the meetings is presented in the table below. Descriptions of the members of the Board of Directors, including information on their other directorships, independence and relevant holdings of shares and warrants are provided on page 98 of the Annual Report. Remuneration and other benefits to the Board of Directors are described in Note 4 on page 57 of the Annual Report. All members of the Board appointed by the Annual General Meeting were independent in relation to the company and management (refer also to page 99 of the Annual Report). All members of the Board are independent in relation to major shareholders. More information on the Board of Directors is provided on Arise's website, *www.arise.se*.

### AGM-elected Board members' attendance, 2018 financial year

| | Number of meetings | Present at | Attendance, % |
|---|---|---|---|
| Joachim Gahm, Chairman | 12 | 12 | 100 |
| Jon Brandsar | 12 | 12 | 100 |
| Maud Olofsson | 12 | 12 | 100 |
| Peter Gyllenhammar | 12 | 12 | 100 |

### The work of the Board

Meetings of the Board of Directors should ideally be held by physical attendance at Arise's head office. However, additional meetings may be conducted over the telephone. In the 2018 financial year, a few of the Board meetings took the form of a conference call for practical reasons. The Chairman of the Board leads and organises the work of the Board. Legal counsel Jonas Frii has served as the Board's secretary. Prior to each meeting, a proposed agenda is sent out, along with the documents which are to be addressed at the meeting. The proposed agenda is prepared by the CEO in consultation with the Chairman. The matters presented to the Board are presented for the purposes of information, discussion or decision. Decisions are taken after discussions and after all members of the Board in attendance at the meeting have had the opportunity to express their opinions. The Board's broad experience in various areas often results in a constructive and open discussion. During the year, no member of the Board expressed a reservation against any issue regarding which decisions were taken. Any objections are recorded in the minutes. Open questions are followed up on a continuous basis. The Board has not established a division of responsibilities among its members, other than that which is provided in the formal work plan for the Board and its committees. The formal work plan for the Board, which is to be reviewed on an annual basis, regulates the division of duties among the Chairman, the Board and its committees. Among other things, the formal work plan stipulates, for example, the obligatory permanent items to be addressed at every scheduled meeting. During the year, the Chairman commissioned an evaluation of the Board of Directors to be undertaken by means of a survey. The results have been compiled on an anonymous basis and have been reported to the Board and the Nomination Committee by the Chairman.

### Diversity

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

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

### Remuneration Committee

Up to the Annual General Meeting 2019, the Remuneration Committee comprises Board members Joachim Gahm (Chairman), Maud Olofsson, Jon Brandsar and Peter Gyllenhammar. The CEO normally participates in meetings of the Remuneration Committee, but has no say in matters pertaining to his own salary or benefits. The Remuneration Committee held two meetings in 2018 and each meeting was attended by all members. The Committee's areas of responsibility are to present proposals regarding overall policy on salaries, remuneration and other terms of employment of the company's Group management and potential warrant programmes. The Remuneration Committee is to provide proposals on individuals salaries and other remuneration of the CEO and, following proposals from the CEO, decide on individual salaries and other remuneration to managers who report to the CEO. All members of the Committee are independent in relation to Arise and its senior executives. The Committee's work is based on the resolutions passed at the most recent Annual General Meeting regarding the guidelines for remuneration of senior executives. The Committee's work follows a written formal work plan adopted by the Board. The Committee does not have its own right of decision other than within the remuneration policy that the AGM resolves on for senior executives.

### Audit Committee

Up to the Annual General Meeting 2019, the Audit Committee consists of the Board members Maud Olofsson (Chairman), Joachim Gahm and Peter Gyllenhammar. The Company's CFO Linus Hägg reports to the Committee. The Audit Committee held five meetings in 2018 and each meeting was attended by all members. The Audit Committee is responsible for preparing the Board's work on ensuring the quality of the company's financial reporting. Quality assurance normally takes place by the Committee addressing all critical accounting matters and drafts of the financial statements that the company publishes. The Audit Committee also addresses matters concerning, for example, financial reporting, risks, governing documents, KPIs, accounting rules and internal control. The Audit Committee also maintains a continuous dialogue with the auditor. The Committee's work follows a written formal work plan adopted by the Board and the Board does not have its own right of decision.

### Group management

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

### Appointment of auditors

At the 2018 Annual General Meeting (as at the 2017 Annual General Meeting), Öhrlings PricewaterhouseCoopers AB was appointed as the company's auditor, with Authorised Public Accountant Magnus Willfors as Auditor-in-Charge for the period up to the next Annual General Meeting. The appointment of auditors will therefore be on the agenda at the forthcoming Annual General Meeting.

The 2018 Annual General Meeting also resolved that fees to auditors were to be paid according to standard norms and approved invoices.

### Internal control

The objective of the internal financial control in Arise is to establish an effective decision-making process in which requirements, objectives and limits are clearly defined. The company and management apply the internal control system to monitor the operations and the Group's financial position.

### Control environment

The control environment forms the basis for internal control. Arise's control environment comprises, for example, sound core values, integrity, competence, a leadership philosophy, an organisational structure, responsibility and authorities. Arise's formal work plans, instructions, policies, guidelines and manuals provide guidance to the employees.

Arise ensures a clear division of roles and responsibilities for the effective management of operational risks through, for example, its formal work plans for the Board of Directors and its committees, as well as through terms of reference to the CEO. During the company's day-to-day operations, the CEO is responsible for the system of internal controls required to create a control environment for significant risks. Arise also has guidelines and policies regarding financial governance and monitoring, communication issues and business ethics. All companies in the Group employ the same reporting system and the same chart of accounts. The Board has appointed an Audit Committee, which is responsible for, among other things, ensuring compliance with adopted policies for financial reporting and internal control. The CEO or CFO reports the results of their work on internal control to the Audit Committee.

The results of the work of the Audit Committee, in the form of observations, recommendations and proposals for decisions and measures, are reported to the Board on an ongoing basis. To summarise, Arise's internal control environment is based on the division of work between the Company organs, reporting to the Board of Directors, adopted policies and guidelines, and employee compliance with the policies and guidelines.

### Internal control over financial reporting

Internal control over financial reporting is part of the internal control within Arise and its aims include providing reasonable assurance of the reliability of the company's external financial reporting in the form of interim reports, annual reports and year-end reports, and ensuring that the external financial reporting is prepared in accordance with laws, applicable accounting standards and other requirements for listed companies.

### Risk assessment and control activities

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

### Follow-up

The Board of Directors evaluates the information provided by Company management on an ongoing basis. In the activities of the Board of Directors and the Audit Committee, great importance is attached to the work involved in following up the effectiveness of internal control. The activities include, for example, ensuring that measures are taken regarding any proposals for actions arising in the external audit. The reports provided by management to the Board of Directors and the Audit Committee include a follow-up of the company's positions pursuant to the financial policy, and any deviations. The activities implemented by the Board of Directors in its follow-up of internal control regarding the financial reporting include assigning management to report on the outcome of any issues related to the financial reporting.

### Information and communication

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

### Internal audit

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

### Activities in 2018

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

Halmstad, 25 March 2019

**Joachim Gahm**
*Chairman*

**Jon G Brandsar**
*Board member*

**Maud Olofsson**
*Board member*

**Daniel Johansson**
*CEO*

**Peter Gyllenhammar**
*Board member*

## AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE REPORT

*To the General Shareholders' Meeting of Arise AB (publ), Corporate Identity Number 556274-6726*

### Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2018 on pages 92–95 and that it has been prepared in accordance with the Annual Accounts Act

### The scope of the audit

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

### Opinion

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

Malmö, 25 March 2019
Öhrlings PricewaterhouseCoopers AB

**Magnus Willfors**
*Authorised Public Accountant*

# Ownership structure

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

**Dividend policy and target equity/assets ratio**
The company's financial policy states that the Group's equity/assets ratio adjusted for cash and cash equivalents should be in the interval 40–50 %. The equity/assets ratio adjusted for cash and cash equivalents entails a reduction in total assets using current cash and cash equivalents. On 31 December 2018, the equity/assets ratio amounted to 39.8 % (39.7) and the adjusted equity/assets ratio was 41.0 % (42.6). A condition in one of the company's loan agreements stipulates that no dividends may be paid to shareholders. After this loan has been repaid, the aim is to create the conditions over time to pay dividends to shareholders, if so resolved by the General Meeting.

## LARGEST SHAREHOLDERS

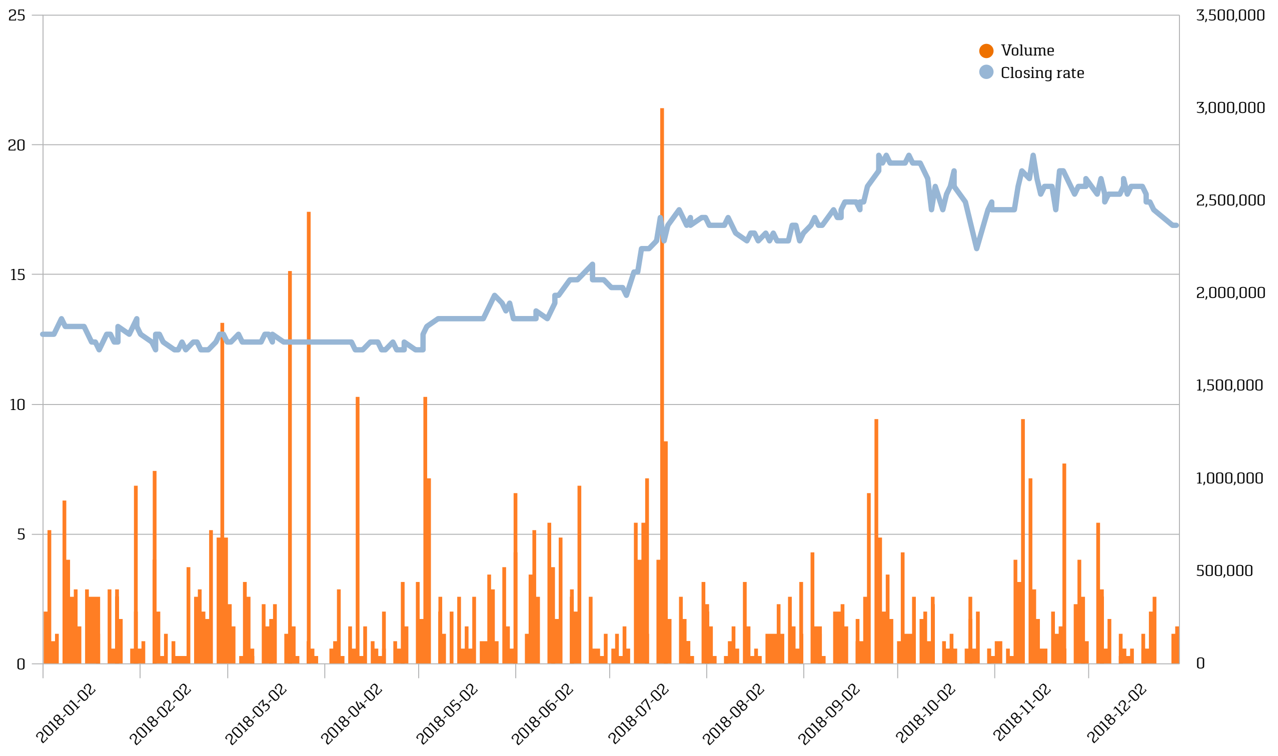
| Ownership structure as of 28 December 2018 | Shares | Share of votes and capital, % |
|---|---|---|
| Johan Claesson with companies | 6,826,539 | 20.4 |
| Briban Invest AB | 5,455,862 | 16.3 |
| Third Swedish National Pension Fund | 3,241,346 | 9.7 |
| Peter Gyllenhammar with companies | 1,510,000 | 4.5 |
| Ernström Finans AB | 1,500,000 | 4.5 |
| Leif Jansson with companies | 1,235,883 | 3.7 |
| Olof Andersson Förvaltnings AB | 1,203,000 | 3.6 |
| Svenska Handelsbanken for PB | 1,201,560 | 3.6 |
| Catella Funds | 749,412 | 2.2 |
| Avanza Pension | 526,591 | 1.6 |
| **Ten largest shareholders** | **23,450,193** | **70.1** |
| Other shareholders | 9,977,877 | 29.9 |
| **Total number of registered shares** | **33,428,070** | **100.0** |

## HISTORICAL DEVELOPMENT OF SHARE CAPITAL

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

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

## SHARE DEVELOPMENT



# Arise's Board of Directors

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

### Joachim Gahm, born 1964

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

**OTHER DIRECTORSHIPS AND POSITIONS:** Working Chairman of Solhemmet Samhällsfastigheter AB. Group leader, member of municipal executive board and member of municipal executive board's working committee for the Christian Democrats in Danderyd Municiaplity. Chairman of the Board of Sustainable Growth Capital SGC AB. Board member of Catella AB, Trygg Kredit AB, Förvaltnings AB Hanneborg and stiftelsen Josephinahemmet. Joachim Gahm was previously CEO of E. Öhman J:or Investment AB and vice CEO and Board member of E. Öhman J:or Fondkommission AB.

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

**HOLDINGS, OWN AND VIA COMPANY:** 10,000 shares and 100,000 warrants

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

### Jon Gunnar Brandsar, born 1954

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

**OTHER DIRECTORSHIPS AND POSITIONS:** Adviser at Statkraft AS and member of SINTEF's Council. Former Executive Vice President Wind Power and Technologies at Statkraft AS with responsibility for onshore wind power, offshore wind power, district heating, innovation and small-scale hydropower. Former Group Chief Executive at Trondheim Energiverk, Technology Director at Statkraft, Department Manager at Statkraft Engineering and Department Manager at ABB.

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

**HOLDINGS:** 10,000 shares

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

### Maud Olofsson, born 1955

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

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

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

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

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

### Peter Gyllenhammar, born 1953

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

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

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

**HOLDINGS, OWN AND VIA COMPANY:** 1,510,000 shares

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

The information concerning shareholdings and warrants refers to the situation as of 31 December 2018.

# Arise's Group management

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

### Daniel Johansson, born 1970

CEO since January 2016. Daniel has extensive expertise and experience in the field of energy. He previously served as State Secretary in the Alliance government and held various positions in the finance industry.

**OTHER DIRECTORSHIPS AND POSITIONS:** Chairman of the Board of several of Arise's subsidiaries and Board member of the Swedish Wind Energy Association. Deputy Board member of CapViva Wind Skogaby AB and AREF II Wind Bohult AB.

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

**HOLDINGS:** 30,000 shares, 10,000 convertibles and 300,000 warrants.

### Linus Hägg, born 1976

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

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

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

**HOLDINGS:** 10,000 shares and 125,000 warrants.

### Leif Jansson, born 1954

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

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

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

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

### Per-Erik Eriksson, born 1963

Head of Operations and responsible for Arise's operations. Per-Erik has 30 years' experience within the energy industry, including project management, operation and management of large projects and energy trading. Before joining Arise he worked for the SCA Group, where he was Global Head of Energy.

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

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

**HOLDINGS:** 125,000 warrants.

The information concerning shareholdings, convertibles and warrants refers to the situation as of 31 December 2018.

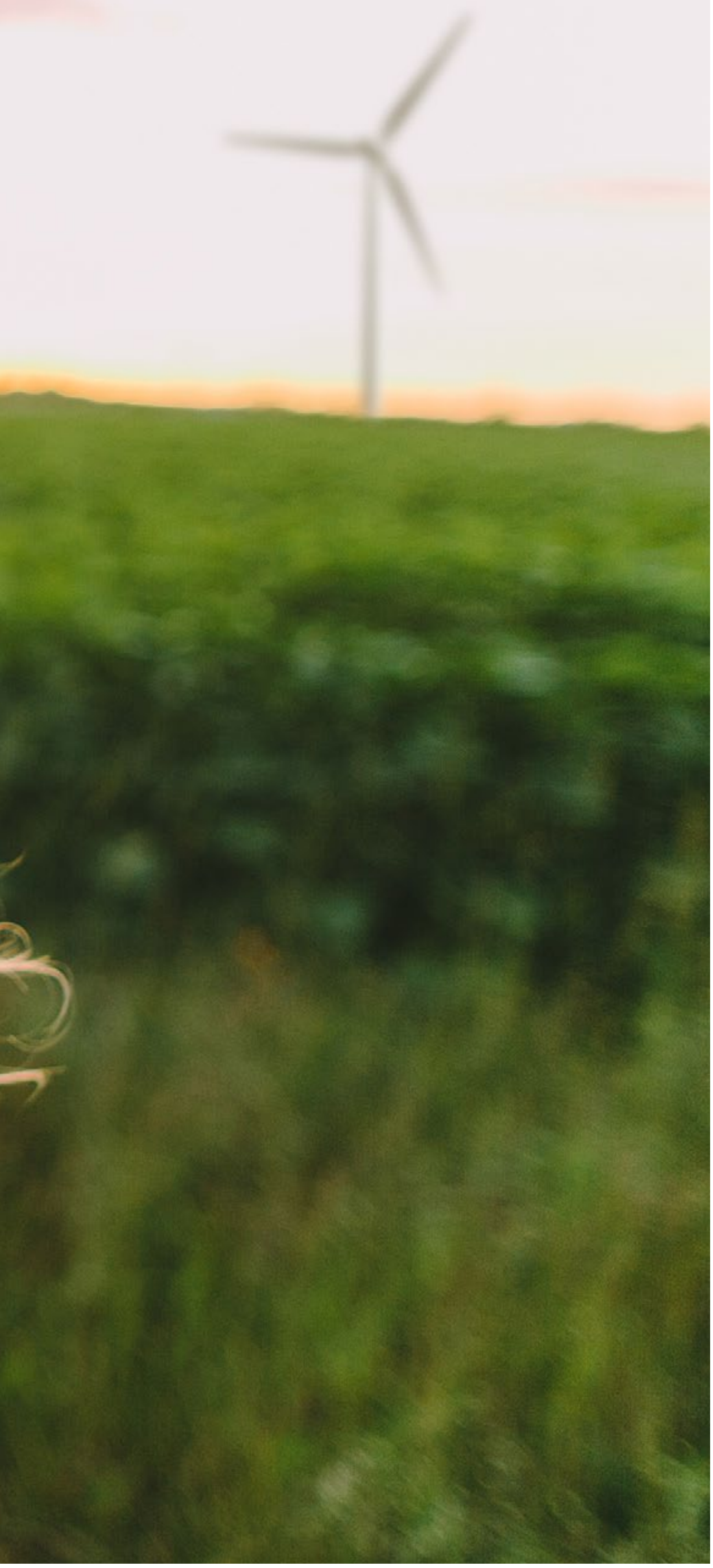
# Annual General Meeting and 2019 calendar

## Annual General Meeting

Shareholders are invited to attend Arise's Annual General Meeting to be held at Scandic Hallandia, Halmstad, Sweden on Wednesday, 8 May 2019, at 11:00 a.m. Light refreshments will be served before the Meeting and lunch will be served after the Meeting.

## Registration

Shareholders wishing to attend the Annual General Meeting must be registered in the shareholder register maintained by Euroclear Sweden AB on Thursday, 2 May 2019 and register their attendance along with that of any assistants not later than Thursday, 2 May 2019, preferably before 4:00 p.m., by e-mail to info@arise.se. It is also possible to register for the Annual General Meeting by telephone, +46 10 450 71 22, by fax +46 35 22 78 00, or by post to Arise AB (publ), Bolagsstämma, Box 808, SE-301 18 Halmstad, Sweden. Shareholders registering their attendance are required to state their name, address, telephone number, Personal/Corporate Identity Number, registered shareholding and details of any representative. The attendance and details of any proxies and representatives are registered with Arise for the purpose of drawing up the electoral roll. Shareholders wishing to be represented by a proxy are



required to issue a signed and dated authorisation to their proxy. If the authorisation is issued by a legal entity, a certified copy of the certificate of registration or equivalent document for the legal entity must be presented. All authorisations must be made in writing and submitted not later than at the Annual General Meeting, although a copy should be sent in advance, if possible. The proxy shall be valid for a maximum of five years if this is specified.

If no validity is specified, the proxy is valid for a maximum of one year. Authorisation forms will be available at *www.arise.se* and from the head office in Halmstad, Kristian IV:s väg 3, and will be sent to any shareholder who so wishes and provides their address. Shareholders whose shares are registered with a nominee through the trust department of a bank or individual stockbroker are required to have their shares temporarily registered in their own name in order to be entitled to participate in the Annual General Meeting. Such temporary registration of ownership must be completed not later than Thursday, 2 May 2019. This means that shareholders need to notify their nominee or bank in good time before the meeting to request temporary registration of ownership (known also as "registration of voting rights").

### Accounting documents and full versions of proposals

Reporting documents, the audit report, the auditor's statement pursuant to Chapter 8, Section 54 of the Companies Act as well as the Board of Directors' proposed appropriation of profits and other complete proposals will be available from the company's website, *www.arise.se*, not later than 17 April 2019. Copies of the documents will be sent upon request to shareholders providing their address.

### Calendar of financial information

All financial information is published on *www.arise.se* as soon as it has been released. In 2019, financial information will be published as follows:

*First quarter:* 8 May 2019
*Second quarter:* 17 July 2019
*Third quarter:* 8 November 2019
*Fourth quarter:* 14 February 2020

### Annual Report

The Annual Report is available from our website, *www.arise.se*. It will be sent by post to those shareholders who have notified the company that they wish to receive it. Printed copies of the report can be ordered via the form found on the website or through Arise's switchboard, +46 10 450 71 22. The 2019 Annual Report is expected to be available in early April 2019.

### IR contact

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

**Daniel Johansson, CEO**
Tel. +46 702 244 133

**Linus Hägg, CFO**
Tel. +46 702 448 916

# Financial information in summary

| MSEK | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| **Income statements (summary)** | | | | | |
| Net sales | 343 | 257 | 594 | 487 | 258 |
| Operating profit before amortisation/depreciation (EBITDA) | 191 | 131 | 138 | 193 | 197 |
| Operating profit/loss (EBIT) | 118 | -99 | 33 | -58 | 91 |
| Profit/loss before tax | 28 | -178 | -52 | -164 | -24 |
| Profit/loss for the year | 21 | -180 | -41 | -156 | -25 |
| **Balance sheets (summary)** | | | | | |
| Total non-current assets | 1,812 | 1,878 | 2,082 | 2,345 | 2,701 |
| Cash and cash equivalents | 61 | 146 | 287 | 203 | 157 |
| Equity | 824 | 843 | 1,020 | 1,090 | 1,178 |
| Total assets | 2,069 | 2,124 | 2,460 | 2,767 | 2,967 |
| Net debt | 949 | 973 | 992 | 1,248 | 1,449 |
| **Cash flows (summary)** | | | | | |
| Cash flow from operating activities | 114 | 96 | 185 | 170 | 162 |
| Cash flow from investing activities | -6 | -23 | 160 | 116 | -22 |
| Cash flow from financing activities | -192 | -216 | -258 | -241 | -174 |
| Cash flow for the year | -85 | -143 | 86 | 46 | -34 |
| **Key ratios** | | | | | |
| Installed capacity at the end of the period, MW | 241 | 241 | 241 | 254 | 261 |
| Electricity production during the period (Own and Co-owned), GWh | 547 | 635 | 640 | 774 | 650 |
| Number of employees at the end of the period | 26 | 26 | 29 | 31 | 31 |
| Basic earnings per share, SEK | 0.64 | neg | neg | neg | neg |
| Diluted earnings per share, SEK | 0.64 | neg | neg | neg | neg |
| EBITDA margin, % | 55.5 | 50.1 | 23.2 | 37.9 | 68.4 |
| Operating margin, % | 34.4 | neg | 5.5 | neg | 31.7 |
| Return on capital employed (EBIT), % | 6.6 | neg | 1.5 | neg | 3.4 |
| Return on adjusted capital employed (EBITDA), % | 10.6 | 6.8 | 6.3 | 7.8 | 7.4 |
| Return on equity, % | 2.6 | neg | neg | neg | neg |
| Capital employed, MSEK | 1,773 | 1,817 | 2,013 | 2,338 | 2,626 |
| Average capital employed, MSEK* | 1,795 | 1,915 | 2,175 | 2,482 | 2,652 |
| Average equity, MSEK* | 834 | 932 | 1,048 | 1,134 | 1,209 |
| Equity/assets ratio, % | 39.8 | 39.7 | 41.5 | 39.4 | 39.7 |
| Interest coverage ratio, times | 1.3 | neg | 0.4 | neg | 0.8 |
| Debt/equity ratio, times | 1.2 | 1.2 | 1.0 | 1.1 | 1.2 |
| Equity per share, SEK | 25 | 25 | 31 | 33 | 35 |
| Equity per share after dilution, SEK | 25 | 25 | 31 | 33 | 35 |
| No. of shares at the end of the period, excl. treasury shares | 33,373,876 | 33,373,876 | 33,373,876 | 33,373,876 | 33,373,876 |
| Average number of shares | 33,373,876 | 33,373,876 | 33,373,876 | 33,373,876 | 33,373,876 |
| Average no. of shares after dilution** | 33,933,876 | 33,933,876 | 33,793,876 | 33,379,876 | 33,909,876 |

* Calculation adjusted to rolling 12 months

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

# Overview of wind farms

| Own wind power operations | Nominal capacity, MW | Expected production during a normal year, GWh[1] | Full capacity hours, MWh/year | Capacity factor, % | Price area | Commissioned year | Carrying amount as of 31 December 2018, MSEK | Carrying amount as of 31 December 2018, SEK/normal annual production, KWh | Carrying amount as of 31 December 2018, MSEK/MW | Number of turbines | Manufacturer | Model | Municipality | Country |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Oxhult | 24.0 | 56.8 | 2,367 | 27% | IV | 2009 | 198 | 3.5 | 8.3 | 12 | Vestas | V 90 | Laholm | Sweden |
| Råbelöv | 10.0 | 22.8 | 2,280 | 26% | IV | 2010 | 78 | 3.4 | 7.8 | 5 | Vestas | V 90 | Kristianstad | Sweden |
| Brunsmo | 12.5 | 24.5 | 1,960 | 22% | IV | 2010 | 73 | 3.0 | 5.9 | 5 | GE | 2.5 XL | Karlskrona | Sweden |
| Kåphult | 17.5 | 40.6 | 2,320 | 26% | IV | 2010/2011 | 141 | 3.5 | 8.0 | 7 | GE | 2.5 XL | Laholm | Sweden |
| Fröslida | 22.5 | 55.4 | 2,462 | 28% | IV | 2011 | 190 | 3.4 | 8.5 | 9 | GE | 2.5 XL | Hylte | Sweden |
| Idhult | 16.0 | 36.2 | 2,263 | 26% | IV | 2011 | 128 | 3.5 | 8.0 | 8 | Vestas | V 90 | Mönsterås | Sweden |
| Södra Kärra | 10.8 | 37.4 | 3,463 | 40% | III | 2011/2012 | 130 | 3.5 | 12.0 | 6 | Vestas | V 100 | Askersund | Sweden |
| Blekhem | 10.8 | 30.1 | 2,787 | 32% | III | 2011/2012 | 126 | 4.2 | 11.7 | 6 | Vestas | V 100 | Västervik | Sweden |
| Gettnabo | 12.0 | 30.3 | 2,525 | 29% | IV | 2011 | 108 | 3.6 | 9.0 | 6 | Vestas | V 90 | Torsås | Sweden |
| Skäppentorp | 3.1 | 8.5 | 2,764 | 32% | IV | 2012 | 33 | 3.8 | 10.6 | 1 | Vestas | V 112 | Mönsterås | Sweden |
| **Total** | **139.2** | **342.6** | **2,462** | **28%** | | | **1,206** | **3.5** | **8.7** | **65** | | | | |
| **Co-owned wind power operations** | | | | | | | | | | | | | | |
| Jädraås [2] | 101.5 | 286.0 | 2,818 | 32 % | III | 2012/13 | 1,303 | 4.6 | 12.8 | 33 | Vestas | V 112 | Ockelbo | Sweden |
| **Total** | **101.5** | **286.0** | **2,818** | **32%** | | | **1,303** | **4.6** | **12.8** | **33** | | | | |
| **TOTAL OWN AND CO-OWNED WIND POWER OPERATIONS** | **240.7** | **628.6** | **2,612** | **30%** | | | **2,508** | **4.0** | **10.4** | **98** | | | | |
| **External projects under construction and/or management** | | | | | | | | | | | | | | |
| Jädraås (client Platina Partners) [3] | 101.5 | 286.0 | 2,818 | 32 % | III | 2012/13 | n/a | n/a | n/a | 33 | Vestas | V 112 | Ockelbo | Sweden |
| Stjärnarp (client KumBro Vind AB) | 5.4 | n/a | n/a | n/a | IV | 2013 | n/a | n/a | n/a | 3 | Vestas | V 100 | Halmstad | Sweden |
| Brotorp (client, fund managed by BlackRock) | 46.2 | n/a | n/a | n/a | IV | 2015 | n/a | n/a | n/a | 14 | Vestas | V 126 | Mönsterås | Sweden |
| Storrun (client, fund managed by Whitehelm Capital) | 30.0 | n/a | n/a | n/a | II | 2009 | n/a | n/a | n/a | 12 | Nordex | N90 | Krokom | Sweden |
| Skogaby (client, fund managed by Allianz Global Investors) | 7.2 | n/a | n/a | n/a | IV | 2013 | n/a | n/a | n/a | 4 | Vestas | V 100 | Laholm | Sweden |
| Mombyåsen (client, fund managed by Allianz Capital Partners) | 33.0 | n/a | n/a | n/a | III | 2016 | n/a | n/a | n/a | 10 | Vestas | V 126 | Sandviken | Sweden |
| Ryssbol (client KumBro Vind AB) | 12.0 | n/a | n/a | n/a | IV | 2016 | n/a | n/a | n/a | 6 | Vestas | V 110 | Hylte | Sweden |
| Bohult (client, fund managed by Allianz Global Investors) | 12.8 | n/a | n/a | n/a | IV | 2014 | n/a | n/a | n/a | 8 | GE | 1.6-100 | Halmstad | Sweden |
| Ekeby (client KumBro Vind AB) | 6.0 | n/a | n/a | n/a | III | 2016 | n/a | n/a | n/a | 3 | Senvion | MM100 | Kumla | Sweden |
| Tellenes (client, fund managed by BlackRock) | 160.0 | n/a | n/a | n/a | | 2017 | n/a | n/a | n/a | 50 | Siemens | SWT-3.2MW | Rogaland | Norway |
| Svartnäs (under construction, client, fund managed by BlackRock) | 115.0 | n/a | n/a | n/a | III | | n/a | n/a | n/a | 32 | Vestas | V 136 | Falun | Sweden |
| Överturingen (under construction, client, Green Investment Group) | 235.2 | n/a | n/a | n/a | II | | n/a | n/a | n/a | 56 | Siemens | SWD-DD-130 | Ånge | Sweden |
| Bröcklingberget (under construction, client, fund managed by re:cap global investors) | 45.1 | n/a | n/a | n/a | II | | n/a | n/a | n/a | 11 | Siemens | SWT-DD-142 | Bräcke | Sweden |
| Enviksberget (under construction, client, fund managed by BlackRock) | 36.9 | n/a | n/a | n/a | III | | n/a | n/a | n/a | 9 | Siemens | SWT-DD-142 | Falun | Sweden |
| **Total external projects under construction and/or management** | **846.3** | **n/a** | **n/a** | **n/a** | | | | | | **251** | | | | |
| **TOTAL OWN AND CO-OWNED WIND POWER OPERATIONS INCL. MANAGEMENT** | **1,086.9** | **n/a** | **n/a** | **n/a** | | | | | | **349** | | | | |

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

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

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PHOTOGRAPHY: Håkan Nilsson; wind turbines and wind farms, Tina Axelsson; CEO and Group management, Anders Sällström; Board of Directors, Getty Images, Johnér and Stockzy.

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