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This document is a translation from Swedish. In the event of any differences between this version and the Swedish original, the Swedish original shall govern.



# Significant events in 2011

## February

- Cooperation agreement signed regarding the construction of the Jädraås wind farm, approx. 200 MW

## March

- Takeover of 6 Vestas V 90 turbines in Idhult, Mönsterås (16 MW–35 GWh/year)
- Takeover of 9 GE turbines in Fröslida, Hylte (22.5 MW–56 GWh/year)

## April

- Decision to start construction of 6 Vestas V 90 turbines in Gettnabo, Torsås (12 MW–29 GWh/year)

## May

- Takeover of 7 GE turbines in Kåphult, Laholm (17.5 MW–47 GWh/year)

## October

- Acquisition of project company JVAB and financing and construction of northern Europe's largest onshore wind power project, Jädraås (203 MW–570 GWh/year), together with Platina Partners. The total amount of the investment was SEK 3.1 billion.

## November

- Takeover of 6 Vestas V 90 turbines in Gettnabo, Torsås (12 MW–29 GWh/year)

## December

- Takeover of 12 Vestas V100 turbines in Södra Kärra, Askersund and Blekhem, Västervik (21.6 MW–65 GWh/year)

At the end of 2011, Arise Windpower had initiated the construction of approximately 342 MW, including Jädraås, of which Arise, directly or indirectly, owns approximately 241 MW.

The Company reported a pre-tax profit during all four quarters of the year. In total, profit before tax amounted to MSEK 65 during 2011.

# Message from the CEO

Arise Windpower AB is now Sweden's leading company in onshore wind power measured in terms of production capacity (MW). The goals we established for 2011 in conjunction with the listing of the Company have been met. The Company is profitable and last year reported earnings of approximately MSEK 65 before tax and a profit margin of close to 23%. Despite this, the share price has declined in comparison to the listing price in March 2010.

What can be the reason for this and what is happening in Sweden and Europe in terms of wind power development? Is the industry sustainable and profitable or simply a "green" bubble? What makes a wind power company profitable, how will electricity and electricity certificate prices develop and is there a future for a company such as Arise? These are certainly issues which you as a current, or prospective, shareholder have in mind.

Wind power development in Sweden has tripled during the period 2009 to 2011 and will, according to the calculations of the Swedish Energy Agency, account for more than 5% of Sweden's electricity sales in 2012.

In Germany, Portugal, Spain and Denmark, the position of wind power is significantly more developed, between 10 and 25%. In those countries, wind power has become an established part of the power system and an important production resource. Dependence on imported fuel for power production is decreasing, as are emissions into the air and water.

In Germany, wind power is also playing an increasingly important role after the decision to close all of the country's 17 nuclear power stations by 2022.

Sweden is, together with Norway and possibly also Scotland, one of the countries in Europe with the most favourable premises for wind power, with good wind conditions and good access to regulating power in the form of hydro power.

That Sweden also has an excellent transmission network, a well-developed road network and a relatively small population, are additional advantages.

As wind turbines have become more efficient, they can now seriously compete with

both nuclear power and new coal power in terms of cost per produced kwh. It is true that the wind does not blow all the time, but wind power stations produce electricity approximately 6,000 hours per year, which is 68% of the total number of hours in a year. This is even slightly better than the utilisation ratio for Swedish nuclear power in 2010.

Our understanding is that the wind power industry is here to stay and that an efficient wind power company with a sufficiently large installed capacity can deliver excellent results and returns to its shareholders. The key factors facilitating this are having a large number of MW and wind turbines in operation, maintaining a high availability for these and hedging the major cost item, interest, as well as income in the form of electricity and electricity certificates.

Why so many MW in operation? Well, the answer is major economies of scale on the purchasing side. The fixed costs for administration and maintenance of sufficient resources and competence in order to ensure that the turbines function well are also largely the same, regardless of whether 50 or several hundred MW are in operation. Each new MW which is added implies that overhead costs can be allocated over a larger number of kilowatt hours, with improved results as a consequence.

For this reason, it is important that expansion takes place rapidly and that the Company achieves a critical mass at an early stage, in which the cash flow from the wind farms in operation pays for the cost of the ongoing operations. Arise has reached and gone beyond this point.

The largest cost item in wind power operations is the cost of borrowed capital. The fuel, that is to say, the wind, is free of charge. The capital cost is highest during the first few years and declines as the loan is amortised. An investment in a wind farm is, however, a long-term investment which, if handled correctly, results in a recurring and strong cash flow over a number of years and provides a good return to the investor.

How, then, can the profit in a newly established company such as Arise be enhanced as

early as during the first operating years of the wind farms? The solution is the combination of development and investments in the Company's own project portfolio with development income generated by the sale of shares of the projects.

An example is the Jädraås project. Jädraås is northern Europe's largest wind power project, with a planned installed capacity of approximately 203 MW. Arise acquired the project after the permit had been granted, further developed the project to the construction stage, then sold on half of the project at a profit of slightly more than MSEK 45 before tax.

The experience from the Jädraås project has resulted in that the Company's business model has developed further. The strategy to establish and build the Company's own wind farms in southern Sweden has been supplemented with the ambition to acquire larger sites which have already been granted the necessary permits and which are ready to be developed in other parts of the country and in Norway. The farms should have been granted approval for an output of at least 100 MW.

The advantage of a larger project is that it can be undertaken by a separate project organisation with only a minor strengthening of personnel. The projects can also generate good opportunities for development fees, as demonstrated by the Jädraås project. The large projects contribute, thereby, to both short-term profits as well as promise long-term profitability and a good cash flow over time.

On the basis of the above, and given that the electricity certificate market is now common for both Sweden and Norway, the Company's home market has been redefined to include all of Sweden and Norway.

Regarding the price development for electricity and electricity certificates, the Company expects the prices to rise from their current low levels. The price of electricity certificates is under pressure by the current imbalance between supply and demand, as supply is 1.5 times greater than demand. A massive surplus lowers the prices of electricity certificates, which has also taken place.

There are three factors which, based on the

Company's assessment, point to rising electricity certificate prices:

1. The shared electricity certificate system with Norway adds new buyers, whilst the expansion of Norwegian renewable energy is unlikely to progress as fast as expected. This can be seen not least in past experience from the Swedish permits system. Norwegian buyers of electricity certificates must, therefore, turn to Swedish producers, which leads to a decrease in the Swedish surplus.

2. At the end of 2012, as well as in 2014, a large part of the older electricity production eligible for certificates will be phased out of the system.

3. The quota curve, that is, the proportion of electricity certificates that an electricity consumer must possess each year, will increase in 2013 as a result of the Parliamentary decision from July 2010.

The above factors are all expected to reduce the surplus of electricity certificates in forthcoming years, leading to an increase in prices.

Electricity prices are seasonal and can fluctuate significantly. They are also affected by the hydrological pattern and the economy in Sweden and Europe. At the moment, prices are being forced down by mild weather, combined with a substantial hydrological surplus in Norway and Sweden, and relatively low prices in other parts of Europe. The surplus in water reservoirs can quickly change to normal levels or to a deficit, resulting in increasing prices. There are, in our view, no macroeconomic trends suggesting that electricity prices will be lower in the future compared to the average price in recent years. The opposite conclusion is more likely to be drawn, namely that the price of electricity will increase, with regard to the increase in oil prices.

Overall, the Company delivered an average price of approximately SEK 750/MWh during the period 2009–2011. Price hedges for the years 2012–2014 are above SEK 800/MWh for a portion of the planned production, see table on page 6. This allows the Company to deliver positive cash flows even if the low electricity and electricity certificate prices should remain in place for a longer period of time.

As regards capitalisation, the Company has encountered no problems, to date, in raising either borrowed or equity capital for new projects. This is demonstrated not least by the loan financing of SEK 2.1 billion which was secured for the Jädraås project in the midst of the EU crisis in the autumn of 2011. Acquisition of equity always implies a balance

between dilution and the increased profit and cash flow generated by the new investment. For this reason, in March 2012 we launched an unsecured bond of MSEK 350 before issue expenses. The issue was oversubscribed within one day.

The funds will be used as equity in new projects, thus replacing the need to issue shares in the same amount. The bond carries an interest rate of around 7% which, compared to the required return on equity, may be considered as favourable.

Although knowledge regarding planning, procurement and installation of wind turbines is a prerequisite for the business, much more is required to reach profitability in a large-scale wind power investment. A thorough understanding of the electricity market in Scandinavia and Europe, combined with a prudent hedging strategy, is essential to achieve a good level of earnings. It is also essential to be able to attract borrowed funds and equity, to develop and improve their efficiency and to have a good interest hedging strategy.

Being an attractive client results in purchasing advantages and lower investment costs. Operating wind turbines in an efficient manner and with a high quality enables them to last longer and provides good earnings and good cash flow for years to come.

Arise Windpower has all these qualities, as well as the objective to grow and deliver a strong and increasing profit for our shareholders.

In brief, the focus of the Company for 2012 is as follows:

- To improve the efficiency of the capital structure and release capital for the expansion planned during the year;
- To begin construction with a production capacity of between 50 to 100 MW based on the project portfolio;
- To secure at least one major project in Norway or Sweden with a production capacity of 100 MW or more with construction starting late 2012 or, alternatively, early 2013; and
- To construct the Jädraås project, 203 MW.

So how did the share price develop? It is worth considering whether the weak share price performance is due to the weak share price performance of the renewable energy sector in Europe in general, whether the low electricity and certificate prices have influenced the price negatively or whether it is simply a result of bad market communica-



tion. Our communication strategy has been focused on keeping a relatively low profile, not inflating expectations and only communicating what we know we can or have delivered.

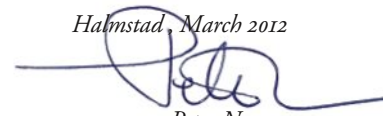
We will continue on the path we have taken, but will attempt to become better at explaining the financial situation in a fast-growing wind power company and to provide valuable key ratios which you, the investors, can monitor and make use of.

Communication is also much more interesting now that we have a large number of MW in operation and under construction, as well as having an exciting phase of expansion ahead.

Our medium-term goal, to reach 700 MW in operation or under construction by the end of 2014 remains unchanged. The Company is already a leader in the onshore wind power industry in Sweden and there is room for an increased level of ambition.

We, therefore, wish to return with an exciting new target for 2015 and beyond.

Halmstad, March 2012

  
Peter Nygren  
CEO Arise Windpower

# Arise Windpower in brief

Arise Windpower is a leading player in the rapidly-expanding Swedish wind power market.

The Company's business concept and strength lie in its management of the entire value chain through the application of its fully integrated organisational model. This includes the identification of suitable land areas or projects, project development, financing, construction, operation and maintenance, as well as the ownership and management of wind farms and the sale of electricity and certificates. Consequently, the Company is able to benefit from economies of scale in the form of lower investment and operating costs.

The Company has a strong project portfolio of more than 1,000 MW in southern Sweden where the preconditions for wind

power plants are particularly attractive. The Company's business concept is to sell green electricity generated by its own onshore wind turbines.

Wind farms are built to have a useful life of 20 years or more. Focus is placed on cost efficiency and profitability with high levels of quality and availability.

A well-developed hedging strategy in terms of electricity and electricity certificates facilitates the borrowing of capital and stabilises income.

## Strict profitability requirements

The profitability requirement is strict: no wind farms are to be built unless the return is estimated at a minimum to be 10% of total invested capital. Expected returns in the Company's portfolio exceed this requirement.

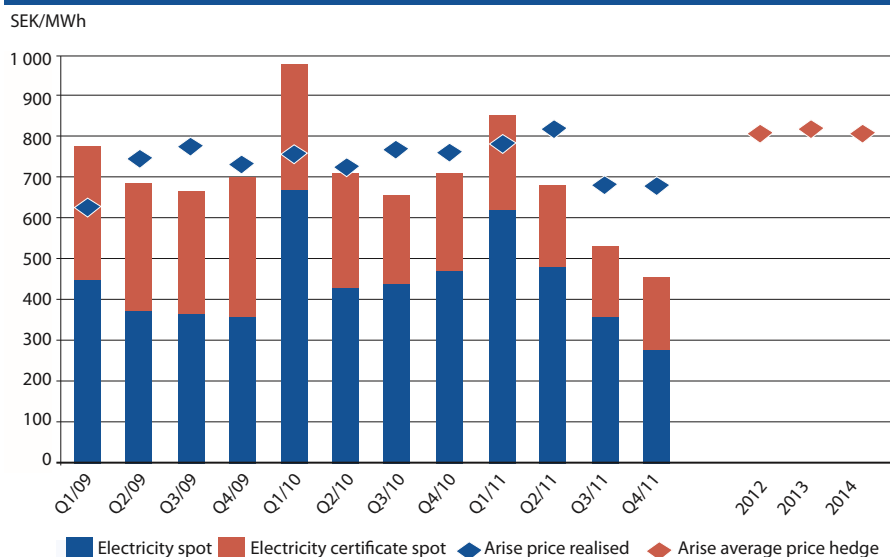
## Hedged production 31 December 2011

Hedged production	2012	2013	2014	2015
Total hedges electrical production (GWh)	138	123	66	35
Weighted average price electrical hedges (SEK/MWh)	459	473	425	572
Total CFD hedged production (GWh)	395	420	61	0
Weighted average price CFD hedges (SEK/MWh)	53	52	88	0

## Certificate hedged production

Total certificate hedged production (GWh)	172	182	179	0
Weighted average price certificate price hedging (SEK/MWh)	320	322	257	0

## Realised prices and average prices of total hedges 2012 – 2014



### A large project portfolio enables large-scale expansion

Arise Windpower's objective is to have a production capacity of approximately 700 in operation or under construction by the end of 2014 through the use of wind turbines ranging in size from 1.6 to 3.0 MW. This represents a total investment of approximately SEK 10 billion.

To achieve this objective, the Company has, since start of operations in 2006, signed around 350 leases for land in southern Sweden, and has established an extensive portfolio of more than seventy projects. In addition, the Company's intention is to acquire and complete one major project (+100 MW) every year.

### Large-scale, industrial expansion generates cost efficiency

In order to ensure future delivery of essential materials, Arise Windpower has concluded a framework agreement with GE Energy. Sup-

ply contracts have also been signed for concrete and road-building materials in southern Sweden. In addition, long-term agreements with respect to electrical equipment and electrical connections for the new farms have been concluded. Arise Windpower has, thereby, secured the major part of its material needs for intermediate goods in 2012 and 2013.

### Group grid and crane companies increase efficiency

In addition to wind turbines, the Group builds the transmission capability required to connect the Company's wind farms to the public grid.

Using in-house resources and competence means lead times are cut back and costs for electrical connections are reduced. In order to avoid delays in connection with the construction of wind turbines, the Company acquired its own specially-adapted mobile crane in the

summer of 2010 for the erection of wind turbines.

### Increased income stability through hedging of future production

Arise Windpower's income is generated from sales of electricity and electricity certificates. In order to manage the risk that arises when market prices fluctuate, Arise Windpower's policy is to hedge up to 60% of expected future production in a falling price hedging channel for up to five years.

Price hedging for the period 2012–2014 ensures good earnings levels from operational wind farms, even during periods of lower electricity and electricity certificate prices. The Company's hedges as per the end of December 2011, and the historical outcome compared to spot market prices and average rates for total hedges, are shown in the table and graph on page 6.

## Financial information in summary

MSEK	2011	2010	2009	2008
<b>Income Statement (Summary)</b>				
Net sales	180	67	27	—
Operating profit before depreciation (EBITDA)	177	35	2	– 15
Operating profit (EBIT)	104	– 2	– 11	– 16
Financial items, net	– 38	– 22	– 1	10
Profit before tax	65	– 24	– 11	– 7
Net profit	47	– 18	– 8	– 3
<b>Balance Sheet (Summary)</b>				
Total non-current assets	2,615	1,734	918	355
Cash and cash equivalents	137	250	341	409
Equity	1,243	1 195	680	374
Total assets	2,880	2,075	1,348	824
Interest-bearing net liability	1,203	536	259	– 119
<b>Cash Flow (Summary)</b>				
Cash flow from operations	200	32	– 120	71
Cash flow from investments	– 822	– 812	– 568	– 334
Cash flow from financing activities	509	688	620	627
<b>Key Ratios</b>				
Operational capacity at period end, MW	136.1	46.5	34.0	—
Electricity production during period, GWh	246.6	88.5	36.0	—
Basic earnings per share, SEK	1.46	neg	neg	neg
Diluted earnings per share, SEK	1.46	neg	neg	neg
EBITDA margin, %	98.1	52.6	6.4	neg
Return on capital employed, %	8.7	2.8	0.3	neg
Return on equity, %	3.9	neg	neg	neg
Equity/assets ratio, %	43.2	57.6	50.5	45.3
No. of employees at end of period	35	27	21	15

Definitions, see page 32

# Description of the operations

Arise Windpower is one of the leading companies in the rapidly-expanding Swedish wind power market. The Company manages all of the stages of the value chain connected to the construction of new wind farms, from project development to the sale of renewable electricity produced by its on-shore wind turbines.

The Company's approach is industrial, large-scale and results-oriented. This implies that the business has been built up methodically, efficiently and via multiple parallel projects. The organisation possesses all the key resources required for a rapid and efficient project development.

In view of the current trend towards renewable solutions in all areas of society, the Company strongly believes in its business concept.

## Historical development

Arise Windpower has worked with the establishment of wind power since 2006 and has developed into one of the leading wind power players on the Swedish market.

## Vision

Arise Windpower's vision is to be one of Sweden's leading companies providing onshore wind power in terms of size, as well as competence, and, consequently, contribute to the

global move towards sustainable societies. The Company intends to take an active part in the development and consolidation of the emerging wind power sector in Sweden.

## Objectives

Arise Windpower aims to have approximately 700 MW in operation or under construction by the end of 2014. This represents an investment of approximately SEK 10 billion, of which approximately 25–30 % is expected to be equity capital. With approximately 700 MW in operation, the Company will produce about 2 TWh of renewable electricity annually.

## Historical development 2006–2011

2006	2008	2009	2010	2011
Arise concludes lease agreements and project development begins (June 2006)	The first wind turbines are purchased and electricity grid construction begins (May 2008)	Oxhult goes live (March–May 2009)	Decision to start construction in Mönsterås, 16 MW (Feb 2010)	<b>Cooperation agreement signed for construction of Jädraås, approx 200 MW (Feb 2011)</b>
2007	Financing for the first turbines is secured (May 2008)	Arise receives a grant of MSEK 50 from the Swedish Energy Agency (March 2009)	Brunsmo goes live (March 2010)	<b>Takeover of 16 MW at Idhult (March 2011)</b>
New CEO and new offices (June 2007)	Construction of the first Arise project – Oxhult – begins (May 2008 – March 2009)	Permit granted for 48 MW, construction start for Råbelöv and Brunsmo (June 2009)	IPO on NASDAQ OMX Stockholm (March 2010)	<b>Takeover of 22.5 MW at Fröslida (March 2011)</b>
Arise Elnät AB is formed (July 2007)	Board is strengthened	Framework agreement with GE Energy for 52 turbines to be delivered in 2010–2012 (Jul 2009)	10 year cooperation agreement signed with EON in conjunction with the sale of the Knäred Station (May 2010)	<b>Decision to start construction in Gettnabo, 12 MW (April 2011)</b>
Wind measurements begin (July 2007)		MSEK 328 share offering (Sep 2009)	Fröslida, Idhult and Kåphult go live (Dec 2010)	<b>Takeover of 17.5 MW at Kåphult (May 2011)</b>
Crane for construction of turbines ordered (Dec 2007)		Framework agreement with Vestas for 60 turbines to be delivered in 2010–2012 (Oct 2009)	Decision to start construction in Kåphult, 17.5 MW, and agreement with Swedbank on funding for project (June 2010)	<b>Acquisition of project company JVAB and financing and construction start of northern Europe's largest onshore wind power project, 203 MW in Jädraås with Platina Partners. Total investment SEK 3.1 billion (Oct 2011)</b>
Board is strengthened		Move into new offices in Halmstad (Dec 2009)	Decision to build 3 more turbines at Fröslida, bringing total capacity to 22.5 MW (June 2010)	<b>Takeover of 12 MW at Gettnabo (November 2011)</b>
		Råbelöv goes live (Dec 2009)	Decision to start construction in Askersund and Västervik, 22 MW (Oct 2010)	<b>Takeover of 21.6 MW at Södra Kärna and Blekhem (Dec 2011)</b>
		Board is strengthened	Loan agreement concluded with DnB NOR for Fröslida wind farm (Dec 2010)	

## Business Concept

Arise Windpower's business concept is to sell electricity generated by Company-owned onshore wind turbines. The Company exercises control over all aspects of the value chain; from prospecting and permit management to funding, construction and operation of turbines, as well as the sale of renewable electricity and the maintenance of long-term ownership.

## An integrated wind power company

Arise Windpower is an experienced and reputable company with 38 employees. The Company uses an industrial approach which provides economies of scale and good cost and quality control.

The applied fully-integrated business model which includes having our own electric grid company, crane and internal service organisation implies that the Company can manage all of the critical steps in the value chain cost efficiently, using in-house resources. Furthermore, bottlenecks are reduced, which provides security for expansion plans.

The Company's organisational structure is shown in the chart to the right.

## A comprehensive strategy to increase value creation

Arise Windpower applies the following strategies to maximise value for its shareholders:

- Qualitative, focused project portfolio
- Acquisition of major projects which have been granted, or are close to being granted, permits
- Industrial approach and large-scale expansion
- Organisational and financial strength with a focus on profitability

The Company has broadened its strategy to include, in addition to its own portfolio of projects, the ambition to undertake large projects in Sweden and Norway. Large projects are defined as cohesive wind farms with a potential installed capacity of 100 MW or more.

The Company's project portfolio is concentrated to southern Sweden. This part of the country has good wind conditions and a strong grid, with lower electricity feed and transit costs for the electricity produced. These are all considerable advantages compared to the more northern regions of the country.

Since Sweden was divided into four price areas, the price of electricity in southern Sweden has been higher than in the country as a whole. In addition, the road network and

infrastructure are well developed, which results in relatively lower investment costs in conjunction with the construction of wind farms.

The southern part of Sweden is, however, more densely populated than the northern part. Consequently, wind farms in the South tend to contain fewer turbines than their northern equivalents. In order to enable the establishment of larger-scale projects, the Company's strategy now encompasses projects in other parts of Sweden and Norway.

In all such cases, the Company intends to acquire Projects which already have been granted, or are close to being granted, permits.

The Company has chosen to expand its strategy to include large projects in other parts of Sweden and Norway in order to generate even greater returns from its industrial approach and organisation, achieve good project profitability and create additional sources of income.

As Norway joined the joint certificate market for Sweden and Norway on 1 January 2012, the Company has decided to regard Norway as its home market, together with Sweden.

## Objectives for 2012

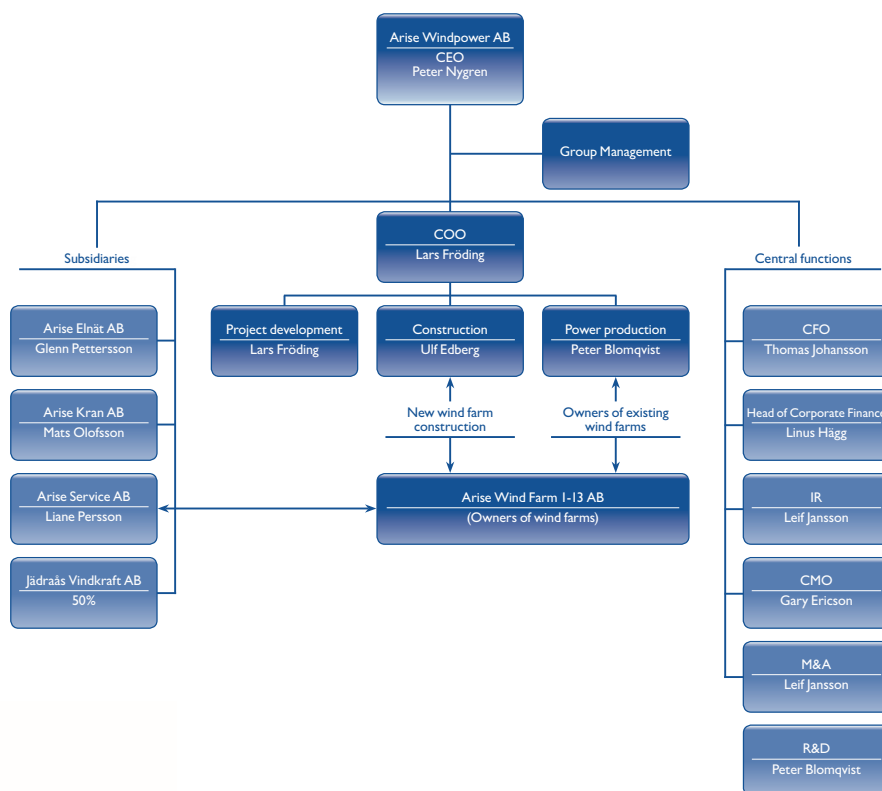
The Company's objectives for 2012 are to start construction on 50–100 MW from its own portfolio and to start up another major project (+100 MW).

With regard to large-scale projects, in 2012 the Company signed a Letter of Intent with Platina Partners for the Lingbo Project, which will include up to 85 wind turbines (160–250 MW) just west of Gävle. This project has been granted a permit and the Company has the right to acquire between 12.5% and 50.0% of the project, the equivalent of 20 to 125 MW installed capacity. Planning is underway, as is the procurement of contractors and suppliers. Construction is planned for winter 2012/2013.

In order to finance the planned expansion, a bond issue was undertaken in 2012 and has provided the Company with MSEK 350. The full proceeds from this issue will be available for use as equity in new projects.

The Company further believes that the 2012 expansion can be financed through the Company's cash flow, through the release of capital as a result of a more efficient capital structure in existing and new projects and through the sale of individual, or groups of, turbines.

## Arise Windpower's organisation



# Wind farms in operation and under construction

## Wind power operations

MSEK	2011	2010
Production, GWh	246.6	88.5
Total income	188	74
Income SEK/MWh	762	836
Operating expenses	- 32	- 19
Expenses SEK/MWh	130	215
EBITDA	156	55
EBITDA margin	83%	74%

During 2011, Arise produced a total of 246.6 GWh from the Company's wind farms, compared to 88.5 GWh in 2010. The total wind energy output for the year was within the normal range of the past thirty years according to the Danish Wind Energy Index.

In total, six wind farms totalling 89.6 MW were taken over during the year, which means that the number of installed MW producing energy gradually increased from 46.5 MW at the beginning of the year to 136.1 MW by the end of 2011.

Total income for 2011 in the wind power production segment amounted to MSEK 188 with an EBITDA of MSEK 156. The fact that Arise was able to maintain a good price level despite falling prices for electricity and electricity certificates is a result of the Company's hedging strategy and its ability to implement the strategy successfully.

During Q1 of 2012 the Company expects to take over 3.1 MW which are already in operation. The Company will then have 139.2 MW of operational capacity and a production of 358 GWh in a normal wind year.

### Wind Power Operations 2011 and 2010

Total income for the segment, including other income attributable to electricity certificates,

was 762 SEK/MWh during 2011, which was significantly above the market price during 2011.

Operating expenses expressed in SEK/MWh have also declined in line with increases in production. Moving forward, Arise will also gradually begin to take over the service at some farms through its own service company, which will lead to cost improvements in these wind farms.

As the Company deployed much of its production capacity during the year, there was also income prior to take over and capitalisation, which provided further positive contributions.

During the year, Arise has implemented a centralised system for the monitoring and maintenance of the turbines. The system receives production information about the turbines and other vital information in real time. This allows the Company to streamline operations and to anticipate incidents, thus ensuring a high technical availability and lifespan of the turbines.

### Earnings Capacity

During Q1 2012, the Company will have taken over and implemented a total of 139.2 MW, corresponding to an estimated normal annual production of 358 GWh. The earnings capacity of these wind farms, operating in a year with



normal wind conditions, is illustrated below. The examples are based on the Company's long-term income targets for electricity and electricity certificates of SEK 750 / MWh and a mean income based on the Company's hedges as per year-end 2011 and market prices as in March 2012, corresponding to a total of SEK 660/MWh. Operating costs are based on an average of the range SEK 115–155/MWh.

Based on the Company's long-term income targets, wind farms in operation in a year with normal wind conditions would generate an EBITDA of approximately MSEK 220. Even at current market prices, wind farms in operation in a normal year, combined with the Company's hedges, are expected to generate sufficient cash flow to meet administrative costs, project development and other shared functions, as well as interest payments and amortisations. This estimate has not taken into account income from the Jädraås project, see below for more information.

### Wind farms in operation and under construction

In addition to the Company's wind farms already in operation, an additional 203 MW is currently under construction in the Jädraås project, a joint undertaking with Platina Partners, with an estimated normalised annual production of 570 GWh. Operations are scheduled to start in late autumn of 2012 and the winter/spring of 2013. Arise's share in the project is 50%, or approximately 101.5 MW and 285 GWh. Profits from the Jädraås project will help to further strengthen the Company's cash flows.

Arise's wind farms can be divided into three generations. It is encouraging that the Company's industrial approach has contributed to the continuous reduction of investment costs as measured in terms of SEK/kWh per annum. In the most recent project, Jädraås, the investment cost is estimated at approximately SEK 5.1/kWh, net after compensation to the owners.

### Earnings capacity

MSEK	Long-term rev. target	Market price and hedges
Production, GWh	358	358
Total income	269	236
Income SEK/MWh	750	660
Op. expenses	– 48	– 48
Expenses SEK/MWh	135	135
EBITDA	220	188
EBITDA margin	82%	80%

Illustrative example of 139.2 MW/358 GWh in operation.

There are several reasons for the decreasing costs. The falling Euro exchange rate, economies of scale leading to generally lower input prices and contracts, increased technological efficiency and, not least, the fact that the Company has developed its methods and can, therefore, build more efficient wind farms, with a strong focus on lower costs for all components.

In 2011, the first wind farms using 1.8 MW turbines and larger rotating blades were built. These are slightly more expensive in terms of MSEK/MW. However, they have a very favourable capacity factor due to a larger swept area and smaller turbine.

In other words, the new wind turbines are better able to utilise the energy contents of the wind.

The number of full-capacity hours in the Södra Kärna project, for instance, is estimated at as much as 3,148 MWh per MW and year, in spite of the fact that the average winds are fairly moderate at around 6.6 metres per second at hub height.

The capacity factor of the new turbines entering the market this year and in the near future is even higher.

The Company works proactively to reduce operating costs by contracting its own service company and enhancing the availability and

efficiency of the wind farms through real-time surveillance and monitoring.

Overall, with combined total income of SEK 750/MWh, the Company believes that wind farms in operation and under construction will, together, achieve well over the targeted pre-tax return on total assets of 10%, in real terms, over a calculation period of 20 years.

### Estimated investment cost

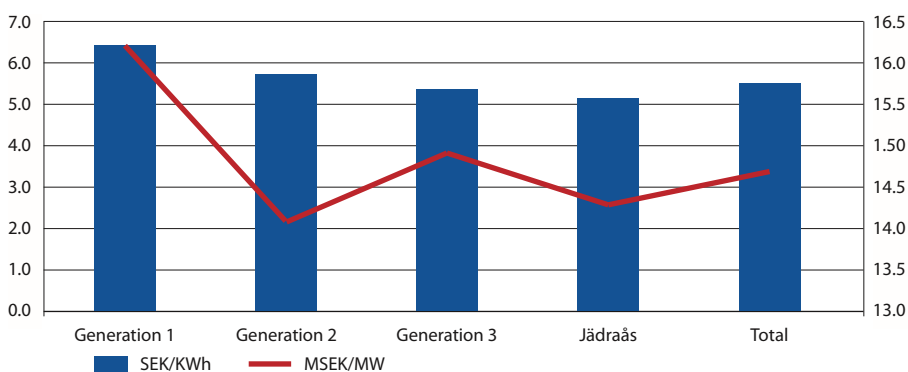
The estimated average investment costs for the entire portfolio of farms in operation and under construction is approximately SEK 5.5/kWh. This represents an investment cost of MSEK 14.7/MW. Developments in the Company's estimated investment costs expressed as SEK/kWh and MSEK/MW are illustrated below.

### Estimated capacity factor and full-capacity hours per year

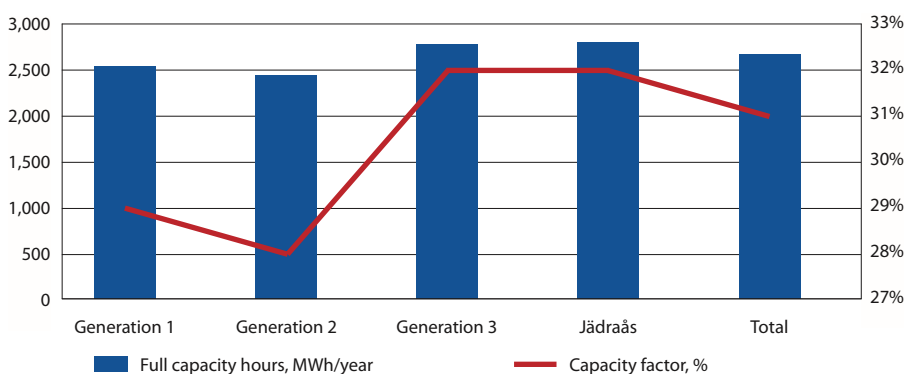
The estimated average capacity factor for the entire portfolio of wind farms in operation and under construction is approximately 31%, which corresponds to almost 2,700 full-capacity hours per MW per year.

In relation to the investment cost, the Company has, since its formation, continuously built increasingly efficient wind farms.

### Estimated investment costs



### Estimated capacity factor and full-capacity hours per MW





Reaching a high number of full-capacity hours or a high capacity factor is not an end in itself, but must always be considered in relation to the investment cost. For that reason, it is possible that the Company will build both new types of turbines with a higher number of full-capacity hours per MW and per year, and earlier generation turbines which have a lower production output.

The technology chosen will depend on what generates the highest return on total invested capital in relation to the cost of investment. The development of the Company's estimated capacity factor and the number of full-capacity hours per MW are illustrated in the tables on page 11.

### Operating expenses

Operating expenses expressed as SEK/MWh are, on average, within the range SEK 115–155/MWh. These expenses are often higher during the first years of operation partly due to fixed service contracts, and also due to the fact that the Company carries out fine-tuning meas-

ures and comprehensive analyses of the wind farms during their first years in operation. The analyses undertaken are important for enabling the Company to take advantage of the opportunities to continuously develop its expertise and, thus, to be able to increase the efficiency and availability of both existing and planned wind farms.

Owning its own service company allows Arise to either assume the responsibility for the servicing and maintenance of wind farms in operation when the fixed contracts expire, or to choose to continue to outsource the service, whichever provides the highest cost efficiency and best quality.

### Looking ahead

Arise is currently analysing the estimated economic life of the wind farms. This is because the majority of the components are assessed to have a significantly longer life than 20 years.

It should also be added that several major European wind power companies apply

an economic life of at least 25 years to wind farms, based on the support of technical investigations. A longer economic life for the wind farms would positively impact the Company's returns.

With regard to investment cost in relation to estimated annual kWh, Arise has concluded that further reductions are possible. Projects which are currently being planned, are around or below SEK 5.0/kWh. This is made possible by good wind locations and continued economies of scale, with an attractive investment cost in relation to the technology that the Company chooses as a result. This also means that the Company will continue to build not only new-generation turbines with a higher production per installed MW, but also previous generation turbines provided that the price enables a lower investment cost per kWh.

The Company's target is an average investment cost of SEK 5.0/kWh or less once the installed capacity reaches 2 TWh.

## Farms in operation and under construction 31 December 2011

	Nom. cap. MW	Exp. prod. <sup>1)</sup> GWh	Full cap. hours MWh/year	Capacity factor %	In operation since	Initial investm. MSEK	Investment cost per year-KWh	Investment cost MSEK/MWh	Number of turbines	Make and model	Municipality
<b>Wholly-owned</b>											
<b>Generation 1</b>											
Oxhult	24.0	62	2,583	29%	2009	415	6.7	17.3	12	Vestas V 90	Laholm
Råbelöv	10.0	26	2,600	30%	2010	139	5.3	13.9	5	Vestas V 90	Kristianstad
Brunsmo	12.5	30	2,400	27%	2010	197	6.6	15.8	5	GE 2,5 XL	Karlskrona
<b>Generation 1</b>	<b>46.5</b>	<b>118</b>	<b>2,538</b>	<b>29%</b>		<b>752</b>	<b>6.4</b>	<b>16.2</b>	<b>22</b>		
<b>Generation 2</b>											
Kåphult	17.5	47	2,686	31%	2011	252	5.4	14.4	7	GE 2,5 XL	Laholm
Fröslida	22.5	56	2,489	28%	2011	327	5.8	14.5	9	GE 2,5 XL	Hylte
Idhult	16.0	35	2,188	25%	2011	209	6.0	13.0	8	Vestas V 90	Mönsterås
<b>Generation 2</b>	<b>56.0</b>	<b>138</b>	<b>2,464</b>	<b>28%</b>		<b>788</b>	<b>5.7</b>	<b>14.1</b>	<b>24</b>		
<b>Generation 3</b>											
Södra Kärra	10.8	34	3,148	36%	2011	179	5.3	16.6	6	Vestas V 100	Västervik
Blekhem	10.8	31	2,870	33%	2011	174	5.6	16.1	6	Vestas V 100	Askersund
Gettnabo	12.0	29	2,417	28%	2011	150	5.2	12.5	6	Vestas V 90	Torsås
Skäppentorp <sup>2)</sup>	3.1	8	2,699	31%	2012	43	5.2	14.0	1	Vestas V 112	Mönsterås
<b>Generation 3</b>	<b>36.7</b>	<b>102</b>	<b>2,789</b>	<b>32%</b>		<b>545</b>	<b>5.3</b>	<b>14.9</b>	<b>19</b>		
<b>Total</b>	<b>139.2</b>	<b>358</b>	<b>2,574</b>	<b>29%</b>		<b>2,085</b>	<b>5.8</b>	<b>15.0</b>	<b>65</b>		
<b>Jointly owned</b>											
Jädraås <sup>3)</sup>	101.5	285	2,809	32% 2012/13		1,448	5.1	14.3	33	Vestas V 112	Ockelbo
<b>Total</b>	<b>240.7</b>	<b>643</b>	<b>2,673</b>	<b>31%</b>		<b>3,533</b>	<b>5.5</b>	<b>14.7</b>	<b>98</b>		

<sup>1)</sup> Expected production +/- 5% in a normal wind year.

<sup>2)</sup> In operation but will be taken over in 2012.

<sup>3)</sup> Corresponds to Arise's share of 50%. The investment is net of development fees and restricted funds.

# Project development

During the year, Arise Windpower continued to work on developing and refining the project portfolio to its completed stage. The efforts made in 2010 have yielded results this year in the form of decisions from several regional and municipal administrative boards to authorise new wind farms.

The Company's dedicated work has also resulted in the submission of a number of applications to the authorities for processing and decision-making during the year. The Company has, thus, secured a continued high expansion rate for the coming years.

The project portfolio has also expanded and now consists of approximately 70 projects, 10 of which have been implemented and are in operation.

The Company is working actively on detailed planning for an additional 40 or so projects, whilst 20 projects are still in the developmental stage or dormant due to the decision by the Swedish Armed Forces to fence off land areas around air bases, firing ranges and other military interests including weather radars.

## Reduction of investment costs

Through the construction of, to date, 10 pro-

jects, the Company has gained significant experience in project implementation.

Investment costs have been reduced gradually, leading to increased profitability in new projects. The fact that we are large procurers of goods and services creates economies of scale and a strong position in relation to the Company's suppliers. Examples of purchases between 2009 and 2012 (including the entire Jädraås project) include:

- Approx. 130 wind turbines
- Approx. 70,000 m<sup>3</sup> of concrete
- Approx. 100 km of road
- Approx. 200,000 m<sup>3</sup> road materials
- Approx. 1,400 km of high-voltage cables
- Approx. 10,000 tons of reinforced steel
- Approx. 100,000 engineering hours

The total value of the completed and contracted purchases from 2009 to 2012, including the entire Jädraås project, is over SEK 5 billion.

Furthermore, Arise's purposeful strategy has been to map out the wind on each project location.

The Company has identified the wind potential of all current projects and has created

the conditions for both optimal placement and choice of turbines. These measures together contribute to reducing uncertainty in planned new investments.

## Broader project development

In 2011, Arise also began development work on projects in the 100 to 200 MW class within the context of the broadened strategy. This strategy means that Arise will achieve an even better allocation of the Company's project development resources and accumulated expertise.

Arise can choose to own large projects wholly or jointly, or to sell them. The Jädraås project demonstrated the Company's ability to create value through generated project development fees. In this manner, project development now also contributes directly to strengthening the Company's profitability.

## A more positive view of wind power

Society's view of wind power tends to become more positive as more wind farms are built. Experience clearly shows that resistance is greatest before the wind farm is built and that the negative reaction is normally subsequently reversed to a positive view.



Intrusion and interference in the environment can be minimised through ensuring adequate distances to neighbouring properties and the right choice of wind turbines. Sound level measurements shall be made retrospectively and sound levels shall be lower than authorised.

The visual impact of a wind farm cannot be avoided. The turbines are large and tall and they remain visible even if Arise chooses to place them primarily in forest environments. Nevertheless, the Company's experience is that wind power is perceived positively, even at the local level, once people become accustomed to the new landscape.

Many authorities have also matured in respect to the way they handle wind energy issues, telecom operators and civil aviation authorities, for example, have become more solution-oriented regarding conflicts between wind energy and air traffic.

A persistent problem is the National Defence Agency's stance that their technical equipment and JAS military aircraft cannot function as desired within a 40 km radius of a wind turbine, which may seem strange to many.

The military's position, however, only affects a limited part of the Company's portfolio and is not expected to affect the Company's expansion plans.

### The greatest possible flexibility

The overall trend is to move towards a greater variation in turbine size and power. Consequently, planning and applications are adjusted so that maximum flexibility is incorporated into the permit. The regional administrative boards' requirements for investigations and technical reporting are ever increasing and the bar has been raised in some locations to levels which are, in Arise's opinion, overly ambitious.

On the other hand, environmental courts have developed good procedures for handling wind power issues, which together with the society's need for renewable energy has resulted in more legal victories in the courts.

By monitoring court cases, Arise will improve its practices for assessing its own rights. In addition, an increasing number of developers appeal the court rulings and have often won their appeals.

In summary, Arise is in a strong position to provide the Company with permits at rates that are in line with the Company's expansion targets.

### Project portfolio status

Projects are categorised according to the following criteria:

#### In operation

Wind power projects in which the wind farm has been handed over after trial operations and which now produce electricity. During the first three months, fine-tuning of wind turbines, as well as an extensive first service, are carried out. In this period, turbine production is not optimal. Full, normal production can, therefore, only be expected three months after the approved trial operation and takeover.

#### Under construction

Refers to projects in which the necessary permits have been obtained, the investment decisions have been made by the Board, financing in the form of borrowed funds and equity is available, and in which the majority of total project investment costs have been secured.

#### Granted/acquired permits

Projects that have been granted the necessary permits to begin construction, but where construction has not yet started. In some cases, Arise Windpower waits until sufficient wind data has been made available.

#### Permit application

Permit applications begin with consulting the relevant authorities to receive approval for

the construction of wind farms. If Arise El-nät is involved, the Company also applies for a grid concession from the Energy Markets Inspectorate. This stage is complete when all permits have been obtained or if a permit has been refused.

#### Project planning completed

This stage begins when Arise Windpower has signed leases and planning agreements concerning the site's detailed pre-conditions for wind power generation. The area is thoroughly analysed and the exact coordinates for the proposed wind turbines are determined. Wind studies are initially based on theoretical maps. Subsequently, however, actual wind measurements are done using the Company's wind measuring equipment.

#### Leases signed

Long-term leases have been signed for the entire project portfolio, providing the Company with the right, but not the obligation, to construct wind turbines on each property. For the majority of projects, planning has been initiated but is not yet complete. The feasibility study the Company carried out before the lease agreement was signed will lead to the preliminary siting of new wind turbines. Initially, wind studies are based on theoretical maps. Subsequently, however, actual wind measurements are done using the Company's wind measuring equipment.

### Project portfolio status as per 31 December 2011

	Number of projects	Number of turbines	Total effect (MW)	Average effect per turbine (MW)
In operation	9	64	136	2.1
Under construction/commissioning	2	34	103	3.0
<b>Project portfolio</b>				
Permits granted	4	12	31	2.6
Permit applications	32	223	593	2.7
Project planning completed	17	86	258	3.0
Leases taken out	5	24	72	3.0
<b>Total portfolio</b>	<b>69</b>	<b>443</b>	<b>1,194</b>	<b>2.7</b>

*Approximately 15% (about 150 MW) of the above project portfolio is affected by the Ministry of Defence's advertised limitations due to JAS (jet fighter plane) flights. The introduction of such limitations does not, however, affect the Company's expansion plans as the remaining projects are sufficient for planned expansion and the Company lease portfolio is constantly being complemented. Farms in operation or under construction are not affected. The total number of MW in the portfolio may both increase or decrease over time, which is natural as construction of various projects approaches and as weak wind locations are eliminated. Locations in which conflicts of interest or other problems have arisen are also eliminated. The project portfolio is consequently renewed with new leases at a steady rate.*





# Market

According to the Danish 30-year wind index ([www.vindstat.dk](http://www.vindstat.dk)), wind conditions in 2011 were normal.

The year ended with good wind conditions, which largely compensated for the decrease in wind during the first quarter. The graph below on the left illustrates the wind's energy content between 1979 and 2011, with 100 being the aggregated average over the period. According to the same index, monthly variations in wind energy during 2011 are shown in the right graph below. Although correlation between the Danish wind index and the Company's wind farms provides a rough reference for the wind's energy content, regional and local variations may occur.

## Developments in technology

Wind power suppliers generally offer turbines with larger wing diameter and taller tower heights, which result in increased production per installed turbine.

The acceptance of taller wind turbines at the local levels has also increased, which is positive for the Company. Higher towers imply stronger average winds and, thus, an increased production of electricity. The Company has, for example, been granted a permit to build, and has subsequently built, a wind farm in Mönsterås with a maximum total height of 198 metres, compared with the maximum total height of 150 metres in the previous projects.

One example of increased production efficiency is shown below. This example is based

on an average wind speed of 6.7 meters per second at hub height and 12% total farm losses:

Turbine – type	MWh/year	Full load hours
V 90 – 2.0 MW	5,284	2,642 h
V 100 – 1.8 MW	5,986	3,326 h
Increased eff.	13 %	26 %

As illustrated above, production is significantly greater for a V100 turbine than for a V90 turbine, in spite of the fact that the effect is, at the same time, reduced by 10%. This is due to the considerably larger swept area of a V100 (100 m rotor diameter) compared with a V90 (90 m rotor diameter). The current trend is an increased rotor diameter and higher towers, two factors which each lead to increased electricity production as a result of larger swept area and higher wind speeds.

## Financing market

In spite of the economic crisis in many EU countries and the general financial turmoil, the Company, together with Platina Partners LLP, has managed to finance and begin construction on northern Europe's largest land-based wind project, the so-called Jädraås project. An agreement for long-term loan financing in the amount of SEK 2.1 billion under at favourable terms was signed in October 2011. This, more than anything else, proves that wind power investments continue to be of interest to banks and lenders.

A milestone was also reached as, in addition

to commercial banks, funding was provided by EKF (the Danish Export Credit Agency) and PensionDanmark. For large projects in the future, the Company expects to continue to use various forms of public financing, such as export credit organisations and state pension funds, in addition to commercial banks.

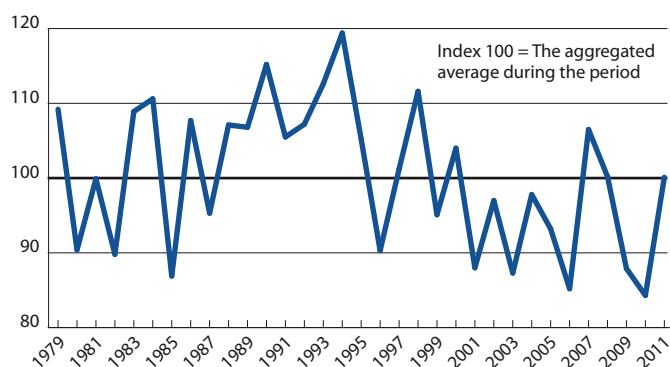
Another interesting financing source is the bond market, where, in March 2012, the Company succeeded in issuing the first wind bond in Sweden. The bond was oversubscribed in just one day, before the Company's road show had even started. This unsecured bond can, in its entirety, be used as equity in new projects.

Since its founding, the Company has not experienced any significant borrowing difficulties when financing planned construction projects, and has experienced continued good levels of support from the commercial banks it associates with. In addition, the Company has succeeded in diversifying its debt capital base through the Jädraås project.

## The electricity certificate system

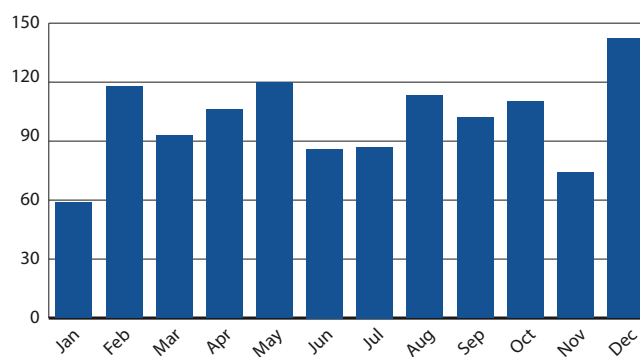
The electricity certificate system is a market-based system designed to increase production of renewable electricity in a cost-effective manner. From 2002 to 2011, renewable electricity production increased by over 13 TWh, primarily through new biomass power and wind power. 1,500 new facilities have been commissioned, the majority of which are wind power. The goal of the Swedish electricity certificate system is to reach an additional

The wind's energy content 1979 – 2011



Source: vindstat.dk

Index 2011 compared with the average 1997 – 2011



Source: vindstat.dk

25 TWh of renewable energy by 2020 as compared with the 2002 numbers.

The electricity certificate system primarily concerns producers of renewable electricity, electricity suppliers, electricity-intensive industries and certain electricity users. The energy sources entitled to receive certificates are wind power, certain hydro power, certain bio-fuels, solar energy, geothermal energy, wave energy and peat used in combined power and heating plants. The purpose of the certificates is to provide extra income for producers of renewable energy.

Demand for electricity certificates is governed by the so-called quota obligation, that is, the number of certificates an energy consumer is required to buy in relation to the amount of electricity consumed. The quota obligation varies from one year to the next and is designed to create a balance between supply and demand for electricity certificates.

The quotient curve can be altered after approval by the Swedish Parliament, which has taken place on one occasion.

The graph below presents the new quota obligations compared to previous quota obligations after a decision in the Swedish Parliament in 2010, which will apply from 2013. The blue line represents the Swedish national growth target.

Quota obligations are determined on the basis of a forecast and intended to balance supply and demand. Balance is achieved through the adjustment of the quota obligation which takes place every four years. The next adjustment will take place in 2015.

Between 2007 and 2010, the surplus of certificates remained virtually unchanged at about 5 million certificates. In 2011, the surplus increased sharply to almost 9 million certificates. This was partially due to lower levels of power consumption than

expected and partially to the vast expansion of wind power.

At the end of 2012, a substantial portion of the older electricity production entitled to certificates, primarily bio-based, will be phased out of the system, and further phasing out will take place in 2014. Any accumulated surplus will, thus, be reduced, resulting in a better balance between supply and demand. A more detailed description of the electricity certificate system can be found on Arise's website.

### Common electricity certificate market with Norway

Since 1 January 2012, Sweden and Norway have had a common electricity certificate market. This allows trading in electricity certificates to take place across national borders. The aim of the joint electricity certificate market is to increase renewable electricity production by 26.4 TWh between 2012 and 2020, which represents approximately 10% of electricity production in both countries. For Sweden, this means that the goal of reaching 25 TWh of new renewable energy by 2020 compared to 2002 levels remains unchanged.

The market for certificates has, thus, doubled compared to when it was previously limited to Sweden. This is a positive development which leads to increased liquidity and improved pricing in the commercial certificate market.

Arise has learned from experience that it takes time to obtain construction permits for new hydro and wind power projects. In many cases, grid reinforcement is also necessary, which requires additional time.

The expansion of electricity production entitled to new certificates in Norway is, thus, likely to be relatively limited in the

initial stages. Instead, Norway is likely to become a net importer of Swedish electricity certificates, which should lead to a reduction of the Swedish surplus.

### Price development for electricity certificates

As the surplus of certificates has grown, their prices have fallen, and, by the end of 2011, the cost of spot supplies were approximately SEK 155/MWh (ref SKM). See the graph below on the right, showing the price in SEK/MWh.

### Future price developments

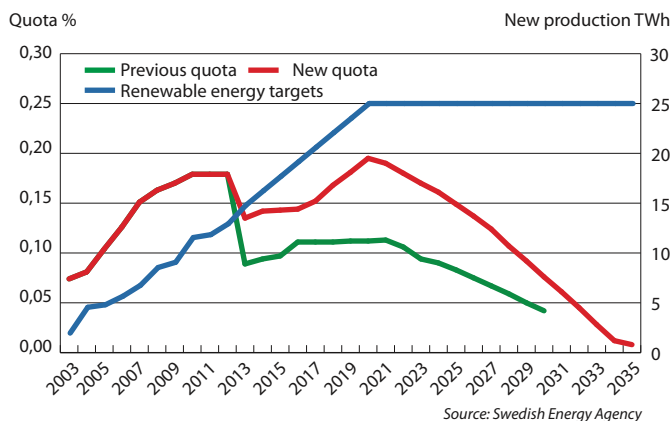
According to the assessment of the Company and the Energy Agency, prices will increase beyond the current levels. The reasons for this are, as previously mentioned:

- The increase in the quota obligation which takes effect 1 January 2013.
- The removal of a significant proportion of certificate production in 2012 and 2014.
- The joint market with Norway implying that, initially, Norway will be a net purchaser of electricity certificates.

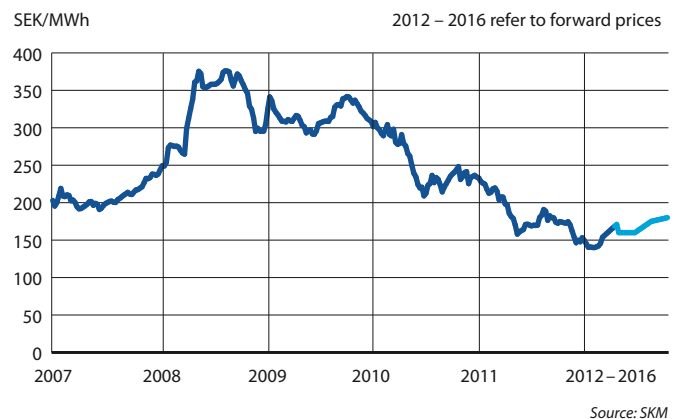
Price developments of electricity certificates are also closely linked to electricity prices in the Nordic countries. This is due to the fact that these two income streams must together be at a level allowing the production of new renewable energy sources to be built up at a pace necessary to meet the targets established by Sweden and Norway.

As the situation stands today, the necessary level of income is estimated at between SEK 700–750/MWh. Theoretically, certificates should, therefore, be priced according to the difference between the price required for a profitable expansion of wind power and the current price of electricity. In practice,

### Quota obligation graph



### Electricity certificates prices



however, there is a certain inertia experienced resulting in a time lag between changes in the prices of electricity and certificates.

It is, therefore, extremely important to implement a functioning, well thought out hedging strategy and to build up total future

income over time, at moments when the forward prices for electricity and certificates respectively are equal to, or higher than, the calculated price. For further information, see the Company's Hedging Strategy on page 7.

#### **New price areas in Sweden**

On 1 November 2011, Sweden was divided into four different price areas. This means that prices may now differ in the four areas at a given point in time, on the basis of supply and demand in each area. The southern area,



known as the Malmö Price Area, normally maintains a higher price than the average of the four areas, while the prices in the northern area, known as the Luleå Price Area, are normally lower than the average price.

As the Company's production is predominantly located in the Malmö Price Area, this price division is usually to the advantage of the Company.

On the futures market, price area differences between Malmö and what is referred to as the "system price", that is, the average of all the Nordic countries, including Estonia, which now also belongs to the Nord Pool area, landed at approximately EUR 8/MWh for the years 2013 to 2015. Futures for the year 2012 are lower, at EUR 4 to 6/MWh.

The outcome of the price difference between Malmö and the system price between November 2011 and February 2012 was EUR 1 to 2/MWh.

The Company has hedged all production in the Malmö area for the period 2012 and 2013 at a price of approximately EUR 5.5 to 6/MWh and a portion (20%) of the year 2014 at a price of approximately EUR 10/MWh.

### Electricity price development

A combination of the mild winter of 2011/2012 and well-filled hydro reservoirs in Norway and Sweden has forced down electricity prices down. Price trends for coal, oil, CO<sub>2</sub> and gas also strongly influence electricity prices, as do developments in industrial production in Europe.

The graph below on the left shows the price in EUR/MWh.

The Company's basic price forecast is that the price of electricity in the Nordic countries will be EUR 5–7/MWh below the German electricity prices, which are, to some extent, the benchmark in Europe. In Germany, a major expansion of coal power is currently

underway to replace the large amount of nuclear power capacity which has been, or will be closed down.

Historically, electricity prices in Germany, which are based on older coal power, have been around EUR 50–55/MWh which, according to the Company's assumptions, would lead to an electricity price in the Nordic region of around EUR 45–48/MWh.

New coal power increases prices by approximately EUR 10/MWh at the same time as fuel prices will fall slightly as a result of an increase in combustion efficiency. The massive expansion of wind and solar power in Germany may, however, prevent a sharp price increase in the country.

Nevertheless, the net effect should be a slight increase in the price of German electricity, which could lead to rising prices in the Nordic countries during periods in which the area is dependent on imported energy. Due to the favourable hydrological situation currently prevailing in Sweden and Norway, however, the relationship is actually the reverse: power can be exported from Sweden and Norway, which is also reflected in the current low spot and forward prices in the Nordic countries.

### The Swedish wind power market

Wind power in Sweden increased sharply in 2011. The number of TWh produced by wind power increased by 2.55 TWh to around 6.1 TWh in 2011. 2,039 wind turbines had been installed by the end of 2011, representing an increase of 354. The number of MW installed totalled 2,899, an increase of 755 MW.

Svensk Vindenergi (Swedish Wind Power) estimates that the annual production from Swedish wind power will amount to almost 8 TWh at the end of 2012. The Swedish Energy Agency's prediction is for 8 TWh in 2012 and 9 TWh in 2013.

### Arise Windpower's market position

There are many operators in the Swedish wind energy market who are active in different parts of the value chain.

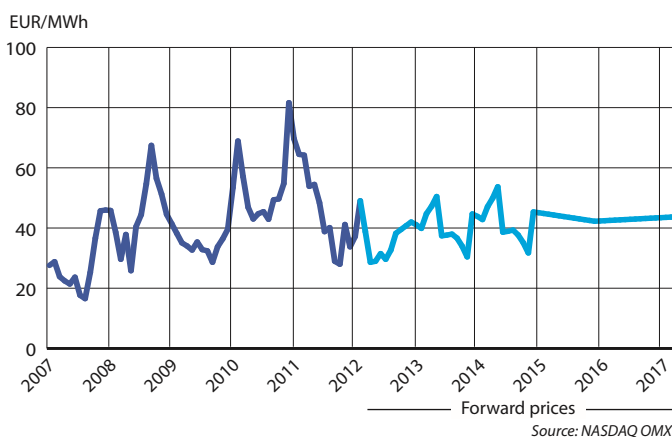
Arise Windpower is the market leader among the owners and operators of on-shore Swedish wind power as regards to projects over 10 MW in terms of operating capacity and the combination of operating capacity and construction. Arise's market share of installed capacity amounted to approximately 12% in 2011. Listed below are the operators who have, with projects of at least 10 MW, more than 50 MW in operation or under construction in Sweden.

Operator	MW in operation + under constr.
Arise	342/241
Skellefteå Kraft/Fortum	225
Statkraft/SCA/Södra	209
HG Capital	181
PWP	132
Eolus	118
Svevind	116
Jämtkraft/Skanska/O2	111
Vattenfall	108
Rabbalshede Kraft	93
Vindin	79
Stena Renewable	74
EON	55

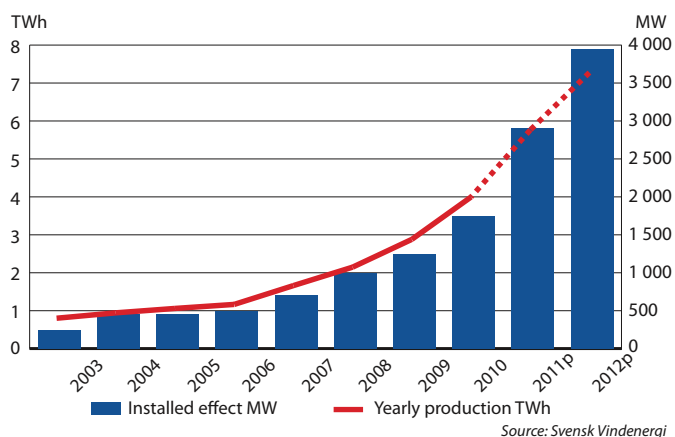
Source: Svensk Vindenergi and Arise Windpower. Figures from Arise refer to the share of the Jädraås project.

Players in the market include integrated power companies, private equity companies, land owners and wind power developers whose business model, to some extent, includes the ownership of wind turbines. There are also other developers whose business model is primarily based on the development of projects for sale.

### Development of the electricity prices



### Wind power electricity production





# Directors' report

The Board of Directors and the CEO of Arise Windpower AB (publ), Corporate Identity Number 556274-6726, hereby present the annual report and consolidated financial statements for the financial year 1 January 2011 – 31 December 2011.

## THE GROUP

### Operations

Arise Windpower AB is the Parent Company of the Group, which includes a number of wholly-owned subsidiaries usually referred to as Arise Wind Farm followed by a number. These companies own and manage the parks where the wind turbines are located. In addition, Arise Elnät AB, Arise Service AB and Arise Kran AB have been previously established. During the year, an associated company, Sirocco Wind Holding AB, was acquired and is now co-owned with Sydvästanvind AB, which is controlled by the English firm, Platina Partners LLP. Sirocco Wind Holding AB owns the Jädraås project, which is managed by both Jädraås Vindkraft AB and Hälleås Kraft AB.

The Parent Company performs project planning for suitable wind locations, applies for permission to build turbines, assists in the

procurement of financing, key components and contracts, plans suitable acquisitions of projects or companies and administers and manages the sale of electricity and certificates on behalf of the Group companies.

The subsidiary *Arise Wind Farm 1 AB* manages the electricity producing wind farms: twelve turbines in Oxhult outside Laholm, five turbines in Råbelöv outside Kristianstad, five turbines in Brunsmo outside Karlskrona and seven turbines in Kåphult located in the close vicinity of Oxhult park. The Kåphult was commissioned in February and the takeover took place at the end of May 2011.

The subsidiary *Arise Wind Farm 3 AB* manages the wind farm Fröslida, near Hylte, which includes nine turbines. The farm was commissioned at the end of 2010 and the takeover took place at the end of March 2011.

The subsidiary *Arise Wind Farm 4 AB* manages the wind farm, Idhult, outside Mönsterås, which includes eight turbines. The farm

was commissioned in early 2011 and the takeover took place at the end of March 2011.

The subsidiary *Arise Wind Farm 5 AB* manages the wind farm, Gettnabo, outside Torsås, which includes six wind turbines. The farm was commissioned in September 2011 and the takeover took place at the end of November 2011.

The subsidiary *Arise Wind Farm 6 AB* manages the wind farms, Blekhem, outside Västervik and Södra Kärra, outside Askersund. Both farms include six turbines. The farms were commissioned in November 2011 and the takeovers took place at the end of December 2011.

The subsidiary *Arise Elnät AB* focuses on consulting on electricity with responsibility for electrical contracts relating to the Group's wind power construction work. This responsibility includes, for example, the management of applications for concessions to build transmission networks used to transmit elec-



tricity produced in the wind farms to the overlying electricity networks.

The subsidiary *Arise Service AB* has, since the beginning of the year, built up and developed its service operations with the aim of being responsible for and providing maintenance for the Group's wind turbines.

The subsidiary *Arise Kran AB* has been responsible for lifting the turbines into place in all of the farms built during the year, except for Fröslida. The crane has also been leased to other external customers.

All Group operations are conducted in Sweden.

### Summary of events

During the year, the Idhult, Kåphult Gettnabo, Blekhem and Södra Kärna farms, totalling 90 MW, have been commissioned and taken over. The estimated production on an annual basis amounts to approximately 232 GWh for the six farms. The expansion has, largely, been conducted according to plan, in spite of the fact that the process of obtaining permits has continued at a very slow pace and required a great deal of attention during 2011.

Acquisition, financing, investment decisions and construction activities have taken place in conjunction with the Jädraås project.

The total investment, including the expansion and acquisition of 66 V112 turbines from Vestas was SEK 3.1 billion. Arise's 50 % share of the production is estimated at a minimum of 285 GWh per year, based on a normal wind year.

The Jädraås project has been partly financed with own shares, amounting to MSEK 28, and through a directed new share issue, amounting to MSEK 47.

Furthermore, the Company has executed another share issue, as well as issuing warrants to personnel, providing the Company with a total of approximately MSEK 11 before issuing expenses.

Of the maximum 300,000 warrants decided upon at the Annual General Meeting, senior management has subscribed to 112,000 warrants.

During the year, loan agreements have been established with DNB (previously DnB NOR). The Jädraås project is financed via a bank syndicate comprised of DNB, SEB, Eksport Kredit Fonden (EKF) and Pension-danmark Pensionforsikring.

### Net sales and profit or loss

Net sales for the year amounted to MSEK 180 (67), an increase of 170%. In addition, MSEK

31 (19) was capitalised for the Company's own use, and other operating income amounted to MSEK 74 (22), of which the development fee for Jädraås contributed to MSEK 37. As a result, total sales amounted to MSEK 286 (107), an increase of 166%.

Net sales can be attributed to the production of electricity at the Group's wind farms and are comprised of income from sold electricity, as well as earned electricity certificates for the actual produced electricity. The amount of wind power produced during the year has been in line with the average level of the previous 30 years, according to Danish wind statistics.

Operating income before depreciation (EBITDA) amounted to MSEK 177 (35). Personnel costs amounted to MSEK -45 (-31) and other external expenses totalled MSEK -64 (-41). The increase can primarily be attributed to the expansion of operations, an increase in the number of employees and the fact that expenses for the crane business are reported in other external expenses.

Operating income (EBIT) was MSEK 104 (-2), including planned depreciation of MSEK -73 (-37). Net financial expenses were MSEK -38 (-22) and profit before tax, MSEK 65 (-24). Net profit was MSEK 47 (-18), which

corresponds to earnings of SEK 1.46 (neg) per share both before and after dilution.

The comprehensive income to MSEK –37 (–19) after cash flow hedges against electricity, interests and currencies decreased earnings by MSEK –84 (–1).

### Investments and depreciation

Net investments in property, plants and equipment during the year amounted to MSEK 522, and the entire amount of the investment refers to the planned wind farm expansion. In the previous year, investments amounted to MSEK 900, of which MSEK 61 can be attributed to investments in a mobile crane.

Investments in financial assets regarding the Jädraås project amounted to MSEK 376 (—).

### Cash flows

Arise Windpower's cash flow from operating activities before changes in operating capital amounted to MSEK 177 (28) and cash flow after investments amounted to MSEK –622 (–780). Current and non-current interest-bearing liabilities increased by MSEK 606 (206). Interest payments decreased cash flow by MSEK –56 (–23) and payments to blocked accounts totalled MSEK –52 (–20). New share issues contributed a net total of MSEK 11 (525) to the Group, after which cash flow for the year amounted to MSEK –113 (–92).

### Funding and liquidity

Interest-bearing net liabilities amounted to MSEK 1,203 (536). At the end of the period, the equity/assets ratio was 43.2% (57.6).

Cash and cash equivalents amounted to MSEK 137 (250). In addition, non-utilised credits and grants amounted to MSEK 38 (388) at the end of the period.

### Tax

Due to the fact that Arise Windpower only has Swedish subsidiaries, tax has been calculated according to the Swedish tax rates, corresponding to 26.3 %.

### Research and development

In 2011, Arise Windpower also engaged in certain research activities by cooperating with, and actively supporting, a professorship at Halmstad University focusing on terrestrial wind analysis.

In addition, the Group conducts development work together with Vestas and GE Energy in order to gain more knowledge about wind behaviour in different environments. Furthermore, internal work on how to improve measurements and the analysis of indi-

vidual farms and turbines is conducted on an on-going basis.

### Employees

During the year, the average number of employees in the Group amounted to 32 (24). The total number of employees at year-end was 35 (27). Additional information on the number of employees and salaries, remuneration and terms of employment is provided in Note 4 of the consolidated financial statements.

### PARENT COMPANY

During the year, the Parent Company continued to develop its operations and contributed to the core activities by making plans for suitable wind locations, signing leases, producing effect analyses, local plans and building permits, undertaking purchases and managing the Group's trading activities with regards to electricity and certificates and performing administrative services.

The Parent Company manages the Group's production plans and electricity hedges in accordance with the established financial policy. The subsidiary electricity producers (Arise Wind Farm companies) sell their entire production stock to the Parent Company at agreed prices. Thereafter, the Parent Company sells the electricity to customers through bilateral agreements or on the spot market, in which case the net profit of the trade operations is reported in net sales.

The Parent Company's gross profit, which also includes intra-group invoiced expenses, including capitalised work for own use, amounted to MSEK 86 (24) during the year, and the net profit after tax amounted to MSEK 13 (–5). On behalf of subsidiaries, the Parent Company has previously made advance payments for certain investments, which has subsequently been repaid with an amount of MSEK 105 (–213). Subsidiaries were capitalised by an amount of MSEK –191 (–248), and MSEK 286 (–) was added to the associated companies.

During the year, the average number of employees was 18 (16) and at year-end, the Parent Company had 23 (20) employees. For more information on the number of employees, salaries, remuneration and terms of employment, please refer to Note 4 in the consolidated financial statements on pages 38–39.

### ENVIRONMENTAL IMPACT

The Group's core business is to produce and transit renewable electricity without releasing dust, carbon dioxide or other emissions into

the air, water or ground. Operations include building and construction work, in connection with the production of new wind farms and related electrical systems, complying with the regulations for such operations.

The Group's administration of oils, chemicals and fuels is limited to oils used for lubricating the mechanical parts of the wind turbines, for necessary usage by external entrepreneurs for ground and construction work and also for providing fuel to suppliers and the vehicles owned by the Group.

The operations of the wind farms result in a direct impact on the environment in the form of noise, shadows and visual formations.

### Legal requirements

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

### RISKS AND UNCERTAINTIES

Arise Windpower divides risks into external risks (political, cyclical, 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, insurances and other risk management).

#### External risks

According to Arise Windpower's assessment, the demand for wind produced electricity will remain high for the foreseeable future. The political objective initiated by the Swedish Energy Agency means that, by 2020, a total of 30 TWh of electricity consumption in Sweden will originate from renewable energy. This implies a significant need for the construction of wind farms, which produced 6 TWh in 2011.

Sensitivity to market fluctuations is mainly associated with possibilities of finding access to equity and debt financing. A weaker financial market may complicate the raising of capital.

Arise Windpower's income depends on the amount of electricity generated by the installed wind turbines which, in turn, is dependent on the wind speed during the actual period in question at the locations concerned, and the accessibility of the wind farms. Wind speed varies between seasons





and also between individual years. By establishing a portfolio of the projects in various geographical locations and by performing extensive wind measurements prior to making decisions regarding investments, the risk of production volumes variation is reduced. Unfavourable weather conditions and changes in climates may, however, have a negative impact on electricity production which, in turn, would affect the Company's income.

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

### Financial risks

Energy price risk is caused by fluctuations in the price of electricity quoted on the market place, Nord Pool. The Group manages this risk by hedging a certain portion of planned production. Risks associated with the price of electricity certificates are managed in a similar manner.

Currency risk in the Group primarily arises due to purchases and sales of turbines on the Nord Pool, both usually priced in EUR. In terms of cash flows, this risk will to a certain extent settle itself but, until then, the Group seeks to lower its risk by hedging transactions in foreign currencies. The interest risk has been managed by binding the interest rates of

raised loans, to a large extent, to fixed interests through swap or cap interest rate agreements.

Liquidity risk refers to the risk that Arise Windpower is unable to meet its financial commitments as a result of insufficient liquidity and/or difficulties in raising new loans. Arise Windpower is to maintain financial preparedness by holding a liquidity reserve, comprising cash and cash equivalents and non-utilised granted credit, corresponding to a minimum of MSEK 50.

For more information, please refer to Note 11 in the consolidated financial statements, on pages 42–45.

### Operational risks

The risk assessment of significant consequences from a complete shutdown of all of the Company's wind turbines, as a result of simultaneous technical failures, is low. This is partly due to the farms' geographical spread and is also due to the fact that various manufacturers have been used (currently Vestas and GE). The risk is reduced as the Company continues to build up its production capacity in a variety of locations. Work is in progress to build up a complete maintenance system for all wind turbines including, for example, qualified vibration measurement in all key components of each turbine, complete component registration and systems for logging errors and corrective measures in the turbines. This reduces the dependency on the wind turbine suppliers and will in the long term lead to a increase in accessibility.

According to Arise Windpower's assessment, there are no disputes with potentially

significant impacts on the Group's financial position. The Group's insurance program includes business interruption insurance, liability insurance, product insurance, wealth insurance and limited coverage for environmental damage.

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

## THE WORK OF THE BOARD

Information regarding corporate governance and the work conducted by the Board during the year is provided in the Corporate Governance Report on pages 59–62.

## DISCLOSURES ON THE COMPANY'S SHARES

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

On 31 December 2011, there were a total of 33,428,070 shares outstanding. Shareholders have the right to vote for all the shares they own or represent. All shares are entitled to equally dividends.

As of 31 December 2011, the existing warrant programs entitled the right to subscribe to an equivalent of 1,262,500 shares which, when fully exercised, will result in a dilution of 3.6 %. However, one of the warrant agreements contains conditions that, according

to management's assessment, a maximum of 830,000 shares being subscribed (Note 15), implying a dilution effect of 2.4 %.

### Transferability

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

### Shareholders

Information on the Company's shareholders is provided on page 63.

## AGREEMENTS CONTAINING CLAUSES CONCERNING CHANGES IN OWNERSHIP

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

## CODE OF CONDUCT

Arise Windpower puts major efforts into conducting operations in agreement with legal requirements and the Company's Code of Conduct. The code is to be followed by both employees and the Board of Directors. Suppliers, resellers, consultants and other business partners are also expected to follow the Code of Conduct.

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

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

The Code of Conduct also includes 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 and minimising waste and residual products beyond the product's useful lifecycle.

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

### Guidelines regarding compensation for senior management

Senior management shall be offered a fixed, market-based salary, which is to reflect the individual's responsibilities and performance. Bonuses shall be based on objectives attributable or relevant to the operations. During 2011, senior management can receive a bonus up to a maximum amount of 4 months' salary. For 2012, similar guidelines have been proposed regarding bonuses, but the introduction of an additional warrant program is also encouraged.

A more detailed description of the guidelines can be found on the Company's website under "Corporate Governance".

## EVENTS AFTER THE BALANCE SHEET DATE

In mid-March 2012, the Company issued a senior and unsecured bond on the Swedish market. The bond volume totalled MSEK 350 and the final maturity date was set to 2015. The bond has a variable interest rate of 3 months STIBOR + 5.00 percentage points, and will be listed on NASDAQ OMX Stockholm.

Arise has also signed a Letter of Intent with Platina Partners LLP and the companies have a joint intention to finance, construct, own and manage the project Lingbo, amounting to a total of 160 to 250 MW.

Lingbo has been developed by Bergvik Skog AB with the permission for Platina to acquire the project in its entirety and Arise, in turn, has the right to acquire a participating interest of between 12.5% and 50% of the project. The Lingbo project is located 30 kilometres to the north of the Jädraås project and permits has already been obtained for the construction of up to 85 wind turbines to be built.

The work of creating local plans, as well as other planning and preparations for the start

of the construction, is on-going, with an expected initiation autumn 2012 at the earliest.

The Letter of Intent is contingent on resolutions being adopted by both parties' Boards of Directors, which Arise expects to take place on 25 April this year. To ensure that Arise will obtain a participating interest in Lingbo exceeding 12.5%, a bond issue for MSEK 350 was successfully completed. The interest share, represented by MSEK 350, depends on the final size of the project. The agreement is an expansion of the parties' successful cooperation in the Jädraås project, 203 MW, which is under construction and progresses according to plan. Through the extended cooperation with Platina, Arise strengthens its position as the leading company in terms of onshore wind power in Sweden.

## OUTLOOK FOR 2012

The Company's finances remain strong and expansion is progressing according to plan, despite the slow process of receiving necessary permits. Including the Jädraås project, Arise has completed, or initiated, the construction of a total of 340 MW, of which 240 comprises to Arise's share, compared to the goal of having 260 MW in operation, or under construction, at the end of 2011. The Lingbo project will add between 160–250 MW to the total number. In 2012, the Company will use its resources mainly for the Jädraås project, the development of the Lingbo project and the project portfolio. This will result in the construction of other projects, being initiated during the second or third quarter of 2012 at the earliest.

According to the Company's assessment, the construction of an additional 50 to 100 MW can be initiated during the year, possibly being financed with the Company's cash flows, a more effective capital structure and on the basis of the sales of single turbines or groups of turbines. The Company intends to continue the development of wind farms in the 100 MW-class and the development of its own project portfolio. These fit well into the Company's industrial model and are, at the same time, a good source for raising equity.

The Company's long-term goal remains unchanged, that is, to have approximately 700 MW (corresponding to approximately 300 wind turbines) in operation, or under construction, by the end of 2014.



## CONSOLIDATED INCOME STATEMENT

Amounts in MSEK	Note	2011	2010
Net sales		180	67
Work performed by the Company for own use and capitalised		31	19
Other operating income		74	22
<b>Total income</b>	2	<b>286</b>	<b>107</b>
Personnel costs	4	- 45	- 31
Other external expenses	5	- 64	- 41
<b>Operating profit before depreciation (EBITDA)</b>		<b>177</b>	<b>35</b>
Depreciation of property, plant and equipment	9	- 73	- 37
<b>Operating profit (EBIT)</b>		<b>104</b>	<b>- 2</b>
Financial income	6	8	2
Financial expenses	6	- 46	- 25
<b>Profit before tax</b>		<b>65</b>	<b>- 24</b>
Income tax	7	- 18	6
<b>Net profit for the year</b>		<b>47</b>	<b>- 18</b>
<b>Earnings per share (SEK)</b>			
Before dilution		1.46	neg
After dilution		1.46	neg
Number of shares at the beginning of the year		30,635,570	20,488,570
Number of shares at the end of the year		33,428,070	30,635,570

Earnings per share before dilution are calculated by deviding net profit for the year by the number of shares. The average number of outstanding shares applied in calculating earnings per share before dilution amounted to 32,031,820 shares (2010: 25,562,070 shares). The Company has issued warrants that could result in dilution, but no dilution is reported when the average price for the year as regards the listed equity value is below the average of the subscription price of the warrants.

Treasury shares have not been included in calculating earnings per share in 2010.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in MSEK	2011	2010
<b>Net profit for the year</b>	<b>47</b>	<b>-18</b>
<i>Other comprehensive income</i>		
Cash flow hedges	- 108	- 1
Translation difference	- 6	-
Income tax attributable to components of other comprehensive income	30	0
<b>Other comprehensive income for the year, net after tax</b>	<b>- 84</b>	<b>- 1</b>
<b>Total comprehensive income for the year</b>	<b>- 37</b>	<b>- 19</b>

Comprehensive income is 100 per cent attributable to the shareholders in the Parent Company.

## CONSOLIDATED BALANCE SHEET

Amounts in MSEK	Note	2011	2010
<b>ASSETS</b>			
<b>Fixed assets</b>			
Property, plant and equipment	9	2,127	1,678
Investments in associated companies	10	84	—
Receivables with associated companies	10,22	285	—
Deferred tax assets	7	45	34
Other financial assets	12	75	23
<b>Total fixed assets</b>		<b>2,615</b>	<b>1,734</b>
<b>Current assets</b>			
Inventories	13	24	17
Accounts receivable	15	29	3
Other current receivables	11,14	12	18
Prepaid expenses and accrued income	16	63	53
Cash and cash equivalents		137	250
<b>Total current assets</b>		<b>265</b>	<b>340</b>
<b>TOTAL ASSETS</b>		<b>2,880</b>	<b>2,075</b>
<b>EQUITY</b>			
Share capital	17	3	3
Other contributed capital		1,324	1,238
Hedging reserve		– 95	– 11
Retained earnings/Accumulated deficit		12	– 35
<b>Total equity</b>		<b>1,243</b>	<b>1,195</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities	18	1,330	759
Provisions	19	20	7
<b>Total non-current liabilities</b>		<b>1,350</b>	<b>766</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	18	82	47
Accounts payable		22	26
Other liabilities	11	139	23
Accrued expenses and deferred income	20	44	19
<b>Total current liabilities</b>		<b>287</b>	<b>114</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,880</b>	<b>2,075</b>
Pledged assets	21	2,624	1,809
Contingent liabilities	21	50	58

## CONSOLIDATED CASH FLOW STATEMENT

Amounts in MSEK	Note	2011	2010
<b>Operating activities</b>			
Operating profit (EBIT)		104	- 2
Adjustment for non-cash items	8	75	30
Tax paid		- 1	0
<b>Cash flow from operating activities before changes in working capital</b>		<b>177</b>	<b>28</b>
<b>Cash flow from changes in working capital</b>			
Increase in inventories		- 7	- 16
Increase (-)/Decrease (+) in operating assets		- 14	2
Increase in operating liabilities		44	17
<b>Cash flow from operating activities</b>		<b>200</b>	<b>32</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment		- 549	- 900
Government grants		27	—
Investments in associated companies		- 8	—
Investments in other financial fixed assets		- 291	—
Sales of property, plant and equipment		—	88
<b>Cash flow from investing activities</b>		<b>- 822</b>	<b>- 812</b>
<b>Financing activities</b>			
Increase in interest-bearing liabilities		606	206
Deposits into blocked accounts		- 52	- 20
Interest paid		- 66	- 25
Interest received		10	2
Issue of new shares		11	525
<b>Cash flow from financing activities</b>		<b>509</b>	<b>688</b>
<b>Cash flow for the year</b>		<b>- 113</b>	<b>- 92</b>
Cash and cash equivalents at beginning of year		250	341
<b>Cash and cash equivalents at end of year</b>		<b>137</b>	<b>250</b>
Interest-bearing liabilities at end of year		1,412	806
Blocked cash at end of period		- 73	- 20
<b>Interest-bearing net liability</b>		<b>1,203</b>	<b>536</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in MSEK	Share capital	Other contributed capital	Hedging reserve	Retained earnings/ accumulated deficit	Total equity
<b>Opening balance as of 1 Jan 2010</b>	<b>2</b>	<b>706</b>	<b>- 10</b>	<b>- 17</b>	<b>680</b>
Profit/loss for the year				- 18	- 18
Other comprehensive income for the year			- 1		- 1
<b>Total comprehensive income</b>			<b>- 1</b>	<b>- 35</b>	<b>- 36</b>
Issue of new shares	1	553			554
Cost of issue of new shares		-29			- 29
Tax regarding cost of issue of new shares		8			8
Adjustment in value of issued warrants		0			0
<b>Total transactions with shareh., recognised directly in equity</b>	<b>1</b>	<b>532</b>			<b>533</b>
<b>Closing balance as of 31 Dec 2010</b>	<b>3</b>	<b>1,238</b>	<b>- 11</b>	<b>- 35</b>	<b>1,195</b>
Opening balance as of 1 Jan 2011	3	1,238	- 11	- 35	1,195
Profit for the year				47	47
Other comprehensive income for the year			- 84		- 84
<b>Total comprehensive income</b>			<b>- 84</b>	<b>47</b>	<b>- 38</b>
Issue of new shares	0	11			11
Issue of new shares upon acquisition of associated companies		47			47
Adjustment in value of issued warrants		0			0
Utilisation of treasury shares for the acquisition of assets		28			28
<b>Total transactions with shareh., recognised directly in capital</b>	<b>0</b>	<b>86</b>			<b>86</b>
<b>Closing balance as of 31 Dec 2011</b>	<b>3</b>	<b>1,324</b>	<b>- 95</b>	<b>12</b>	<b>1,243</b>

## DEFINITIONS OF KEY RATIOS

### Return on capital employed:

EBITDA/average capital employed

### Return on equity:

Net profit/average equity

### EBITDA margin:

Operating profit before depreciation (EBITDA)/Net Sales

### Earnings per share, before dilution:

Net profit/average number of shares outstanding before dilution

### Earnings per share, after dilution:

Net profit/average number of shares outstanding after dilution

### Interest-bearing net liabilities:

Interest-bearing liabilities – cash – blocked accounts

### Equity/Assets ratio:

Equity/total assets

# NOTES TO THE CONS. FINANCIAL STATEMENTS

## Note 1 Accounting principles

### ACCOUNTING PRINCIPLES FOR THE GROUP

#### 1 General information

Arise Windpower AB (publ), Corporate Identity Number 556274-6726, is a limited liability company registered in Sweden. The Company's registered office is located in Halmstad. The Company's and its subsidiaries' primary operations are described in the administration report in this annual report. The consolidated financial statements for the financial year ending on 31 December 2011 were approved by the Board of Directors on 27 March 2012, and will be presented to the Annual General Meeting for adoption on 25 April 2012.

#### 2 Summary of important accounting principles

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

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

##### *New and changed standards applied by the Group*

None of the IFRS or IFRIC interpretations which, for the first time, were obligatory for the financial year commencing on 1 January 2011, have had a significant impact on the Group.

##### *New standards, changes and interpretations of current standards which have not yet entered into force and which have not been early adopted by the Group.*

IAS 19 "Employee Benefits" was amended in June 2011. The amendment implies that the corridor method can no longer be applied with regard to defined benefit plans: instead, all actuarial profits and losses are reported in other comprehensive income when they arise. This change does not influence the Group since it only has defined contribution plans. The standard has not yet been adopted by the EU.

IFRS 9 "Financial Instruments" concerns the classification, measurement and recognition of financial liabilities and assets. IFRS 9 was issued in November 2009 for financial assets and in October 2010 for financial liabilities, and it replaces the parts in IAS 39 which relate to classification and measurement of financial instruments. IFRS 9 states that financial assets shall be classified into two categories; measurement at fair value or measurement at amortised cost. Classification is determined at initial recognition based on the company's business model and the individual characteristics in the contractual cash flows. No major changes take place with respect to financial liabilities com-

pared with IAS 39. The largest change applies to liabilities designated at fair value. The part of the change in fair value which is attributable to credit risk shall be reported in other comprehensive income instead of profit or loss, provided that no accounting mismatch arises. The Group intends to apply the new standard during the financial year commencing on 1 January 2015 at the latest, and has not yet assessed the effects. The standard has not yet been adopted by the EU.

IFRS 10 "Consolidated Financial Statements" is based on the existing principles as it identifies control as the determining factor for the determination of whether a company shall be included in the consolidated financial statements. The standard provides further guidance in order to help determine whether control exists when it is hard to assess. The Group intends to apply IFRS 10 in the financial year commencing on 1 January 2013 and has not yet assessed its full effects on the financial statements. The standard has not yet been adopted by the EU.

IFRS 12 "Disclosure of Interests in Other Entities" comprises disclosure requirements for subsidiaries, joint arrangements, associated companies and non-consolidated structured entities. The Group intends to apply IFRS 12 in the financial year commencing on 1 January 2013 and has not yet assessed the full effects on the financial statements. The standard has not yet been adopted by the EU.

IFRS 13 "Fair Value Measurement" aims to make fair value measurement more consistent and less complex by providing an exact definition and a joint source in IFRS for fair value assessments and associated disclosures. The requirement does not extend the scope of the use of fair value but, instead, provides guidance regarding the way in which it shall be applied in instances in which other IFRS standards already require or allow measurement at fair value. The Group has not yet assessed the full effect of IFRS 13 on the financial statements. The Group intends to apply the new standard in the financial year commencing on 1 January 2013. The standard has not yet been adopted by the EU.

None of the IFRS or IFRIC interpretations which have not yet entered into force are expected to have a significant impact on the Group.

#### Consolidated financial statements

##### *Subsidiaries*

Subsidiaries are those companies in which the Group, directly or indirectly, holds more than 50 per cent of the votes or, in any other manner, exercises a controlling influence. Subsidiaries are included in the consolidated financial statements as of the date on which control is transferred to the Group and deconsolidated as of the date on which control is relinquished.

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

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

##### *Associated companies*

Associated companies are the companies in which the Group has a significant influence but not a controlling influence, which, in principle, applies to a participation amounting to between 20 % and 50 % of the votes. Participations in associated companies are reported in accordance with the equity method. In accordance with the equity method, investments are initially measured at acquisition cost, after which the

carrying value is increased or decreased in order to reflect the Group's participation in the profits or losses of the associated company after the acquisition date. The Group's carrying value of participations in associated companies also includes any goodwill and other surplus values identified in the acquisition.

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

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

At the end of each reporting period, the Group assesses whether there is objective proof for impairment regarding investments in associated companies. In such case, the Group calculates the impairment as the difference between the recoverable amount of the associated company and the carrying value, and reports the amount in "Profit participation in associated companies" in the income statement.

### **Leases**

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

#### *Finance leases*

Each lease payment is allocated between amortisation of liabilities and financial expenses. The corresponding payment commitments, after deduction for financial expenses, are included in the balance sheet items Non-current interest-bearing liabilities and Current interest-bearing liabilities. The interest from the financial expenses is reported in the income statement, allocated over the lease term so that each accounting period receives an amount corresponding to a fixed interest rate for the liability reported in each period. Fixed assets held in accordance with financial lease agreements are depreciated over the asset's useful life or lease term, whichever is the shorter.

#### *Operating leases*

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

### **Transactions and balance sheet items in foreign currencies**

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

Profits and losses on derivatives for hedging are reported in the income statement items in which the hedged transactions are reported.

### **Income**

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

Net sales include the sales of generated electricity, earned and sold electricity certificates and realisations of electricity and currency derivatives attributable to hedged production. Other operating income comprises development compensation, income for sold but not yet generated electricity, income from crane rental, capital gains from the sales of fixed assets and other minor items (Note 2).

Income from sales of generated electricity is recognised during the period in which the delivery was performed at the obtained spot price, forward price or other agreed price. Income relating to electricity certificates is recognised at the applicable spot price, forward price or other agreed price for the period in which the electricity certificate is earned, which is the period in which the electricity is produced.

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

### **Government grants**

Government grants are reported at fair value when it is regarded as reasonably assured that the grants will be received and the Group will fulfil the conditions attached to the grant.

Income from government grants is reported in the income statement in the same period as the expense for which the grant has been received is reported. Government grants received for investments in fixed assets are reported in the balance sheet by reducing the total investment amount.

### **Employee benefits**

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

Premiums are paid continuously during the year, by each Group company, to separate 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 earnings at the same time as the benefits are earned, which normally coincides with the time at which premiums are paid. Regarding benefits to senior executives please refer to the administration report on page 15.

### **Tax**

Tax expense or tax income for the period comprises current tax and deferred tax. Current tax is based on the year's taxable income. The year's taxable income is different from the year's reported profit as it has been adjusted for non-taxable and non-deductible items. Deferred tax is tax attributable to taxable or deductible temporary differences which incur or reduce tax in the future.

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

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

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

Deferred tax receivables and tax liabilities are offset when they relate to income tax debited by the same tax authority or when the Group intends to settle tax with a net amount.

### **Property, plant and equipment**

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

In conjunction with the permit for the construction of wind turbines, the Group commits to restore land to its original condition after the end of these turbines useful life. The estimated expense for the restoration is reserved in the Group's finances and included in the cost for wind turbines.

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

Land is assumed to have an indefinite useful life and is, therefore, not depreciated. Depreciation of wind turbines is undertaken on a straight-line basis down to the asset's estimated residual value and over the asset's expected useful life. The depreciation of wind turbines is initiated in conjunction with the takeover from the supplier. For the calculation of depreciation according to plan, the following useful lives are applied:

- Buildings 20 years
- Wind turbines 20 years
- Other equipment 3–5 years

### **Impairment**

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

The recoverable amount is the higher of the asset's value in use and net realisable value. The value in use comprises the current 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 value, the asset is impaired to its recoverable amount.

A previous impairment is reversed when a change has occurred in the assumptions used in the determination of the asset's recoverable amount when it was impaired, and which implies that the impairment is no longer deemed necessary. Reversals of previous impairments are assessed individually and reported in the income statement.

### **Financial assets**

#### **Classification**

Financial assets can be categorised in the following categories: financial assets valued at fair value through profit or loss, loans and receivables, investments held to maturity, and financial assets available-for-sale. The classification depends on the intention for which the financial asset was acquired. Management determines the classification of the

financial assets upon initial recognition. The only category held by the Company is loans and receivables.

#### *Loans and receivables*

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

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

#### **Financial instruments**

A financial asset or a financial liability is reported in the balance sheet when Arise Windpower 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 extinguished in a different manner. Acquisitions and sales of financial assets are reported on the transaction date, which is the date on which the Company commits to acquire or sell the asset, except for cases in which the Company acquires or sells listed securities when settlement accounting is applied. On each reporting date, Arise Windpower assesses whether there are objective indicators suggesting that a financial asset or a group of financial assets needs to be impaired.

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

In determining the fair value of long-term derivatives, official market prices on the balance sheet date are applied. The market values of other financial assets and financial liabilities are calculated through generally accepted methods such as discounting of future cash flows to the listed market rate for each maturity. Translation to Swedish kronor is made applying the quoted exchange rate on the balance sheet date.

#### *Offsetting of financial assets and liabilities*

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

#### *Cash and cash equivalents*

Cash and cash equivalents include cash and bank balances, which are measured at fair value.

#### *Derivatives*

All derivatives are reported at fair value in the balance sheet. Measurement of hedging instruments for electricity prices, currencies and interest rates is based on observable data. For derivatives for which hedge accounting is not applied and for derivatives included in a fair value hedge, the changes in value are reported in the income statement. In cash flow hedging, the changes in value are reported in specific categories within equity until the hedged item is reported in the income statement. Any profits or losses on hedging instruments attributable to the effective part of hedging are reported in equity under hedging reserve. Any profits or losses attributable to the ineffective parts of hedging are reported in the income statement; electricity and currencies in operating income and interest derivatives in net financial income.

When transactions are made, the Group documents the relationship between hedging instrument and the hedged item, as well as the Group's objectives for risk management and the risk management

strategy regarding hedging. The Group also documents its assessment, both when the hedging is initiated and on an on going basis, as regards whether the applied derivatives in hedge transactions are effective in terms of offset changes in the fair value or cash flows attributable to the hedged items.

Information on the fair value of various derivatives applied in the hedging system can be found in Note 11.

### **Borrowing**

Liabilities to credit institutions and credit facilities are categorised as "Other financial liabilities" and measured 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 1 year whilst current liabilities have a maturity shorter than 1 year.

#### *Borrowing expenses*

The Group capitalises borrowing expenses directly attributable to purchases, construction or production of an asset as it takes time to complete the construction for use, as part of the amortised cost of the asset (Note 9).

### **Accounts payable**

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

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

### **Inventories**

Inventories are measured at the lower of cost and net realisable value. The net realisable value is equivalent to the listed value on a specific exchange for electricity certificates or another value if a different agreement has been concluded. The cost for inventories is calculated by applying the first in, first out method (FIFO).

### **Segment reporting**

Operating segments are reported in a manner which is consistent with the internal reporting, which for Arise means Wind power operations and Other wind power development.

### **Share capital**

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

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

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

## **3 Significant estimates and assumptions**

In preparing financial statements in accordance with IFRS and generally accepted accounting principles, estimates and assumptions about the future are made, which affect balance sheet and income statement items. These assessments are based on past experience and the various assumptions which the management and the Board regard as reasonable under the prevailing circumstances. In cases in which it is not possible to determine the reported value of assets and liabilities on the basis of information from other sources, measurements are based on such estimates and assessments. If other assumptions are made or other conditions arise, the actual outcome may differ from these assessments. Due to the fact that these types of assessments are normally significant in calculating tax, the assessments made regarding future taxation may have a significant impact on Arise Windpower's income and financial position.

#### *Measurement of loss carry-forwards*

Deferred tax receivables regarding loss carry-forwards reported in the Group amount to MSEK 17 (25), see Note 7. The reported value of these tax receivables has been assessed at year-end and it has been regarded as likely that the losses may be offset against surpluses in future taxation. The tax receivables refer to Swedish tax losses, which can be utilised for an indefinite period. The Group's operations, in the form of actual wind farms in operation, are expected to generate significant profits over the next few years, for which reason Arise Windpower believes that there are factors confirming that it will be possible that the tax losses to which the tax receivables are attributable will be offset against future taxable surpluses.

#### *Useful lives of wind turbines*

The useful life of a wind turbine has been estimated at approximately 20 years, on the basis of which the capital investment appraisal is determined. In cases in which the useful lives prove to be shorter than 20 years, Arise Windpower's profits and cash flows can be negatively influenced.

#### *Framework agreements with suppliers – cancellation fees*

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

#### *Restoration costs*

In certain projects there are requirements on the restoration of land after the expiration of the project. The expenses for the dismantling of wind turbines and restoring the land around wind turbines have been estimated to MSEK 20 (7) for turbines in operation, for which a provision has been made in the financial statements (Note 19) and included in the depreciable amount.

## Note 2 Income

Net sales include the sale of generated electricity, earned and sold electricity certificates, as well as realisations of electricity and currency derivatives relating to hedged production.

	2011	2010
Electricity	106	38
Electricity certificates	74	29
<b>Net sales</b>	<b>180</b>	<b>67</b>

Realised derivatives have affected net sales positively by MSEK 8 (7).

The Group's electricity production amounted to 246.6 (88.5) GWh. The average income for electricity was SEK 432 (429) per MWh and for electricity certificates was SEK 300 (325) per MWh, ie. an average income per produced MWh of SEK 732 (754) per MWh.

The following items are included in Other operating income:

	2011	2010
Other income attrib. to electricity and certificates	8	7
Revenue from crane rental	16	9
Gains attributable to sales of non-current assets	—	5
Development fee	37	—
Project management and administrative services	5	—
Other items	9	1
<b>Other operating income</b>	<b>74</b>	<b>22</b>

Work performed by the Company for its own use and capitalised refers to internal work capitalised at the Group's wind power projects.

## Note 3 Segment reporting

The Group's internal reporting system is based on the return and profitability of the wind farms built and in operation, for which reason Wind power operations form the primary basis of segment reporting. All other activities of the Group aim to develop wind farms, for which reason these activities have been grouped into Other wind power development. Transfer prices between the various segments are determined on

the basis of the "arm's length" principle, that is, between parties who are independent, well informed and with an interest in the transactions made. Segment income, earnings and assets include directly attributable items and items which can be allocated to segments in a reasonable and reliable manner.

	Wind power operations		Wind power developm.		Eliminations		Group	
	2011	2010	2011	2010	2011	2010	2011	2010
Net sales, external	180	67	—	—	—	—	180	67
Net sales, internal	—	—	6	18	-6	-18	—	—
Capitalised work on own account	—	—	31	19	—	—	31	19
Other income	8	7	67	15	—	—	74	22
<b>Total income</b>	<b>188</b>	<b>74</b>	<b>104</b>	<b>51</b>	<b>-6</b>	<b>-18</b>	<b>286</b>	<b>107</b>
Op. inc. before depreciation (EBITDA)	156	55	18	-9	3	-11	177	35
Operating income (EBIT)	93	22	14	-12	-4	-12	104	-2
Operating profit (EBT)	53	-1	16	-12	-4	-12	65	-24
Assets	2,443	1,658	435	417	—	—	2,880	2,075

All operations are conducted in Sweden. In the segment Wind power operations, MSEK 24 (23) refers to sales to a single customer. Eliminations comprise the sale of leases for the exploited land areas, hiring

of measuring equipment, consulting services primarily consisting of licensing and planning work, and further charged administrative expenses.

## Note 4 Personnel

Average number of employees	2011			2010		
	Women	Men	Total	Women	Men	Total
Parent Company	5	15	20	5	13	18
Subsidiary	1	11	12	—	6	6
<b>Group total</b>	<b>6</b>	<b>26</b>	<b>32</b>	<b>5</b>	<b>19</b>	<b>24</b>
Salaries and other remuneration						
	Board and CEO	of which variable rem.	Other empl.	Board and CEO	of which variable rem.	Other empl.
Parent Company <sup>1)</sup>	4.0	0.5	18.4	5.3	—	8.2
Subsidiaries <sup>2)</sup>	3.4	0.7	5.6	2.1	0.2	3.0
<b>Group total</b>	<b>7.4</b>	<b>1.2</b>	<b>24.0</b>	<b>7.4</b>	<b>0.2</b>	<b>11.2</b>
Salaries and other remuneration						
	Salaries and remun.	Social sec. contr.	of which pens. costs	Salaries and remun.	Social sec. contr.	of which pens. costs
Parent Company	22.4	9.5	3.6	13.5	7.7	2.5
Subsidiaries	9.0	4.3	1.8	5.1	3.4	1.3
<b>Group total</b>	<b>31.4</b>	<b>13.8</b>	<b>5.4</b>	<b>18.6</b>	<b>11.1</b>	<b>3.8</b>
Remuneration to the Board of Directors, CEO and Senior Management						
	Directors' fees	Salaries	Variable remun.	Other benefits	Pension costs	
Pehr G Gyllenhammar, Chairman	1.0					
Birger von Hall	0.5					
Joachim Gahm	0.7					
Jon G Brandsar	—					
<b>Total remuneration to the Board of Directors</b>	<b>2.2</b>					
Peter Nygren, CEO		1.8	0.4	0.1	0.6	
Other senior executives (5 individuals)		4.9	1.1	0.2	1.3	
<b>Total remuneration to CEO and senior management</b>		<b>6.7</b>	<b>1.5</b>	<b>0.3</b>	<b>1.9</b>	

<sup>1)</sup> In addition to the reported salaries and remuneration, consulting fees of MSEK 0.4 (1.8) have been paid to the former Board member Ulf Corné, during Q1, 2011 (see Note 16 page 56).

<sup>2)</sup> In addition to the reported salaries and remuneration, consulting fees of MSEK 0.3 (0.3) have been paid to three directors in a subsidiary.

### Basic salary/Directors' fee

The Chairman and Members of the Board are paid in accordance with the resolution of the Annual General Meeting. Those Board Members who are employees of the Company have received no remuneration or benefits other than those relating to their employment. Remuneration to the CEO and other Senior Executives consists of basic salary, variable remuneration, other benefits and pensions. Senior Executives refers to the group of individuals who, together with the CEO, formed the Group Executive Board in 2011

### Variable remuneration

All employees are covered by a collective remuneration program which is directly linked to the quantitative objectives set out within the Group. The targets for 2011 were achieved to some extent and a variable remuneration based upon this remuneration program was paid out in the form of salaries and pensions amounting to MSEK 5.1 (0.8). No other payments were made.

### Other benefits

Other benefits primarily refer to company cars.

### Pension

The retirement age for the CEO and other Senior Executives is 65. The pension contribution to the CEO is 35% of the pensionable salary and follows the defined contribution plan. Other Senior Executives also have defined contribution pension plans and for 2011, the pension premium averaged 28 (26) percent of the base salary. Variable compensation solutions do not form the basis for any pension payments for the CEO or for the Senior Executives. All pensions are vested, meaning that they are not conditional upon future employment.

### Financial instruments

Remuneration and benefits in the form of financial instruments have not been paid out or provided for.

### Severance pay

Between the Company and the CEO, a notice period of 6 months has been agreed upon. Notice of termination on behalf of the Company to other Senior Executives is typically between 3 and 6 months. During the notice period, normal salary is paid. No severance payments to the CEO or other Senior Executives are paid.

### Drafting and decision-making process

In 2011, the Remuneration Committee provided the Board with recommendations on principles for remuneration to Senior Executives. The recommendations included the proportions between fixed and variable remuneration and the size of any increases in salary. The Committee also proposed criteria for the assessment of variable remuneration, pension terms and severance pay. The Board discussed the Committee's proposal and made a recommendation on remuneration policy, which was also approved by the Annual General Meeting.

Remuneration to the CEO for the financial year 2011 was resolved by the Chairman of the Board in accordance with the recommendations

of the Remuneration Committee, as approved by the Annual General Meeting. Remuneration to other Senior Executives was determined by the CEO after consultation with the Remuneration Committee, within the framework of the remuneration policy.

In 2011, the Remuneration Committee included Birger von Hall, (Chairman) and Joachim Gahm. The Committee is convened when required, but at least twice a year to prepare proposals on remuneration to the CEO and to accept or reject their proposal for the remuneration and conditions for the Senior Executives who report directly to him. Furthermore, the Committee establishes principles for determining the salaries and conditions of employment for Senior Executives, which are submitted to the AGM for approval. The Remuneration Committee shall make recommendations on the remuneration, terms and principles of the Board which will, consequently, decide on these matters. In 2011, the Committee met on three occasions.

Sick leave in the Group	2011	2010
Total sick leave	2.2%	1.0%
Short-term sick leave	0.9%	0.3%
Long-term sick leave	1.3%	0.7%
Sick leave for men	1.9%	1.1%
Sick leave for women	3.3%	0.6%
Sick leave, employees under 30	0.4%	4.7%
Sick leave, employees aged 30–49	3.8%	0.1%
Sick leave, employees aged 50 or above	0.7%	0.3%

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

### Gender distribution in Senior Management positions

	Women		Men	
	No. of	Percent	No. of	Percent
2011				
Board of Directors	0	0%	4	100%
Senior management	0	0%	6	100%
2010				
Board of Directors	0	0%	6	100%
Senior management	1	10%	9	90%

## Note 5 External expenses

### Auditing fees

	2011	2010
Öhrlings PricewaterhouseCoopers		
Audit assignment	1	1
Audit activities other than the audit assignm.	1	0
Tax consultancy	1	0
Other services	0	1
<b>Total</b>	<b>3</b>	<b>2</b>

## Note 6 Financial income and expenses

	2011	2010
Interest income	8	2
Foreign exchange gains	0	0
<b>Total financial income</b>	<b>8</b>	<b>2</b>
Interest expenses	– 40	– 24
Foreign exchange losses	– 6	– 1
<b>Total financial expense</b>	<b>– 46</b>	<b>– 25</b>

## Note 7 Tax

<b>Tax on profit for the year</b>	2011	2010
Deferred tax	– 18	6
<b>Reported tax</b>	<b>– 18</b>	<b>6</b>
<b>Deferred tax</b>		
Attributable to unutilised loss carry-forward <sup>1)</sup>	17	25
Derivatives stated at fair value	30	0
Fixed assets	– 2	9
<b>Total recognised deferred tax</b>	<b>45</b>	<b>34</b>
<b>Reconciliation of reported tax in the Group</b>		
Profit/loss before tax	65	– 24
Tax 26.3%	– 17	6
Tax effect of:		
Non-deductible expenses	3	–
Correction of tax expense for prior years	0	0
Other additional and removed items	– 4	–
<b>Reported tax on profit for the year</b>	<b>– 18</b>	<b>6</b>
<b>Change in deferred tax</b>		
Opening value, net	34	20
Reported deferred tax on net profit/loss for the year	– 18	6
Tax items recognised directly in equity <sup>2)</sup>	30	8
<b>Closing value, net</b>	<b>45</b>	<b>34</b>

<sup>1)</sup> The Group's total tax loss carry forward amounts to MSEK 66 (96), of which MSEK 37 (37) is blocked from use until the income year 2014. The financial deficit is expected to be utilised, in its entirety, against future taxable profits.

<sup>2)</sup> Tax items recognised directly in Other comprehensive income refer to the Group's hedging reserve attributable to fixed income, electricity and forward currency contracts, as well as to tax effects of costs attributable to new share issues.

## Note 8 Additional disclosures on cash flow statement

### Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances.

### Adjustment for non-cash items

	2011	2010
Depreciation and impairment of property, plant and equipment	73	37
Unrealised exchange gains	2	– 2
Impairment of proceeds from warrants	0	0
Gain/loss from sale of property, plant and equipment	—	– 5
<b>Total</b>	<b>75</b>	<b>30</b>

## Note 9 Property, plant and equipment

	Buildings and land <sup>1)</sup>		Wind power, foundations and electrical inst.		Equipment, tools, fixtures and fittings		Advances and construction in progress <sup>2)</sup>		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Opening aquisition cost	6	5	749	470	75	8	897	429	1,728	911
Purchases/investments <sup>3)</sup>	—	2	13	—	4	68	506	846	523	916
Grants	—	—	—	—	—	—	—	- 16	—	- 16
Sales/disposals	—	- 1	—	- 82	- 1	- 1	—	—	- 1	- 83
Reclassifications	- 3	—	1,295	361	2	—	- 1,293	- 362	—	—
<b>Closing aquisition ocst</b>	<b>3</b>	<b>6</b>	<b>2,057</b>	<b>749</b>	<b>80</b>	<b>75</b>	<b>110</b>	<b>897</b>	<b>2,250</b>	<b>1,728</b>
Acc. depreciation and impairment at beginning of the year	—	—	- 44	- 12	- 5	- 1	—	—	- 50	- 13
Depreciation for the year	—	—	- 62	- 32	- 11	- 5	—	—	- 73	- 37
Reclassifications	—	—	1	—	- 1	—	—	—	—	—
Sales/disposals	—	—	—	—	—	—	—	—	—	—
<b>Closing accumulated depreciation and amortisation</b>	<b>—</b>	<b>—</b>	<b>- 105</b>	<b>- 44</b>	<b>- 17</b>	<b>- 5</b>	<b>—</b>	<b>—</b>	<b>- 123</b>	<b>- 50</b>
<b>Closing residual value <sup>4)</sup></b>	<b>3</b>	<b>6</b>	<b>1,952</b>	<b>705</b>	<b>63</b>	<b>70</b>	<b>110</b>	<b>893</b>	<b>2,127</b>	<b>1,678</b>

<sup>1)</sup> Land and buildings includes land with a book value of MSEK 1 (2). The tax assessment value of the Group's properties is MSEK 2 (3) of which MSEK 1 (1) refers to the tax assessment value of land.

<sup>2)</sup> Constructions in progress include advance payments regarding property, plant and equipment of MSEK 15 (76).

<sup>3)</sup> Investments for the year include capitalised interest of MSEK 16 (5), calculated at an average interest rate of 4.4% (3.7%).

<sup>4)</sup> Residual value according to plan includes financial leasing contracts of MSEK 50 (58).

The Company has fulfilled its commitments in accordance with a previous framework agreement signed with Vestas. The framework agreement has therefore ceased to apply. The framework agreement signed previously with GE Energy has been replaced by a new framework agreement which results in a contractual commitment to purchase a certain number of wind turbines during 2012. If these commitments are not met, the Company can become liable for costs to an amount of MSEK 21 (87) in 2012. The Company intends to, on a regular basis enter into new agreements with suppliers for the continued expansion until 2014.

### Operating leases

The Company has entered into operating leases, primarily leases of land associated with the construction of wind turbines, with minimum lease payments as described below. The cost of operating leases in 2011 amounted to MSEK 16 (6).

	2011	2010
Within 1 year	3	3
In 2 to 5 years	12	11
In 6 to 20 years	39	40
<b>Total</b>	<b>54</b>	<b>54</b>

Costs for land leases are based on the minimum lease payments for wind turbines in operation or under construction, and on contracts for which all necessary permits for the construction of wind turbines have been obtained. Minimum lease payments are indexed. In addition, there are variable fees dependent on the income from electricity produced.

## Note 10 Investments in associated companies

	2011	2010
Opening book value	—	—
Acquisitions	89	—
Elimination internal transactions	- 5	—
<b>Closing book value</b>	<b>84</b>	<b>—</b>

The Group's profit participation in associated companies and its share of assets and liabilities is as follows:

Associated company	Registration country and currency	Assets	Liabilities	Revenue	Profit/loss	Participating interest
Sirocco Wind Holding AB	Sweden, EUR	512	428	—	—	50%

## 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 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 to 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.

### Energy price risk

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

Electricity prices in the power market vary over time, and the Group strives to ensure that the price of delivered electricity is, at the time of delivery, hedged from 30 % to 60 % with a falling price hedging channel for future years, in which the channel in year 5 should be 0 to 10 per cent, see the graph below. The remaining volumes are sold at variable prices. The hedged portion of sales must remain within the defined price hedging channel at any given time. 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. Price risk can be hedged up to five years prior to the delivery of the same volume.



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

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

the derivatives transaction is transferred from equity to the income statement to meet result from the hedged position.

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

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

### Currency risk

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

### Transaction exposure

Under the Group's adopted financial policy, prices and currencies in contracted and forecasted payment flows must be hedged up to five years in advance in a channel of 30 to 60 per cent. The Group uses currency futures to manage currency risk exposure and applies hedge accounting for contracted future payment flows and the translation of financial assets and liabilities. Arise Windpower's net foreign currency flow refers almost exclusively to EUR. Exchange differences on operating liabilities are booked along with the investment. The result from currency futures held for hedging purposes is recognised in net sales. Exchange differences on financial liabilities and receivables are recognised in net financial income.

### Translation exposure

Financial and other operations-related assets and liabilities in foreign currencies arise almost exclusively in conjunction with the purchase of wind turbines and other electrical installations, which are normally hedged using currency futures. In conjunction with the investment in the Jädraås project, a currency exposure has arisen as the reporting currency of the associated companies is EUR. This exposure is not hedged. Other items are not significant and are not currency-hedged.

### Interest risk

Interest risk is defined as the risk of a decrease in profit caused by a change in market interest rates. The Group's financial policy includes guidelines on fixed-rate periods (duration). The management of interest risk aims to reduce negative effects resulting from fluctuations in market interest rates. The Group strives to achieve a balance between cost-effective borrowing and risk exposure, and a negative impact on the result in the event of an unexpected major change in interest rates. The exposure is hedged using interest rate swaps and caps, which cover parts of the Group's long-term borrowing, see Note 16.

### Sensitivity analysis

A change in any of the variables below has an impact on the profit before tax 2011 (in MSEK) as follows:

Variable	Change	Impact on profit or loss before tax
Production	10%	16
Electricity price	10%	10
Electricity certificate price	10%	7
Interest expense	1% point	- 7
Investments	10%	- 11
EUR/SEK, investments	10%	- 8
EUR/SEK, electricity prices	10%	6

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

	2011		2010	
	Interest-bearing	Non-interest-bearing	Interest-bearing	Non-interest-bearing
	Fixed rate	Variable rate	Fixed rate	Variable rate
Current receivables			1	73
Non-current receivables	287			34
Blocked liquid assets		73	20	
Cash and cash equivalents		137	250	
Current liabilities		- 82	- 47	- 67
Non-current liabilities	- 1,308	- 22	- 579	- 180
<b>Total</b>	<b>- 1,021</b>	<b>106</b>	<b>- 579</b>	<b>44</b>

### Capital risk

The Group's goal for its capital structure is to secure the ability to continue operations with the aim of generating a return for the shareholders and benefits for other stakeholders, and to optimise the capital structure with regard to the cost of capital for the issuance of corporate bonds. The issuance of new shares, the issuance of bond loans or sales of assets are examples of measures which can be employed by the Group to adjust its capital structure. For more information on dividend policy and equity/assets target ratio, please refer to page 63. The Group's target equity/assets ratio is 25 per cent. On 31 December 2011, the actual equity/assets ratio was 43.2 (57.6) percent.

### Financing risk

Financing risk is defined as the risk of not being able to meet payment obligations due to insufficient liquidity or difficulties in obtaining funding. The Group's aim is to always have more than one lender who is willing to offer funding at market terms. According to the Group's policy, a liquidity readiness of MSEK 50 must be available at all times.

The Group's expansion plan requires continuous funding. Through issuance of shares, corporate bonds or other forms of capital contribution, continuous loan funding is secured, see Note 18.

### Credit risk

Credit risk, or counterparty risk, is the risk of incurring a loss if counterparty fails to meet its obligations. Commercial credit risk, which refers to the solvency of customers, is managed by the Company's central finance function by carefully monitoring the track records on payments and customers' financial reports as well as good communications. The Group's total credit risk is distributed across a small number of customers, which accounts for a relatively large share of the Group's trade receivables. All customers have a high level of transparency, including the Nord Pool marketplace, which is the Company's single largest customer in this context.

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

### Fair value

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

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

### Hedging reserve

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

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

MSEK	2011		2010	
	Carrying value	Fair value	Carrying value	Fair value
Electricity futures	– 11	– 11	9	9
Currency futures, EUR/SEK	—	—	– 4	– 4
Currency futures, SEK/EUR	3	3	5	5
Interest rate swaps	– 114	– 114	– 21	– 21
<b>Hedging reserve</b>	<b>– 122</b>	<b>– 122</b>	<b>– 11</b>	<b>– 11</b>

The fair value is calculated on the basis of market-based quotations and generally accepted valuation techniques. Currency rate futures refer to sales and purchases of EUR for hedging of electricity sales and purchases of wind turbines respectively. For every position, there is a counterflow in SEK. The ineffective portion associated with cash flow hedges and recognised in profit or loss constitutes a loss of MSEK 3 (—).

#### Electricity future contracts

The nominal amount of electricity futures outstanding totals MSEK 69 (54). The hedged, very probable forecasted transactions of electricity sales are expected to take place at varying points in time in the following five years. Gains and losses from electricity futures recognised in the hedging reserve in equity are recognised in profit or loss in the period, or periods, in which the hedged transaction affects profit or loss.

#### Exchange rate future contracts

The nominal amount of exchange rate futures outstanding totals MSEK 42 (– 131). The hedged, very probable forecasted transactions in foreign currencies are expected to take place at different points in time

in the following two years. Gains and losses from exchange rate futures recognised in the hedging reserve in equity are recognised in profit or loss in the period, or periods, in which the hedged transaction affects profit or loss.

#### Interest rate swaps and caps

The nominal amount of interest rate swaps and cap contracts outstanding totals MSEK 1,394 (717). The fixed interests vary between 3.2 and 6.3 (3.2 and 6.3) percent. The most significant variable interest rates are Stibor and Euribor. Gains and losses from interest rate swaps recognised in the hedging reserve in equity are continuously transferred to financial expenses in profit or loss until the loans have been repaid.

#### Classification of financial instruments

The tables below illustrate the classification of the financial instruments in balance sheet in 2011 and 2010.

#### Assets 2011

	Derivatives stated at fair value	Loans and accounts receivable	Non-financial assets	Total
Property, plant and equipment			2,127	2,127
Holdings in associated companies	– 1	85		84
Receivables from associated companies		285		285
Deferred tax assets		45		45
Other financial assets		75		23
Current assets				
Inventory			24	24
Accounts receivable		29		29
Other receivables	4	8		12
Prepaid expenses and accrued income			63	63
Cash and cash equivalents	– 1	138		137
Total current assets	3	175	87	265
<b>Total assets</b>	<b>2</b>	<b>664</b>	<b>2,214</b>	<b>2,880</b>

#### Liabilities 2011

	Derivatives stated at fair value	Other financial liabilities	Non-financial liabilities	Total
Non-current interest-bearing liabilities		1,330		1,330
Provisions		20		20
Current liabilities				
Current interest-bearing liabilities		82		82
Accounts payable		22		22
Other liabilities	134	5		139
Accrued expenses and deferred income			44	44
Total current liabilities	134	109	44	287
<b>Total liabilities</b>	<b>134</b>	<b>1,459</b>	<b>44</b>	<b>1,637</b>

## Maturity on the Group's financial assets 2011

MSEK	Within 3 months	Within 1 year	In 2–3 years	In 4–5 years	After 5 years	Total contracted cash flow
Currency futures	1	2	0	—	—	3

## Assets 2010

	Derivatives stated at fair value	Loans and accounts receivable	Non-financial assets	Total
Property, plant and equipment			1,678	1,678
Deferred tax assets		34		34
Other financial assets		23		23
Current assets				
Inventories			17	17
Accounts receivable		3		3
Other receivables	9	9		18
Prepaid expenses and accrues income			53	53
Cash and cash equivalents		250		250
Total current assets	9	262	70	340
<b>Total assets</b>	<b>9</b>	<b>318</b>	<b>1,748</b>	<b>2,075</b>

## Liabilities 2010

	Derivatives stated at fair value	Other financial liabilities	Non-financial liabilities	Total
Long-term interest-bearing liabilities		759		759
Provisions		7		7
Current liabilities				
Current interest-bearing liabilities		47		47
Accounts payable		26		26
Other liabilities	21	2		23
Accrued expenses and deferred income			19	19
Total current liabilities	21	75	19	114
<b>Total liabilities</b>	<b>21</b>	<b>840</b>	<b>19</b>	<b>880</b>

## Maturity structure of financial liabilities

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

## Capital management

The Company is currently in a strong expansion phase and the objective regarding the capital structure is to secure the funds required to continue the expansion objectives stated in conjunction with the initial public offering in 2010. As the Company and its operations are developed, the possibilities to improve the efficiency and diversification of the capital structure increase through various measures, such as issuance of shares, preference shares, corporate bonds, convertible instruments, disposal of wind turbines or farms, or other measures. The objective is to maintain an optimal capital structure in order to

keep the cost of capital low at the same time as required investment capacity must be maintained to secure the Company's expansion rate. Consequently, a trade-off needs to be made continuously between the cost of capital, financial risk and expected return and cash flow in the Company's investments. In the future, dividends and the possibility of repaying capital to the shareholders constitute actions to be taken in order to adjust the capital structure. The capital is assessed based on the equity/assets ratio, in which the key ratio is calculated as shareholders' equity divided by total assets. In 2011, the Company's strategy, unchanged from 2010, was to maintain an equity/assets ratio of at least 25 %. However, an equity/assets ratio exceeding 25 % is the target for the present expansion phase. On 31 December 2011, the equity/assets ratio was 43.2 %, and on 31 December 2010, 57.6 %. The lower equity/assets ratio was primarily a consequence of planned investments, of which 70–75 % are financed by loaned capital, in accordance with the Company's financial policy.

### Note 12 Other financial fixed assets

	2011	2010
Credit fees recognised in accounting period	1	2
Deposited into blocked accounts	73	20
Other receivables	1	1
<b>Total</b>	<b>75</b>	<b>23</b>

### Note 13 Inventories

	2011	2010
Electricity certificates	14	7
Electrical equipment	10	10
<b>Total</b>	<b>24</b>	<b>17</b>

Inventories are reported in accordance with the Group's accounting principles described in Note 1.

### Note 14 Other current receivables

	2011	2010
VAT receivable	—	3
Derivatives	5	9
Current tax receivables	2	1
Other receivables	5	5
<b>Total</b>	<b>12</b>	<b>18</b>

### Note 15 Accounts receivable and other current rec.

	2011	2010
Accounts receivable	29	3
Provision for impairment of accounts receivable	—	—
Accounts receivable – net	29	3
Receivables from related parties (Note 22)	285	—
Other receivables (Note 12)	1	1
Other receivables (Note 14)	12	18
Less non-current portion	– 286	– 1
Current portion	41	21

Non-current receivables from related parties in the form of a shareholder's loan to companies within the Sirocco Group lack a due date. The fair value of these borrowings is based on the discounted cash flows at an interest rate of approximately 6%. The discount rate corresponds to the Euribor plus appropriate credit assessment.

On the balance sheet date, MSEK 1 (1) was from accounts receivable past due but without any impairment considered to exist. All accounts receivable have been paid in 2012. Age analysis of these receivables is provided below.

	2011	2010
Less than 3 months	29	3
3 – 6 months	—	—
<b>Total</b>	<b>29</b>	<b>3</b>

### Note 16 Prepaid expenses and accrued income

	2011	2010
Accrued electricity and certificate income	35	5
Other accrued income <sup>1)</sup>	7	39
Prepaid financial expenses <sup>2)</sup>	14	4
Other prepaid expenses	7	5
<b>Total</b>	<b>63</b>	<b>53</b>

<sup>1)</sup> A receivable from the Swedish Energy Agency is included amounting to MSEK 7 (35).

<sup>2)</sup> Refers to expenses associated with assumed loans, amortised over the loan term of the contracts.

## Note 17 Share capital

Number of registered shares in the Parent Company	2011	2010
Issued as of 1 January	31,561,070	21,426,070
New share issues	1,867,000	10,135,000
<b>Issued as of 31 December</b>	<b>33,428,070</b>	<b>31,561,070</b>

All shares have been fully paid. All shares have an equal right to the assets and profits in the Company.  
The shares' quotient value amounts to SEK 0.08.

### Warrants

#### Scope

In 2008 and 2011, a decision was taken regarding the issuance of warrants for shares in Arise Windpower AB directed to employees and external stakeholders, such as landowners and advisers.

	Employees	External stakeholders	Total
Warrants 2008, not exercised	—	192,500	
Warrants 2011	300,000	—	
Entitle to subscribe for number of shares	300,000	962,500	1,262,500

#### Valuation

Outstanding warrant programs are of two different series. The purchase price of the subscription options to employees (series 6) was based on the estimated market price for each subscription occasion by applying the Black & Scholes valuation model.

Warrants to external stakeholders (series 5) have been allocated free of charge.

	Series 5	Series 6	Total
Warrants 2008, not exercised	192,500	—	192,500
Warrants 2011	—	300,000	300,000
Entitle to subscribe for number of shares	962,500	300,000	1,262,500
Subscription price (SEK)	45	55	

#### Terms and condition of subscription

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

The subscription period for series 5 is 1/2 - 28/2 each year from 2009 to 2015

The subscription period for series 6 is 3/3 - 15/3 in 2014

Exercise of warrants in series 5 is conditional upon certain conditions regarding contracts, permits and construction of wind turbines.

#### Dilution

Assuming a full exercise of the allotted warrants, the dilution effect would amount to 3.6% for both share capital and votes. According to management's assessment, the above conditions in series 5 would result in the exercise of an amount of warrants equivalent to no more than 830,000 shares, representing a dilution of 2.4%.

## Note 18 Interest-bearing liabilities

The Group has signed credit agreements with banks, and the agreements include so-called negative clauses which provide the lender with the option of cancelling loans as a result of changes in Arise Windpower's financial ratios. These clauses, so called covenants, reflect the requirements typical of the industry regarding solvency, debt-service ratio as well as provisions for the debt reserve.

The Group's total credit lines amount to MSEK 1,460 (953) as of 31

December 2011 and are primarily used to fund the operations in the form of bank loans. Interest payments are hedged through interest rate swaps and interest rate caps. At present, a number of contracts with an average fixed interest term of 5.4 (3.7) years are held. Financing cost is based on the agreed fixed interest and agreed margin. The Group's average effective interest rate during the year amounted to 4.4 (3.9 per cent).

### Non-current interest-bearing liabilities

	2011	2010
Non-current borrowings	1,412	806
Current portion of non-current borrowings	– 82	– 47
<b>Total</b>	<b>1,330</b>	<b>759</b>

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

Amounts in MSEK	Within 3 months	In 3 months – 1 year	In 2 – 3 years	In 4 – 5 years	After 5 years	Total contracted cash flow
Bank loans*	32	119	310	746	523	1,731
Accounts payable - trade	22					22
Interest rate futures*						
Currency futures	6	21	14			41
<b>Total</b>	<b>60</b>	<b>140</b>	<b>324</b>	<b>746</b>	<b>523</b>	<b>1,794</b>

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

Currency futures refer to the sales and purchases of EUR to hedge electricity sales and purchases of wind turbines. For each position, there is a counter-flow in SEK.

## Note 19 Provisions

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

## Note 20 Accrued expenses and deferred income

	2011	2010
Accrued financial costs	3	—
Accrued personnel related costs	15	7
Other accrued expenses	26	12
<b>Total</b>	<b>44</b>	<b>19</b>

## Note 21 Pledged assets and contingent liabilities

Pledged assets	2011	2010
Pledged shares in subsidiaries	674	626
Security transfer of wind turbines and leases	1,950	1,183
<b>Total</b>	<b>2,624</b>	<b>1,809</b>
<b>Contingent liabilities</b>		
Financial leasing contracts	50	58
<b>Total</b>	<b>50</b>	<b>58</b>

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

## Note 22 Related party transactions

Arise Windpower AB co-owns Sirocco Wind Holding AB together with Sydvästervind AB, which, in turn, is controlled by the English company Platina Partners LTT.

Sirocco Wind Holding AB owns 100% of the holding company JVAB Holding AB which, in turn, owns 100% of Jädraås Vindkraft AB. Siroc-

co Wind Holding AB also owns 100% of the holding company HKAB Holding AB which, in turn, owns 100% of Hälleås Kraft AB. Together this group of companies form what has been called the "Jädraås project", that is, the construction of 66 wind turbines totalling 203 MW in Jädraås, outside of Gävle.

The following transactions with related parties have taken place:

	2011	2010
Project management and administrative services	5	—
Development fee	5	—
<b>Total</b>	<b>10</b>	—

Sales of project management and administrative services have been made to internal settlement price without mark-up.  
No purchases of goods and services have been made.

Lending to related parties:

	2011	2010
Lending to associated companies:		
At the beginning of the year	—	—
Lending paid out during the year	285	—
<b>At year-end</b>	<b>285</b>	—

For remuneration to senior executives, see Note 4.

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

## Note 23 Events after the balance sheet date

In mid-March 2012, the Company issued a senior and unsecured bond on the Swedish market. The bond volume totalled MSEK 350 and the final maturity date was set to 2015. The bond has a variable interest rate of 3 months STIBOR + 5.00 percentage points, and will be listed on NASDAQ OMX Stockholm.

Arise has also signed a Letter of Intent with Platina Partners LLP and the companies have a joint intention to finance, construct, own and manage the project Lingbo, amounting to a total of 160 to 250 MW.

Lingbo has been developed by Bergvik Skog AB with the permission for Platina to acquire the project in its entirety and Arise, in turn, has the right to acquire a participating interest of between 12.5% and 50% of the project. The Lingbo project is located 30 kilometres to the north of the Jädraås project and permits has already been obtained for the construction of up to 85 wind turbines to be built.

The work of creating local plans, as well as other planning and preparations for the start of the construction, is on-going, with an expected initiation autumn 2012 at the earliest.

The Letter of Intent is contingent on resolutions being adopted by both parties' Boards of Directors, which Arise expects to take place on 25 April this year. To ensure that Arise will obtain a participating interest in Lingbo exceeding 12.5%, a bond issue for MSEK 350 was successfully completed. The interest share, represented by MSEK 350, depends on the final size of the project. The agreement is an expansion of the parties' successful cooperation in the Jädraås project, 203 MW, which is under construction and progresses according to plan. Through the extended cooperation with Platina, Arise strengthens its position as the leading company in terms of onshore wind power in Sweden.

## PARENT COMPANY INCOME STATEMENT

Amounts in MSEK	Note	2011	2010
Net sales		68	10
Work performed by the Company for its own use and capitalised		18	13
<b>Total income</b>	2	<b>86</b>	<b>24</b>
Personnel costs	3	– 30	– 22
Other external expenses	4	– 17	– 13
<b>Operating profit before depreciation (EBITDA)</b>		<b>39</b>	<b>– 12</b>
Depreciation of property, plant and equipment	7	– 3	– 1
<b>Operating profit (EBIT)</b>		<b>36</b>	<b>– 13</b>
Financial income	5	7	6
Financial expense	5	– 7	0
<b>Profit after financial items</b>		<b>36</b>	<b>– 7</b>
Group contribution		– 18	–
<b>Profit before tax</b>		<b>18</b>	<b>– 7</b>
Income tax	6	– 5	2
<b>Net profit for the year and comprehensive income</b>		<b>13</b>	<b>– 5</b>

# PARENT COMPANY BALANCE SHEET

Amounts in MSEK	Note	2011	2010
<b>ASSETS</b>			
<b>Fixed assets</b>			
Property, plant and equipment	7	119	254
Shares in subsidiaries	8	700	509
Holdings in associated companies	9	89	—
Receivables from associated companies	9	285	—
Deferred tax assets	6	17	22
Other financial assets	10	10	9
<b>Total fixed assets</b>		<b>1,220</b>	<b>794</b>
<b>Current assets</b>			
Inventories	11	9	8
Receivables from Group companies		—	364
Accounts receivable		28	—
Current tax receivables		1	1
Other current receivables		3	1
Prepaid expenses and accrued income	12	28	40
Cash and cash equivalents		96	38
<b>Total current assets</b>		<b>165</b>	<b>452</b>
<b>TOTAL ASSETS</b>		<b>1,385</b>	<b>1,246</b>
<b>EQUITY</b>			
<b>Restricted equity</b>			
Share capital		3	3
Statutory reserve		0	0
<b>Non-restricted equity</b>			
Share premium reserve		1,368	1 282
Accumulated deficit		– 59	– 53
Profit/loss for the year		13	– 5
<b>Total equity</b>		<b>1,325</b>	<b>1,227</b>
<b>Current liabilities</b>			
Liabilities to Group companies		33	—
Account payable		15	7
Other liabilities		1	6
Accrued expenses and deferred income	13	12	6
<b>Total current liabilities</b>		<b>60</b>	<b>19</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,385</b>	<b>1,246</b>
Pledged assets	15	700	220
Contingent liabilities	15	None	None

## PARENT COMPANY CASH FLOW STATEMENT

Amount in MSEK	Note	2011	2010
<b>Operating activities</b>			
Operating profit (EBIT)		36	- 13
Adjustment for non-cash items	14	- 15	1
Tax paid		- 1	0
<b>Cash flow from operating activities before changes in working capital</b>		<b>- 21</b>	<b>- 12</b>
<b>Cash flow from changes in working capital</b>			
Increase in inventories		- 1	- 7
Increase (-)/Decrease (+) in operating assets		347	- 272
Increase (+)/Decrease (-) in operating liabilities		35	- 14
<b>Cash flow from operating activities</b>		<b>402</b>	<b>- 305</b>
<b>Investing activities</b>			
Sales/acquisitions of property, plant and equipment		105	- 213
Government grants		27	—
Investments in subsidiaries		- 191	- 248
Investments in associated companies		- 14	—
Investments in other financial fixed assets		- 286	- 1
<b>Cash flow from investing activities</b>		<b>- 359</b>	<b>- 462</b>
<b>Financing activities</b>			
Lending to Group companies		—	50
Interest paid		- 1	—
Interest received		7	3
Deposit into blocked accounts		-	- 8
Issue of new shares		11	525
<b>Cash flow from financing activities</b>		<b>16</b>	<b>570</b>
<b>Cash flow for the year</b>		<b>58</b>	<b>- 197</b>
Cash and cash equivalents at beginning of year		38	235
<b>Cash and cash equivalents at year-end</b>		<b>96</b>	<b>38</b>

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Amount in MSEK	Share capital	Other contrib. capital	Hedging reserve	Accumulated deficit	Total equity
<b>Opening balance as of 1 Jan 2010</b>	<b>2</b>	<b>0</b>	<b>750</b>	<b>- 53</b>	<b>698</b>
Profit/loss for the year and comprehensive income				- 5	- 5
Issue of new shares	1		554		554
Cost of issue of new shares			- 29		- 29
Tax costs relating to the issue of new shares			8		8
Utilisation of treasury shares for the acquisition of assets			1		1
<b>Closing balance as of 31 Dec 2010</b>	<b>3</b>	<b>0</b>	<b>1,283</b>	<b>- 59</b>	<b>1,227</b>
Opening balance as of 1 Jan 2011	3	0	1,283	- 59	1,227
Profit/loss for the year and comprehensive income				13	13
Issue of new shares	0		11		11
Issue of new shares upon acquisition of ass. companies			47		47
Utilisation of treasury shares for the acquisition of assets			28		28
<b>Closing balance 31 as of Dec 2011</b>	<b>3</b>	<b>0</b>	<b>1,368</b>	<b>- 46</b>	<b>1,326</b>

## NOTES FOR THE PARENT COMPANY

### Note 1 Accounting principles

#### ACCOUNTING PRINCIPLES FOR THE PARENT COMPANY

The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation RFR 2, Accounting for Legal Entities, and the applicable pronouncements from the Swedish Financial Reporting Board. RFR 2 implies that, in its preparation of the annual accounts for the legal entity, the Parent Company apply all the IFRS and interpretive statements approved by the EU as far as this is possible within the framework of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act, giving due consideration to the relationship between accounting and taxation. The Parent Company applies, for the most part, the same principles as outlined regarding the Group. The Parent Company applies the exemption rule in respect of IAS 39 which implies that financial instruments are valued at acquisition cost. Other differences between the accounting principles of the Group and the Parent Company are described below.

#### Income

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

Income arising from the sale of generated electricity is reported in the period in which delivery was made at the spot price, forward price or other agreed price. Income arising from electricity certificates is reported at the current spot price, forward price or other agreed price for the period in which the electricity certificate was earned, corresponding to the period in which the electricity was produced. The electricity certificates are reported in the balance sheet as inventories once they have been registered in the Swedish Energy Agency's account and as accrued income for as long as they are earned but not yet registered. Income from construction in progress and charged to Wind Farm companies is reported net in the income statement.

#### Taxes

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

#### Group contributions and shareholders' contributions

Group contributions and shareholders' contributions are recognised in accordance with the Swedish Financial Reporting Board's pronouncement UFR 2. This implies that Group contributions and shareholders' contributions are reported according to their economic significance. Group contributions and shareholders' contributions are reported in accordance with RFR 2. Group contributions are reported as expenses in the income statement and the tax effect is reported, in accordance with IAS 12, in the income statement. Shareholders' contributions are reported as an increase in participations in subsidiaries.

### Note 2 Net sales

Net sales are comprised of development fees, consulting costs which have been invoiced internally within the Group, net sales and purchases of generated electricity and electricity certificates, income from electricity sold but not yet generated, and realisation of electricity and currency derivatives attributable to secured production, as well as to other smaller items.

### Note 3 Personnel

For personnel information – see Note 4 to the consolidated financial statements.

### Note 4 Auditing fees

	2011	2010
Öhrlings PricewaterhouseCoopers		
Audit assignment	1	—
Audit activities other than the Audit assignment	0	1
Tax consultancy	1	0
Other services	0	1
<b>Total</b>	<b>2</b>	<b>2</b>

### Note 5 Financial income and expenses

	2011	2010
Dividend from subsidiaries	14	—
Impairment of shares in subsidiaries	– 14	—
Interest income	7	6
<b>Total financial income</b>	<b>7</b>	<b>6</b>
Interest expenses	– 1	—
Exchange rate losses	– 6	0
<b>Total financial expenses</b>	<b>– 7</b>	<b>0</b>

## Note 6 Tax

<b>Tax on profit for the year</b>	2011	2010
Deferred tax	– 5	2
<b>Reported Tax</b>	<b>– 5</b>	<b>2</b>
<b>Deferred tax</b>		
Attributable to unutilised tax losses	17	22
<b>Total recognised deferred tax</b>	<b>17</b>	<b>22</b>
<b>Change in deferred tax</b>		
Opening value, net	22	13
Reported deferred tax on net profit/loss for the year	– 5	2
Tax items recognised directly in equity <sup>1)</sup>	–	8
<b>Closing value, net</b>	<b>17</b>	<b>22</b>

<sup>1)</sup> Tax items reported directly against equity refer to tax effects on the cost of new share issue.

Translation has taken place to the applicable tax rate for 2011 and 2010 of 26.3% for all deferred taxes.

## Note 7 Property, plant and equipment

	Land and buildings <sup>1)</sup>		Equipment, tools, fixtures and fittings		Adv. paym. and Construction in progress <sup>2)</sup>		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Opening acquisition cost	1	1	12	2	244	38	258	42
Purchases/investments	2	—	3	4	347	206	351	210
Purchases from Group companies	—	—	—	6	—	—	—	6
Sales/disposals	—	—	—	—	– 484	—	– 484	—
<b>Closing acquisition cost</b>	<b>3</b>	<b>1</b>	<b>15</b>	<b>12</b>	<b>107</b>	<b>244</b>	<b>125</b>	<b>258</b>
Acc. depr. and imp. at beg. of year	0	0	– 3	0	—	—	– 3	0
Depreciation for the year	0	0	– 3	– 1	—	—	– 3	– 1
Assumed depreciation	—	—	—	– 2	—	—	—	– 2
Sales/disposals	—	—	0	—	—	—	0	—
<b>Closing acc. depr. and amortisation</b>	<b>0</b>	<b>0</b>	<b>– 6</b>	<b>– 3</b>	<b>—</b>	<b>—</b>	<b>– 6</b>	<b>– 3</b>
<b>Closing residual value acc. to plan</b>	<b>3</b>	<b>1</b>	<b>9</b>	<b>9</b>	<b>107</b>	<b>244</b>	<b>119</b>	<b>254</b>

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

<sup>2)</sup> Constructions in progress include advance payments regarding property, plant and equipment of MSEK 15 (76).

The Company has fulfilled its commitments in accordance with a previous framework agreement signed with Vestas. The framework agreement has therefore ceased to apply. The framework agreement signed previously with GE Energy has been replaced by a new framework agreement which results in a contractual commitment to purchase a certain number of wind turbines during 2012. If these commitments are not met, the Company can become liable for costs to an amount of MSEK 21 (87) in 2012. The company intends to, on a regular basis enter into new agreements with suppliers for the continued expansion until 2014.

## Note 8 Shares in subsidiaries

	2011	2010
<b>Carrying amount at beginning of year</b>	<b>509</b>	<b>260</b>
Investments in subsidiaries	205	249
Impairment of shares	– 14	—
<b>Carrying amount at end of year</b>	<b>700</b>	<b>509</b>

### Parent Company's holding

Name	Corp. Identity No.	Regd. off.	No. of shares	Owned share, %	Carr. amount of hold.	Equity
Arise Elnät AB	556747-2641	Halmstad	1 000	100%	21	21
Arise Service AB	556756-2730	Halmstad	1 000	100%	4	4
Arise Kran AB	556758-8966	Halmstad	1 000	100%	7	7
Arise Wind Farm 1 AB	556732-8942	Halmstad	1 000	100%	290	293
Arise Wind Farm 2 AB	556758-9113	Halmstad	1 000	100%	259	282
Arise Wind Farm 4 AB	556758-8933	Halmstad	1 000	100%	117	124
Arise Wind Farm 7 AB	556758-8909	Halmstad	1 000	100%	0	0
Arise Wind Farm 8 AB	556758-8891	Halmstad	1 000	100%	0	0
Arise Wind Farm 9 AB	556833-5813	Halmstad	500	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%	0	0
Arise Wind HoldCo 3 AB	556867-9798	Halmstad	500	100%	0	0
Arise Wind HoldCo 4 AB	556868-0069	Halmstad	500	100%	0	0
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
<b>Total</b>					<b>700</b>	<b>731</b>

The shareholdings in Arise Wind Farm 3 AB, Arise Wind Farm 5 AB and Arise Wind Farm 6 AB have been transferred to Arise Wind Farm 2 AB during the year.

## Note 9 Shares in associated companies

	2011	2010
Carrying amount at beginning of year	—	—
Investment in associated companies	89	—
<b>Carrying amount at end of year</b>	<b>89</b>	<b>—</b>

### Parent Company's holding

Name	Corp. Identity No.	Regd. off.	No. of shares	Owned share, %	Carr. amount of hold.	Equity
Sirocco Wind Holding AB	556864-8058	Stockholm	6 000	50%	89	84
<i>JVAB Holding AB</i>	<i>556864-2069</i>	<i>Falun</i>	<i>50 000</i>	<i>100%</i>	—	—
<i>Jädraås Vindkraft AB</i>	<i>556733-6481</i>	<i>Falun</i>	<i>1 000</i>	<i>100%</i>	—	—
<i>HKAB Holding AB</i>	<i>556864-2051</i>	<i>Falun</i>	<i>50 000</i>	<i>100%</i>	—	—
<i>Hälleåsen Kraft AB</i>	<i>556864-2077</i>	<i>Falun</i>	<i>50 000</i>	<i>100%</i>	—	—
<b>Total</b>					<b>89</b>	<b>84</b>

All subsidiaries of Sirocco Wind Holding AB are wholly-owned by this company.

## Note 10 Other financial assets

	2011	2010
Cash and cash equivalents in blocked accounts	9	8
Other shares and participations	1	1
<b>Carrying amount at end of year</b>	<b>10</b>	<b>9</b>

## Note 11 Inventories

	2011	2010
Electricity certificates	9	8
<b>Total</b>	<b>9</b>	<b>8</b>

Inventories are reported in accordance with the Group's accounting principles as described in Note 1.

## Note 12 Prepaid expenses and accrued income

	2011	2010
Accrued electricity and certificate income	16	5
Accrued income, Swedish Energy Agency	7	34
Accrued interest income	3	—
Prepaid expenses	2	1
<b>Total</b>	<b>28</b>	<b>40</b>

## Note 13 Accrued expenses and deferred income

	2011	2010
Accrued personnel related costs	10	4
Other accrued expenses	2	2
<b>Total</b>	<b>12</b>	<b>6</b>

## Note 14 Add. disclosures on Cash flow statement

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

### Adjustment for non-cash items

	2011	2010
Depreciation and impairment of property, plant & equipment	3	1
Group contributions	- 18	—
Other items	0	—
<b>Total</b>	<b>- 15</b>	<b>1</b>

## Note 15 Pledged assets and contingent liabilities

### Pledged assets

	2011	2010
Shares in subsidiaries	700	220
<b>Total</b>	<b>700</b>	<b>220</b>

### Contingent liabilities

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

## Note 16 Related-party transactions

During the year, the following transactions with related parties took place:

	2011	2010
Sales of goods and services to subsidiaries	398	60
Purch. of goods and services from subsidiaries	190	68
<b>Transactions with main owners</b>		
Ulf Corné through Forsus AB	0	2
<b>Total</b>	<b>—</b>	<b>—</b>
Trans. with other senior executives	—	—

The Parent Company's transfer of projects and charging of services to its subsidiaries amounted to MSEK 398 (60). Services sold refer primarily to consulting fees in relation to permitting and planning work, and billed administrative expenses. The Parent Company's purchase of goods and services from subsidiaries amounted to MSEK 190 (68) and consists of electricity and electricity certificates and the purchase of miscellaneous consulting services.

During the year, Ulf Corné worked with specific tasks assigned by the Company on a contract basis, for which market-based remuneration amounted to MSEK 0.4 (1.8). Other than as stated above, no Director or member of senior management 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. Remuneration to directors 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.

## APPROPRIATION OF PROFITS

The Annual General Meeting is asked to decide on the appropriation of:

Parent Company	TSEK
Accumulated deficit from previous years	– 58,747
Share premium reserve, non-restricted equity	1,368,496
Profit for the year	13,153
<b>Total unappropriated earnings</b>	<b>1,296,596</b>

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

<b>To be carried forward</b>	<b>1,296,596</b>
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For further information on the result and financial positions of the Group and Parent Company, see the income statements, balance sheets, cash flow statements and Notes to the accounts. The income statements and balance sheets will be presented for adoption to the Annual General Meeting on 25 April 2012.

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 result, and that the Directors' Report gives a true and fair view of the development of the Company's business, financial position and result and describes significant risks and uncertainties faced by the Company. The Board of Directors and the Chief Executive Officer hereby certify that the consolidated accounts 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 result and that the Directors' report for the Group gives a true and fair view of the development of the Group's business, financial position and result, and describes significant risks and uncertainties faced by the companies included in the Group

Halmstad, 27 March 2012

Pehr G Gyllenhammar  
*Chairman*

Birger von Hall  
*Director*

Joachim Gahm  
*Director*

Jon G Brandsar  
*Director*

Peter Nygren  
*Director*  
*CEO*

Our audit report was submitted on 27 March 2012  
Öhrlings PricewaterhouseCoopers AB

Bror Frid  
*Authorised Public Accountant*

# AUDITOR'S REPORT

## To the Annual General Meeting of Arise Windpower AB (publ)

Corporate Identity Number 556274-6726

### Report on the annual accounts and consolidated accounts

We have audited the annual accounts and the consolidated accounts for Arise Windpower AB (publ) for the year 2011. The annual accounts and consolidated accounts of the Company are included in the printed version of this document on pages 22 – 57.

### Responsibilities of the Board of Directors and the Chief Executive Officer for the annual accounts and consolidated accounts

The Board of Directors and the Chief Executive Officer are responsible for the preparation and fair presentation of annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Chief Executive Officer 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.

### Auditor's responsibility

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

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

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

### Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material aspects, the financial position of the Parent Company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consoli-

dated 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 2011 and of its financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory Directors' Report is consistent with the other parts of the annual accounts and consolidated accounts.

We recommend to the Annual General Meeting that the income statement and balance sheet of the Parent Company and the Group be adopted.

### Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and the consolidated accounts, we have examined the proposed appropriation of the Company's profit or loss and the administration of the Board of Directors and the Chief Executive Officer of Arise Windpower AB for the year 2011.

### Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriation of the Company's profit or loss, and the Board of Directors and the Chief Executive Officer are responsible for administration under the Companies Act.

### Auditor's responsibility

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

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

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

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

### Opinions

We recommend to the Annual General Meeting that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Gothenburg, 27 March 2012

Öhrlings PricewaterhouseCoopers AB

Bror Frid

Authorised Public Accountant

## CORPORATE GOVERNANCE REPORT

### Corporate Governance Report for the Group

Arise Windpower AB (publ) is a Swedish public limited liability company which is quoted on Nasdaq OMX Stockholm. Arise therefore applies the Swedish Corporate Governance Code (the "Code"). This corporate governance report has been established in accordance with the provisions included in the Code, Chapter 6, Sections 6–9 of the Swedish Annual Accounts Act and Chapter 9, Section 31 of the Swedish Companies Act and refers to the financial year 2011. Arise's Articles of Association and other information regarding corporate governance in Arise is available on our website, [www.arisewindpower.se](http://www.arisewindpower.se).

### Application of the Code

Corporate Governance in Arise complies with the Code and is, therefore, based on the principles provided in legislation, listing agreements, guidelines and good practice.

It is stated as an explained deviation from the Code that the Chairman of the Board has served as the Chairman of the Nomination Committee. The reason for this deviation is based on the Chairman's experience on simi-

lar assignments, as well as his other merits. Other deviations from the Code are reported continuously in the Corporate Governance Report. In 2011, the Company did not engage in infringements of the regulations applied in the regulated market on which the Company's shares are quoted for trade, or of good practice on the securities market.

### Shareholders

According to Euroclear Sweden AB's shareholder register, Arise had approximately 3,354 shareholders on 31 December 2011. The shareholders with direct or indirect shareholdings representing more than 10 % of the votes are represented by the Tredje AP-fonden.

More information on the major shareholders is also provided on Arise's website, [www.arisewindpower.se](http://www.arisewindpower.se).

### Shares

The share capital in Arise amounted on 31 December 2011 to SEK 2,674,245.60, represented by 33,428,070 shares. All shares are of the same type and thus carry the same rights to the Company's assets, profits and dividends.

### The Annual General Meeting

Arise's highest decision-making body is the Annual General Meeting of shareholders. Notice of the Annual General Meeting, or an extra general meeting in which issues concerning changes in the Articles of Association are discussed, is given no earlier than six weeks and no later than four weeks before the meeting. All shareholders who are included in the transcript of the shareholder register and who have announced their participation in time, have the right to take part and vote in the meeting. The number of votes a shareholder is entitled to is not restricted. The shareholders who are unable to attend the meeting in person may be presented by proxies. The Company does not apply special arrangements with regard to the function of the general meeting, neither on the basis of regulations in the Articles of Association nor, to the extent they are known to the Company, shareholder agreements. Furthermore, the Articles of Association do not include specific regulations relating to changes in the Articles of Association.

The most recent Annual General Meeting took place on 27 April 2011 in Halmstad. This



AGM authorised the Board to take decisions regarding the acquisition and transfer of own shares and the issuing of shares. The minutes from the AGM are available on Arise's website.

The next Annual General Meeting will be held on 25 April 2012 in Halmstad. Shareholders wishing to have issues addressed at the general meeting may send written requests to Arise Windpower AB (publ), Att: Chairman of the Board, Box 808, SE-301 18 Halmstad. The Board of Directors must receive such requests no later than seven weeks before the meeting, or at least in sufficient time so that the issue can be, if required, included in the notice of the meeting.

### The Nomination Committee

At the Annual General Meeting on 27 April 2011, the meeting resolved to establish procedures for the appointment of a Nomination Committee prior to the next elections and for determinations of remuneration. According to the resolution, the Nomination Committee is to comprise five regular members, including representatives of the four largest owners as of the beginning of October, together with the Chairman of the Board. The Nomination Committee prior to the Annual General Meeting 2012 consists of Bengt Hellström (for Tredje AP fonden), Joachim Gahm for the founders including family and corporation (L Energy Holding & Ny Holding AB etc.), Albert Hæggrström (for Länsförsäkringar), Peter van Berlekom (for Nordea Fonder) and the Chairman of the Board of Directors, Pehr G Gyllenhammar. The majority of the Nomination Committee's members are independent in relation to the Company and management.

According to the Code, the Nomination Committee's task is to prepare issues regarding appointments and remunerations prior to the following general meeting. The Nomination Committee will present a description of their activities at the Annual General Meeting on 25 April 2012. Shareholders wishing to submit proposals to the Nomination Committee are requested to contact the Chairman of the Nomination Committee: Arise Windpower AB (publ), Att: Chairman of the Nomination Committee, Box 808, 301 18 Halmstad.

## THE BOARD OF DIRECTORS

### General information

The Board of Directors is responsible for the management of the Company, as well as its affairs and organisation. In accordance with the Articles of Association, the Board of Directors shall comprise at least three and no more than nine board members. The Articles of Association do not include any specific regulations regarding the appointment or the dismissal of board members.

At the most recent Annual General Meeting, held on 27 April 2011, a board was elected consisting of the regular members Pehr G Gyllenhammar (Chairman), Jon G Brandsar, Birger von Hall, Joachim Gahm, and CEO Peter Nygren. No deputy board members were appointed.

In accordance with the formal work plan for the Board of Directors, the Board is to hold at least six scheduled meetings between each Annual General Meeting. In the financial year 2011, the Board held eighteen meetings. Minutes were kept for each of them. The attendance at the meetings by the members is presented in the table below. During the financial year 2012, two meetings have taken place thus far.

A description of the Board of Directors including information on their other directorships, independence and relevant holdings of shares and warrants is provided on page 64. Compensations and other benefits to the Board of Directors are described in Note 4 on pages 38–39. All members of the Board appointed by a general meeting, except for Peter Nygren, have been independent in relation to the Company and the management (see also page 64). All members of the Board are independent in relation to major owners.

However, it is noted that Peter Nygren, in accordance with a press release, has allowed the re-utilisation of 3,162,498 shares to the Company. More information on the Board of Directors is provided on Arise's website, [www.arisewindpower.se](http://www.arisewindpower.se).

### Attendance of the Members of the Board 2011

Member	Meet-ings	Present at	Attend-ance %
Pehr G Gyllenhammar	18	18	100
Birger von Hall	18	18	100
Joachim Gahm	18	18	100
Peter Nygren	11	11	100
Jon G Brandsar	18	18	100
Leif Jansson	7	7	100
Ulf Corné	7	7	100

### The work of the Board

The meetings of the Board of Directors are preferably to be held by physical attendance at Arise's head office. Additional meetings can, however, be conducted over the telephone. In 2011, many of the Board meetings took the form of a conference call due to practical reasons. The Chairman of the Board leads and organises the work of the Board. Lawyer Jonas Frii has served as the Board's secretary.

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

The rules of procedure for the Board, which are to be reviewed on an annual basis, regulate the division of duties among the Chairman, the Board and its committees. The rules of procedure state, for example, the obligatory issues to be addressed at every regular meeting. The Board has evaluated its own work. The evaluation has been internal and it has been conducted under the leadership of the Chairman, covering the work of the Board as well as each of its members. The results of the evaluation have been made available to the Nomination Committee. The Board has evaluated the work of the CEO.

### The Remuneration Committee

Up to the Annual General Meeting 2012, the Remuneration Committee comprises the members of the Board Birger von Hall (Chairman) and Joachim Gahm. The CEO normally presents the matters of the Remuneration Committee, with the exception of issues dealing with their own salary or benefits. The Remuneration Committee convened three times during 2011. All members of the Board participated in all meetings.

The Committee presents issues regarding remunerations and other terms of employment to the CEO and other senior manage-

ment, as well as issues regarding any variable compensation programs within the Group. All members of the Committee are independent in relation to Arise and its senior management.

The Committee's work is based on the decisions taken at the most recent Annual General Meeting, regarding the guidelines for remuneration to senior management.

#### The Audit Committee

Until the Annual General Meeting 2012, the Audit Committee consists of the members of the Board, Birger von Hall (chairman), Joachim Gahm and Jon G Brandsar. Issues addressed by the Committee are presented by the CFO, Thomas Johansson. The Audit Committee held seven meetings in 2011. Attendance during the year was high in all meetings.

The Audit Committee prepares issues concerning, for example, financial reporting, risks, governing documents, key figures, accounting rules and internal control. The Audit Committee also conducts an on-going dialogue with the auditor. In addition, a specially established finance committee has prepared certain issues concerning the raising of capital and acquisitions.

#### The attendance of the members of the Audit Committee 2011

Member	Meetings	Present at	Attendance %
Birger von Hall	7	7	100
Joachim Gahm	7	6	86
Jon G Brandsar	7	7	100

#### Group management

Arise's Group management and the Group management's holdings of shares and warrants are described on page 65.

#### Appointment of auditors

At the Annual General Meeting in 2008, Öhrlings PricewaterhouseCoopers AB was appointed as the auditor, with authorised public accountant, Bror Frid, as Auditor-in-Charge for the period up to the Annual General Meeting held in the fourth year after this appointment.

The appointment of auditors is, thus, due to be addressed at the coming Annual General Meeting.

#### Internal control

The goal for the internal control in Arise is to establish an effective decision-making process in which requirements, objectives and



limits are clearly defined. The Company and the management apply the internal control system to monitor the operations and the Group's financial position.

#### Control environment

The control environment forms the basis for internal control. Arise's control environment comprises, for example, sound core values, integrity, competence, leadership philoso-

phy, organisational structure, responsibility and authorities. Arise's internal rules of procedure, instructions, policies, guidelines and manuals provide guidance to the employees.

In Arise, a clear division of roles and responsibilities for effective management of the operational risks is ensured, for example, through rules of procedure for the Board of Directors and committees, as well as through instructions to the CEO.

In the day-to-day operations, the CEO is responsible for the system of internal controls required for the creation of a control environment for significant risks. In Arise, there are also guidelines and policies regarding financial governance and evaluation, communication issues and business ethics. All companies in the Group have the same reporting system with the same accounting plan.

The Board has appointed an Audit Committee which is responsible, for example, for ensuring that adopted policies for financial reporting and internal control are complied with. The CEO or CFO reports the results of their work on internal control to the Audit Committee. The results of the work of the Audit Committee in the form of observations, recommendations and proposals for decisions and measures are reported to the board on an on-going basis.

Thus, Arise's internal control environment is based on the division of work between the company organs, reporting to the Board of Directors, adopted policies and guidelines and on employees' compliance with the policies and guidelines.

### Internal control regarding financial reporting

Internal control regarding financial reporting is part of the internal control within Arise and aims, for example, to provide reasonable reliability in the external financial reporting in form of interim reports, annual reports

and year-end reports, and to ensure that the external financial reporting is prepared in accordance with laws, applicable accounting standards and other requirements for listed companies.

### Risk assessment and control activities

On an on-going basis, Arise performs risk analyses in order to identify potential sources of errors in the financial reporting. Relevant procedures are documented so as to increase traceability in accounting as Arise expands. Normal control activities include reconciliation of accounts and supporting controls.

The purpose of all control activities is to prevent, detect and correct any errors or deviations in financial statements. The most significant risks regarding financial reporting in the Group's activities and internal control are managed through control structures which are primarily based on reports on deviations from adopted goals or standards regarding, for example, currencies and hedging.

### Follow-up

On an on-going basis, the Board of Directors evaluates the information provided by the management. In the activities of the Board of Directors and the audit committee, great importance is attached to the work on following up the effectiveness of internal control. The activities include, for example, ensuring that measures are taken regarding any proposals for actions arising in external audits.

### Information and communication

The provision of correct information, both internally and externally, implies that all parts of the operations are able to exchange and report relevant and significant information about the business in an effective manner. In order to achieve this, Arise has issued policies and guidelines regarding the management of information in the financial processes, which has been communicated to the employees by the management group.

Furthermore, for communication with external parties, there is a policy stating guidelines for the way in which such communication is to take place. The ultimate purpose of the defined policies is to ensure that the disclosure requirements are complied with and that the investors receive the correct and timely information.

### Internal audit

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

### Activities in 2011

In 2011, the focus was placed on financing and investing issues, along with the acquisition of the Jädraås project.

Halmstad, 27 March 2012

Pehr G Gyllenhammar  
*Chairman*

Birger von Hall  
*Director*

Joachim Gahm  
*Director*

Jon G Brandsar  
*Director*

Peter Nygren  
*Director and CEO*

### Auditor's opinion on the Corporate Governance Report

The Board of Directors is responsible for the Corporate Governance Report for year 2011 on pages 59–62 and for ensuring that it is prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Report and based on this reading and our knowledge of the Company and the Group we believe we have a sufficient basis for our opinions. This implies that our statutory review of the Corporate Governance Report has a different direc-

tion and a significantly narrower scope than the direction and scope of an audit conducted according to the International Standards on Auditing and good auditing practice in Sweden.

We conclude that a Corporate Governance Report has been prepared, and that its statutory content is in accordance with the annual accounts and the consolidated accounts

Gothenburg, 27 March 2012

Öhrlings PricewaterhouseCoopers AB  
Bror Frid  
*Authorised Public Accountant*

## OWNERSHIP STRUCTURE

### Share capital

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

### Dividend policy and equity/assets ratio target

The terms and conditions for financing can impact the possibility of distributing a dividend. In conjunction with the issue of a bond in March 2012, the Company has agreed not to pay a dividend until after 31 March 2015. The financial policy states that the consolidated equity/assets ratio is to exceed 25%.

### LARGEST SHAREHOLDERS

Ownership structure as of 31 December 2011	Shares	Share of votes and share of capital
Tredje AP-fonden	4,636,363	13.87%
Founders with families and companies	3,750,397	11.22%
Nordea Investment Funds	3,271,329	9.79%
Länsförsäkringar Fondförvaltning AB	2,888,739	8.64%
Statkraft AS	2,495,613	7.47%
Ownpower Projects Europe AB	2,300,000	6.88%
Arbejdsmarkedets Tillaegspension	1,951,071	5.84%
Alecta Pensionsförsäkring	1,500,000	4.49%
Ernstström Finans AB	1,381,818	4.13%
Vätterledens Invest AB	734,182	2.20%
KL Ventures AB	500,000	1.50%
Pehr G Gyllenhammar	446,639	1.34%
Länsförsäkringar Bohuslän	400,373	1.20%
KLP-Pension	350,000	1.05%
Ethos Aktiefond	342,600	1.02%
Lundaslättens Vindfabrik	280,165	0.84%
Avanza Pension	267,719	0.80%
Global Wind Energy Fund	253,621	0.76%
Hanvad Invest AB	249,165	0.75%
Pohjola Bank PLC Client A/C	205,659	0.62%
Morgan Stanley and Co LLC	200,600	0.60%
Svenska Handelsbanken	200,000	0.60%
Other shareholders	4,822,017	14.43%
<b>Total number of registered shares</b>	<b>33,428,070</b>	<b>100.00%</b>

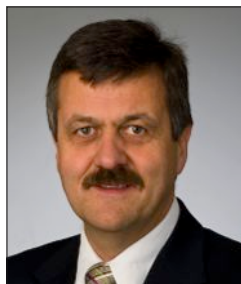
### SHARE CAPITAL HISTORY

		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	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	Exercise of share warrants	135,000	21,561,070	10,800	1,724,885.60
2010	New issue	10,000,000	31,561,070	800,000	2,524,885.60
2011	Exercise of share warrants	227,500	31,788,570	18,200.00	2,543,085.60
2011	Exercise of share warrants	15,000	31,803,570	1,200.00	2,544,285.60
2011	Exercise of share warrants	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

## ARISE WINDPOWER'S BOARD OF DIRECTORS



Pehr G Gyllenhammar



Jon G Brandsar



Joachim Gahm



Birger von Hall



Peter Nygren

### **Pehr G Gyllenhammar**, born 1935

Pehr G Gyllenhammar is a Director and has served as Chairman of the Board since being appointed at the Annual General Meeting on 2 October 2007.

**Other directorships and positions:** Vice Chairman of Rothschild Europe, Chairman of Rothschild Nordic AB, Chairman of Thomson Reuter Founder Share Company.

**Education:** LL.M. from Lund University (1959).

**Holdings:** 446,639 shares.

**Independence/dependence:** Pehr G Gyllenhammar is independent in relation to Arise Windpower, its senior executives and major shareholders.

### **Jon G Brandsar**, born 1954

Jon G Brandsar has been a Director since being appointed by the Annual General Meeting on 16 June 2008.

**Other directorships and positions:** Executive Vice President, Wind Power and Technologies at Statkraft AS, CEO of Statkraft Development AS and Chairman of Trondheim Energi AS.

**Education:** Degree in Electrical Engineering from GIH Gjøvik (1977).

**Holdings:** –

**Independence/dependence:** Jon G Brandsar can be considered to be an independent member of the Board of Directors in relation to Arise Windpower's major owners, given that Statkraft AS holds 7.5% of the shares in Arise Windpower. Jon G Brandsar is also independent in relation to Arise Windpower and its executive officers.

### **Joachim Gahm**, born 1964

Joachim Gahm has been a Director since being appointed by the Annual General Meeting on 11 July 2007.

**Other directorships and positions:**

Co-owner and Director of Sustainable Growth Capital SGC AB, Director of Kungsliden AB. Joachim Gahm was previously CEO of E.Öhman J:or Investment AB and Vice CEO and a Director of E.Öhman J:or Fondkommission AB.

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

**Holdings:** 10,000 shares.

**Independence/dependence:** Joachim Gahm is independent in relation to Arise Windpower, its senior executives and major shareholders.

### **Birger von Hall**, born 1948

Birger von Hall has been a Director since being appointed by the Annual General Meeting on 11 July 2007.

**Other directorships and positions:**

Chairman of Aktiebolaget Club Avancez, Chairman of Stiftelsen Göteborgs Maritima Centrum, Director of The Local Firm Sweden AB, Director of the Royal Bachelors Club Residence Aktiebolag, Director of A och B von Hall AB, Director of Chalmers Innovation Affiliate Fund AB (publ), Director of Emils Kårhus AB.

**Education:** M.Sc. in Engineering from Chalmers University of Technology (1974).

**Holdings, own and via company:** 40,000 shares.

**Independence/dependence:** Birger von Hall is independent in relation to Arise Windpower, its senior executives and major shareholders.

### **Peter Nygren**, born 1958

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

**Other directorships and positions:**

Chairman of all subsidiaries of Arise Windpower, Chairman of Sirocco Wind Holding AB, Chairman of JVAB Holding AB, Jädraås Vindkraft AB and HKAB Holding AB. Director of Hälleås Kraft AB, PLU Energy Holding AB, NyHolding i Motala AB and NyHolding AS. Extraordinary Member of the Board of Zinwin AB.

**Education:** MBA studies at Uppsala University (2001).

**Holdings with family and company:**

1,340,187 shares and 17,000 warrants (entitling to subscription of 17,000 shares).

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

*The information concerning share holdings and warrants refers to the situation as of 31 December 2011.*

## ARISE WINDPOWER'S SENIOR MANAGEMENT



**Peter Nygren**, born 1958

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

**Holdings through family and company:**

1,340,187 shares and 17,000 share warrants (entitling to subscription of 17,000 shares).



**Lars Fröding**, born 1963

COO since February 2011. Responsible for permits and detailed development plans. Lars has extensive experience from public administration and is responsible for permit issues and contacts with government agencies regarding planning, building and environment issues relating to planned wind turbines.

**Holdings:** 20,000 warrants (entitling to subscription of 20,000 shares).



**Leif Jansson**, born 1954

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

**Holdings with family and company:**

1,278,909 shares.



**Thomas Johansson**, born 1963

CFO since 2008. Thomas has a broad base of experiences, including the role of General Manager, Director of Finance and Administration, CFO and authorised public accountant.

**Holdings:** 55,000 shares and 20,000 warrants (entitling to subscription of 20,000 shares).



**Gary Ericson**, born 1952

Head of Marketing since March 2011. Gary has many years' experience from the energy industry. Before joining Arise Windpower, he worked for Halmstads Energi och Miljö AB.

**Holdings:** 20,000 warrants (entitling to subscription of 20,000 shares).



**Linus Hägg**, born 1976

Head of Corporate Finance since October 2011. Linus has extensive experience working in capital markets. Before joining Arise Windpower, he worked at ABG Sundal Collier.

**Holdings:** 10,000 shares and 20,000 warrants (entitling to subscription of 20,000 shares).

*The information concerning share holdings and warrants refers to the situation as of 31 December 2011.*

## ANNUAL GENERAL MEETING AND 2012 CALENDAR

### Annual General Meeting

Shareholders are invited to attend Arise Windpower's Annual General Meeting to be held at Scandic Hallandia, Rådhusgatan 4, 302 43 Halmstad, Sweden on Wednesday, 25 April 2012, at 11 a.m. Light refreshments and beverages will be served after the AGM.

### Registration

Shareholders wishing to attend the Annual General Meeting must be registered in the register of shareholders maintained by Euroclear Sweden AB (formerly VPC AB) on Thursday 19 April 2012 and register their attendance along with that of any assistants no later than Thursday 19 April 2012, before 4 p.m. and preferably by e-mail to [info@arisewindpower.se](mailto:info@arisewindpower.se). It is also possible to register for the Annual General Meeting by telephone, +46 (0)35 20 20 900, fax +46 (0)35 22 78 00 or by post to Arise Windpower AB (publ), Bolagsstämman, Box 808, SE-301 18 Halmstad.

Shareholders registering their attendance are required to state their name, address, telephone number, personal ID or Corporate Identity Number, registered shareholding and details of any advisor. The attendance and details of any proxies and advisors are registered with Arise Windpower for the purpose of drawing up the electoral roll. Shareholders wishing to be represented by a proxy are required to issue a signed and dated authorisation to their proxy. If the authorisation is issued by a legal entity, a certified copy of the certificate of registration or equivalent document for the legal entity must be presented. All authorisations must be made in writing and submitted no later than at the Annual General Meeting, although a copy should be sent in advance, if possible. Authorisation forms will be available at [www.arisewindpower.se](http://www.arisewindpower.se) and from the head office in Halmstad, Kristian IV:s väg 3, or sent to any shareholder who so wishes and provides their address.

Shareholders whose shares are registered with a nominee through the trust department of a bank or individual stockbroker are required to have their shares temporarily registered in their own name in order to be entitled to participate in the Annual General Meeting. Such temporary registration of ownership must be completed no later than Thursday, 19 April 2012. 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

Accounting documents, the Audit Report, the auditor's statement in accordance with Chapter 8 Section 54 of the Companies Act, and the Board's proposed appropriation of profits will be sent to shareholders requesting this, and will also be available at [www.arisewindpower.se](http://www.arisewindpower.se) and from the head office in Halmstad. The full versions of other proposals will be available no later than Wednesday 4 April 2012 at [www.arisewindpower.se](http://www.arisewindpower.se) and from the head office. Copies of the documents will be sent on request to shareholders stating their address.

### Calendar of financial information

All financial information is published at [www.arisewindpower.se](http://www.arisewindpower.se) as soon as it has been released. In 2012, financial information will be published as follows:

- First quarter of 2012: 25 April 2012
- Second quarter of 2012: 19 July 2012
- Third quarter of 2012: 7 November 2012
- Fourth quarter of 2012: 15 February 2013

### Annual Report

The Annual Report is sent by post to shareholders who have notified the company that they wish to receive a copy. It is also available at [www.arisewindpower.se](http://www.arisewindpower.se).

### IR contact

Peter Nygren, CEO, and Thomas Johansson, CFO, are responsible for Arise Windpower's financial information. Leif Jansson is responsible for Investor Relations.

Peter Nygren, CEO: Telephone +46-706 300 680

Thomas Johansson, CFO: Telephone: +46 768 211 115

Leif Jansson, IR: Telephone: +46 707 340 554



