Rabbalshede Kraft Annual Report 2016






rabbalshede kraft

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This is a translation of the Swedish version of the annual report. In case of any inconsistency in relation to the Swedish version, the Swedish version shall prevail.

This is Rabbalshede Kraft

A leading player in wind power in Sweden, Rabbalshede Kraft's strength lies in developing and operating wind farms. From when Rabbalshede Kraft was founded in 2005 up until December 2016, the company has invested nearly SEK 2,3 billion in proprietary operational wind farms.

The company ensures sound control of the entire value chain, from planning and establishing wind farms to production and sales of electricity.

Production of renewable electricity
Production and sales of renewable electricity from its own wind farms represent the company's largest source of revenue. Electricity is sold on the open electricity market, Nord Pool.

Sales of turnkey wind power projects
Project planning has been a fundamental part of the company's operations since it was founded. Its focus is on delivering profitable, turnkey wind power projects for commissioning by the company itself or to be sold to its partners. The company has a development portfolio comprising 500 MW.

Rabbalshede Kraft also procures and manages the construction of wind farms on behalf of its customers. The company is a major, independent player in the wind power market, which creates economies of scale and bargaining power for its partners.

Offering of asset management services
Operating wind farms entails a long list of commitments in addition to the obvious aspect of producing electricity. Rabbalshede Kraft manages the company's operational wind farms and offers investors and wind power owners a comprehensive operational management solution.
The company's professional operation and maintenance organization, which works in close cooperation with turbine suppliers, contributes to high operational reliability. This creates a long-term, secure return and low operating risk for the company's owners.

The owners include the industrial company Manor Group, which is the majority shareholder, the property company Ernst Rosén, the Chalmers University of Technology Foundation, Nordea Investment Funds and approximately 1,000 additional companies and private shareholders. In February 2017, Sweden Holdco RK AB ("Greystone") became a significant owner.

Rabbalshede Kraft makes a difference
In the move toward sustainable development, it is important that society increases the percentage of electricity derived from renewable energy sources. Wind is one such energy source.

Rabbalshede Kraft is certified in accordance with ISO 9001 and ISO 14001.

VISION, BUSINESS CONCEPT OCH TARGET

Vision
To be a leading player in terms of developing renewable energy in the Nordic region

Business concept
- To plan and establish land-based wind farms in Sweden
  – for sales of renewable energy
  – for sales of wind farms
- To offer asset management services, and procure and manage the construction of wind farms

Target
Rabbalshede Kraft's overriding objective is to create value growth for the Company's shareholders by bring to the power market clean and efficient MWh while maintaining a strong balance sheet and delivering long-term result to our shareholders.

Value growth is generated through the sale of proprietarily produced electricity and through divestments, when the gain from invested capital is realized.

SIGNIFICANT EVENTS DURING THE YEAR

Q1 In late 2015, Rabbalshede Kraft conducted a preferential rights issue whereby the company raised SEK 312 M. The share issue was registered in January 2016.

Q2 Rabbalshede Kraft and Ardian Infrastructure invested just over SEK 1 billion in the Lyrestad wind farm, comprising 22 wind turbines (76 MW) for commissioning in autumn 2017. The wind farm's annual production, which is estimated at 234 GWh, will be purchased by Google under a long-term power purchase agreement.

An agreement was reached concerning the construction and sale of a wind turbine (2 MW) in Hällevadsholm to Mölndal Energi. Rabbalshede Kraft is responsible for procurement and construction, and signed a two-year management agreement.

Q3 Rabbalshede Kraft concluded a management agreement with Gnosjö Energi. The agreement pertains to a four-year management assignment involving operational management and monitoring of the Kulltorp wind farm, comprising four wind turbines (10 MW).

Håkan Frick was appointed as acting CEO.

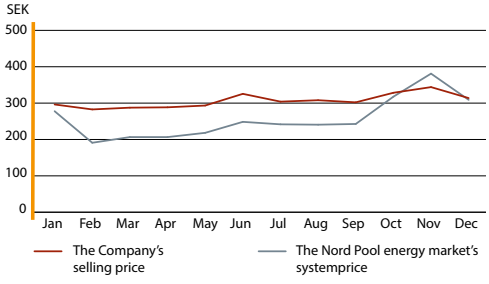
Q4 During the year, Rabbalshede Kraft reduced its bank liabilities for the Group's wind farms by some 40%. This was made possible by a shareholder loan from Manor Group, the company's principal owner.

A management agreement was signed with Dorotea Municipality and Kvarkenvinden for two wind turbines (4 MW) at the Bliekevare wind farm.

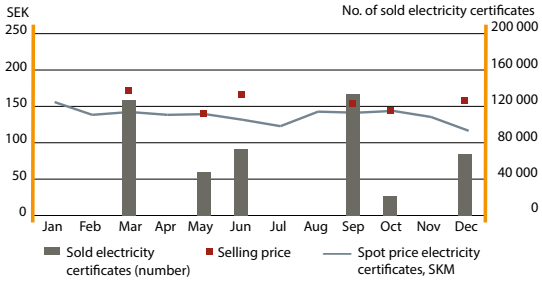
Annual production amounted to 500 GWh, approximately 3% below the expected level due to weaker winds during the first half of the year. Availability at the company's wind farms over the year was 98.9%.

The environmental permit for the Skölunga wind farm for three wind turbines (9 MW) gained legal effect.

Electricity price (SEK/MWh) 2016



Electricity certificates SEK/MWh 2016



The lower curve indicates the Nord Pool energy market's systemprice (a weighted spot price for all participating countries).

Rabbalshede Kraft continuously hedges the sale of electricity, which meant in 2016 that the company mainly obtained a higher price per megawatt hour of electricity than the daily Nord Pool power market price. Electricity price hedging takes place through the conclusion of contracts for the sale of future electricity production at preestablished prices.

See "The electricity market" on page 20.

Electricity certificates provide financial support for renewable electricity producers. The system has existed in Sweden since 2003 and been managed jointly with Norway since 2012. Rabbalshede Kraft and other approved renewable electricity producers receive a certificate for each MWh electricity sold. Electricity certificates are traded in the same way as electricity but much more infrequently.

See "The electricity certificate market" on page 23.

PERFORMANCE DURING THE YEAR

Key figures

	Year 2016	Year 2015	Year 2014	Year 2013	Year 2012
Electricity production, MWh	500 247	576 412	314 665	189 431	159 785
Net sale, KSEK	235 628	264 204	146 161	104 694	85 269
EBITDA, KSEK	143 299	169 655	81 270	77 821	43 215
EBIT, KSEK	44 263	-110 669	14 325	38 027	-7 619
Installed capacity at the close of the period, MW	190	190	190	89	66
Return on capital employed before taxes %	2,2	neg	0,7	2,6	neg
Debt service ratio	1,0	1,1	1,4	0,7	1,0
Equity/assets ratio, %	46	45	37	58	45
Periodens kassaflöde, tkr	-182 811	105 738	–14 134	46 218	22 037

500 GWh production 2016

236 MSEK Net sale

143 MSEK EBITDA

46 % Equity/assets ratio

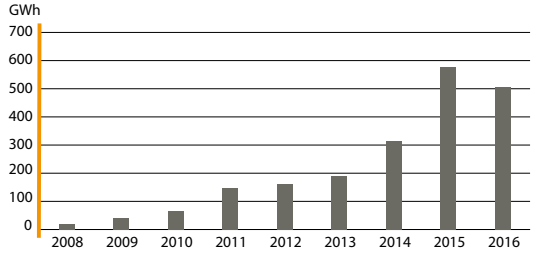
Production

2016	2015	2014
500 GWh	576 GWh	315 GWh

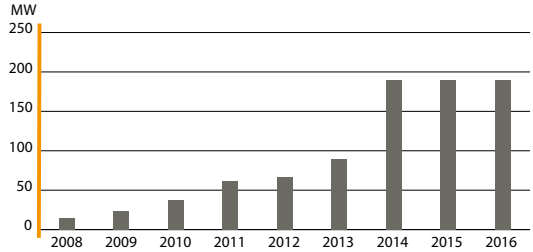
Net sale

2016	2015	2014
236 MSEK	264 MSEK	146 MSEK

Production, GWh



Total effect, MW



The two graphs illustrate developments at Rabbalshede Kraft. The Production and Installed capacity graphs show figures from the start in 2008, when the first wind farm was put into operation - Hud in the Tanum Municipality.

Since 2008, Rabbalshede Kraft has installed 71 proprietarily managed wind turbines. The total capacity, 190 megawatts (MW), is a measure of the capacity of the company's wind turbines. Together, they can produce slightly more than half a terawatt hour (TWh) electricity.

Year 2016 ended with two strong quarters of favorable winds, Due to somewhat weaker winds during the first half of the year, however, production at year-end was about 3% lower than expected.

See Rabbalshede Kraft's wind farms on pages 13.

CEO's statement

2016 marked another successful year for Rabbalshede Kraft. A number of positive events took place, despite a relative strained market situation. Together with our French partner Ardian Infrastructure, we decided to invest in the construction of a new wind farm in Lyrestad, located just outside Mariestad, including a long-term power purchase agreement with Google as the end user. We also concluded a promising service agreement with PWP concerning the operation and management of six wind farms in Sweden and I am pleased to report that we added four new customers within our service operations.

Our eight proprietary wind farms maintained approximately 99% availability over the year, which was a true testament to the strength built up by our operation and maintenance organization. All together, Rabbalshede Kraft currently operates 18 wind farms with a combined nominal output of 340 MW and electrical production of more than 900 GWh/year.

In early 2017, we were pleased to welcome leading Canadian investment company Greystone to Rabbalshede Kraft as our new joint owner. With the addition of Greystone, Rabbalshede Kraft now has a very strong ownership base.

This has been an intense year for Rabbalshede Kraft and the rate of activity did not ease up as we entered 2017. Production in the our proprietary wind farms in 2016 slightly exceeded 500 GWh of electricity. The year ended with two strong quarters of favorable winds. Production exceeded expectations during all months of the fourth quarter and availability was high. Due to somewhat weaker winds during the first half of the year, however, production at year-end was about 3% lower than expected.

We are continuing our efforts to strengthen the company's operational activities in order to be best in class in terms of operating wind farms. By monitoring a number of key figures and pursuing activities to improve them, we endeavor to continuously enhance the efficiency of both our own facilities and those we manage on behalf of our customers. In total, we currently operate 141 wind turbines (341 MW) with an annual production capacity of just over 900 GWh. Of these, Rabbalshede Kraft operates 71 wind turbines (190 MW) on a proprietary basis and 70 turbines (151 MW) are owned by partners.

Construction of the new farm in Lyrestad outside Mariestad is proceeding as planned. This wind farm is being established in collaboration with Ardian Infrastructure. 15 kilometers of roads were built during 2016 and the final foundations were cast in early 2017. Vestas will begin the assembly of the 22 turbines in June 2017 for commissioning in stages in autumn 2017. We look forward to commissioning an additional 76 MW to reach annual delivery of slightly more than 230 gigawatt hours in our long-term power purchase agreement with Google.

We are also expanding our activity of operating and managing wind farms on behalf of customers. In January, we commenced the management of Gnosjö Energi's turbines as well as a turbine in Hällevadsholm for Mölndal Energi and two turbines at the Bliekevare wind farm for Kvarkenvinden and Dorotea Municipality. We see major potential for continued growth in sales of asset management services and look forward to intensifying this business line and further advancing our position in Sweden.

In 2016, we prioritized the continued development of our project portfolio, which currently contains a number of projects with favorable potential to constitute a base for further investment decisions. The focus is always on delivering profitable wind power projects The sale of turnkey wind power projects is a part of this. In December, after a period of trial operation, we handed over a wind turbine located in Hällevadsholm to Mölndal Energi.

During the year, we generated EBITDA of KSEK 143,299. The bottom line was adversely impacted by non-recurring financial expenses arising in connection with the repayment of loans.

The costs of generating electricity from wind power have been reduced sharply in recent years, which has made wind power the power source that has increased the most. However, market pressure affects everyone, regardless of power source. Achieving profitability in older facilities can be problematic. In January, we saw prices for certificates decline to a record low, which is naturally worrying and causing frustration in the industry. Political processes are under way in Sweden and the EU to reverse this trend. During 2017, energy issues will be high on the agenda, with the shared objective of significantly increasing the portion of renewable electricity production. It is crucial that politicians understand the gravity of the situation and take responsibility for the system.

> We are continuing our efforts to strengthen the company's operational activities in order to be best in class in terms of operating wind farms.

At Rabbalshede Kraft, we are doing what we can to cope with the tough market conditions. Negotiations with the banks were finalized in October. We reduced our bank borrowings by some 40% during 2016, through both scheduled and extra repayments. All of this was made possible by a shareholder loan from our principal owner Manor Group. Although we have made considerable progress in our efforts to reduce the company's financial expenses, there is more to be done and the work will continue in 2017.

On February 1, 2017, Greystone become the second largest shareholder in the company through a private placement. Greystone is a privately owned Canadian institutional asset manager, which spent a large part of 2016 familiarizing itself with Rabbalshede Kraft.

This new major shareholder has strengthened the ownership base and added further expertise and an international perspective to the company. We are delighted to welcome Greystone as our new joint owner.

With a focus on reducing the company's financial expenses, securing high operational reliability in the company's wind farms and broadening our operational activities, we enter 2017 with a positive outlook together with a strong new institutional investor. Rabbalshede Kraft stands strong in this ever-changing world.

Finally, I would like to thank our fantastic employees for their outstanding efforts to drive our business forward and our owners for their valuable support in our endeavors.

Rabbalshede, April 5, 2017

Håkan Frick
acting CEO

Rabbalshede Kraft's operations

Rabbalshede Kraft is involved in the entire value chain, from planning, procurement and construction of land-based wind turbines to production and sales of electricity. The company's experience and broad expertise provides investors with access to proprietary production of renewable electricity without having to build an organization of their own.

Rabbalshede Kraft commissioned the company's first wind farm, the Hud wind farm in Tanum Municipality, in 2008. Since then, the company's ambitions have grown as people's interest in renewable electricity has increased. A total of eight wind farms have been established for proprietary operation, corresponding to a total investment of SEK 2.3 billion. These wind farms have a combined output of 190 MW and an annual production capacity of just over 0.5 TWh of electricity.

Revenue is largely generated through sales of electricity from the company's own wind farms, an area that is growing as the company invests in and commissions new wind farms. Net sales have grown from SEK 47 M in 2010 to SEK 236 M for the 2016 fiscal year.

The company's growth is based on its project portfolio, sales of turnkey facilities and the offering of asset management services. Rabbalshede Kraft also procures and manages the construction of wind farms on behalf of its external customers.

Sweden has some of the best conditions in Europe when it comes to producing electricity from wind and wind power has become increasingly competitive.

Rapid technological and price developments have contributed to lower costs for each MWh of electricity produced. In recent years, land-based wind power has attracted a number of industrial and financial players. Investment companies, energy and infrastructure funds, pension funds and insurance companies currently account for a large portion of the investments being made in wind power in Sweden and the rest of the Nordic region. Included among these players are Rabbalshede Kraft's principal owner, Manor Group, and the investment company Ardian Infrastruktur, joint owner of Rabbalshede Kraft's latest investment, the Lyrestad wind farm. Other investors in wind power include companies active in the forestry, real estate, industrial and retail sectors, municipalities and others.

By packaging and offering wind power projects that encompass the entire value chain, including operational management, Rabbalshede Kraft provides more customers with access to proprietary production of renewable electricity without having to build an organization of their own.

The company's operations focus on three main activities: planning, production and owner service.

1. PROJECTS

Project planning has been a fundamental part of the company's operations since it was founded. The operations focus on managing and developing the project portfolio to deliver profitable, turnkey wind power projects for commissioning by the company itself or to be sold to its partners.

The company has a development portfolio comprising 500 MW, with the potential to produce approximately 1.4 TWh of electricity annually.

The price trend for electricity is placing considerable demands on all electricity producers in the Nordic region. Regardless of the type of power in question, only the best projects will be realized. It is therefore important to identify synergies, which are achieved by procuring large wind farms or a number of projects simultaneously.

Rabbalshede Kraft also procures and manages the construction of individual wind turbines and wind farms on behalf of its customers. The company is a major, independent player in the wind power market, which creates economies of scale and bargaining power for its partners in their dialogs with financiers, suppliers, contractors and future partners.

During 2016, the company invested in another new wind farm, the Lyrestad wind farm, comprising 22 wind turbines (76 MW). The investment is a collaboration with Ardian Infrastructure. Read more about the project on pages 14-15. Rabbalshede Kraft also constructed and sold a wind turbine (2 MW) to Mölndal Energi. The wind turbine is located adjacent to an existing wind farm in Hällevadsholm.

Sales of projects and turnkey wind farms. Procurement and construction on behalf of customers

2. PRODUCTION

The focus in this area is on cost-efficient production and structured sales of electricity from the company's own wind farms. Sales of electricity represent the company's largest source of revenue.

The company has eight proprietary wind farms with a capacity of 190 MW and annual production of just over 0.5 TWh.

Stringent requirements are imposed on operation. The company's operation and maintenance organization has in-depth know-how and established procedures certified in accordance with ISO 9001 and ISO 14001. A monitoring system has been established to monitor operations and to analyze and report on production. The monitoring system provides a basis for working proactively and is a powerful tool for reducing downtime and increasing production. To maximize production and optimize energy-based availability, wind turbines must operate in windy conditions and, as far as possible, maintenance should be planned for periods with weak winds. Wind-power production varies during the year, normally entailing higher electricity production during the winter season from October to March. Approximately 60% of the electricity in the company's wind farms is generated during the winter season when electricity is needed the most.

The electricity that is produced is sold continuously on the Nord Pool power market. A portion of future electricity production is hedged continuously, which means that contracts are signed at a fixed price per MWh for the production that is achieved (fixed price and variable volume). Rabbalshede Kraft manages its trading on Nord Pool through a collaboration with Axpo Sverige AB. The company also has the capability to sign bilateral hedging contracts with creditworthy counterparties. One example of this is the power purchase agreement signed with Google for the Lyrestad wind farm.

Although electricity production is generally a capital-intensive operation, it is not personnel-intensive. Doubling or multiplying the number of wind turbines in operation requires few new employees, which means that the cost per MWh produced can be reduced sharply. Accordingly, growth provides economies of scale that benefit the company.

Sales of renewable electricity

3. OWNER SERVICES

Rabbalshede Kraft offers a growing number of partners the opportunity to own wind turbines without having to build an organization of their own. This creates a long-term, secure return and low operating risk for the company's owners.

Operating wind farms entails a long list of commitments in addition to the obvious aspect of producing electricity. The company offers services in technical, commercial and accounting management for operational wind farms. For example, the company manages leasehold agreements with land owners, service agreements with turbine suppliers, compliance with regulations, connection to the power grid, guarantees, payment of property taxes, insurance, financial reporting, and electricity and electricity certificate trading.

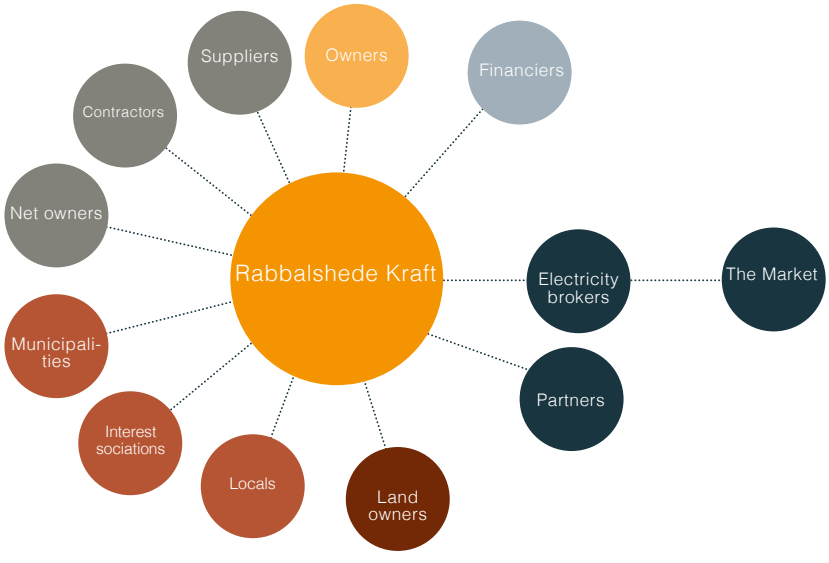
The company's expertise comes from its extensive experience in the planning, construction and operation of wind farms. Together with the suppliers of the turbines, the company's operation organization is responsible for both the wind turbines managed proprietarily by the company and those managed on behalf of partners.

Working in close cooperation with the turbine suppliers, this professional operation and maintenance organization contributes to high operational reliability. The company has managed different generations of wind turbines from Siemens, Vestas, Nordex and Enercon for several years, which means that it is well aware of the strengths and weaknesses of the various manufacturers. This knowledge is key when it comes to optimizing the wind turbines and extending their technical and economic lives. The company's trained technicians hold top accreditations from the Global Wind Organisation.

The wind farms managed by Rabbalshede Kraft – both proprietarily and on behalf of partners – have a production capacity of 900 GWh.

Sales of asset management services

RABBALSHEDE KRAFTS NET WORK



CUSTOMERS
– PARTNERS: Companies and organizations that own wind turbines in Rabbalshede Kraft's farms or in proprietary parks where the company is responsible for operation, sales of electricity and more. These also include companies and organizations that own farms that are planned, built or managed by Rabbalshede Kraft.
– ELECTRICITY BROKERS: The electricity (electricity, electricity certificates and Guarantees of Origin) that is produced is sold on NordPool via electricity brokers, primarily Axpo Sverige AB, as described on the preceding page. Electricity consumers, households,industries, the public sector and more

OWNERS, major owners include the industrial company Manor Group., the property company Ernst Rosén, the Chalmers University of Technology Foundation and Nordea Investment Funds. In addition, Greystone, became a significant owner in February 2017. The company also has some further 1,000 private shareholders and companies.

CONTRACTORS are commissioned for the construction of roads and infrastructure. To date, wind turbines have been procured from Vestas, Siemens, Nordex and Enercon. Suppliers of grid connections are the owners of the regional power grids: Ellevio, Vattenfall and EON.

THE PLANNING and construction of wind farms are conducted in close cooperation with the municipalities, contractors and other business operators concerned, as well as with various interest sociations.

THE WIND FARMS are constructed on leasehold land, for which a portion of the wind farm's annual revenues are paid as compensation to the landowner.

FINANCIERS

RABBALSHEDE KRAFT'S HISTORY

2005

The entrepreneurs Ingemar Ung and Bertil Jönsson form Rabbalshede Kraft AB.

2008

The Company's first wind farm, the Hud wind farm with 6 wind turbines (15 MW), is put into operation.

2009

The Kil wind farm, with 4 wind turbines (8 MW) is put into operation.

2010

Brattön wind farm, with 6 wind turbines (15 MW) is put into operation.

ISO 9001 quality certification and ISO 14001 environmental certification are received

2011

Töftedalsfjället wind farm, with 10 wind turbines (23 MW) is put into operation. The wind farm comprises a total of 21 wind turbines, of which 10 are owned by Göteborg Energi and one more is owned by a private landowner.

A partnership agreement is signed with Axpo in respect of sales of electricity, electricity certificates and Guarantees of Origin.

2012

The first two wind turbines in the company's fifth wind farm are put into operation at Dingle-Skogen. The wind farm comprises a total of 14 wind turbines, which were put into operation in stages during 2012–13.

2013

The Dingle-Skogen wind farm, with 14 wind turbines (32 MW), was completed during the second half of the year. Two wind turbines in the wind farm were sold to Gothenburg Diocese, which leaves 12 proprietary wind turbines (28 MW) left.

2014

The wind farms Årjäng Nordväst with 9 wind turbines (27 MW) and Årjäng Sydväst with 13 wind turbines (39 MW) i as well as the Skaveröd/Gurseröd wind farm with 11 wind turbines (33 MW) were put into operation.

2015

Service agreements are signed with Power Wind Partners AB (PWP) and LEVA i Lysekil AB

Permission was obtained for the Åndberg wind farm containing 57 wind turbines (205 MW) in Lillhärdal, Härjedalen Municipality. The project has not yet gained legal effect.

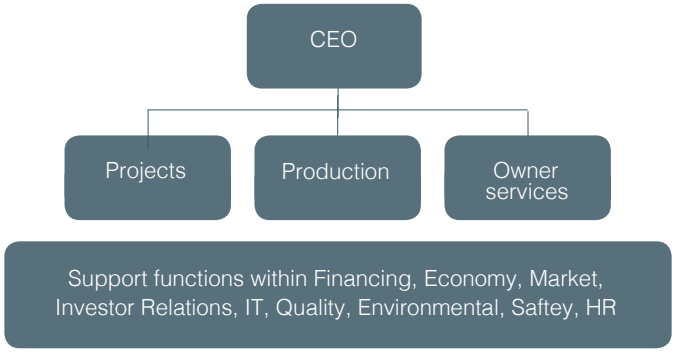
2016

Construction of Lyrestad wind farm, comprising 22 wind turbines (76 MW) commenced in June 2016. The wind farm's annual production of 234 GWh will be purchased by Google under a long-term power purchase agreement.

An agreement was reached concerning the sale of a wind turbine (2 MW) in Hällevadsholm to Mölndal Energi. Rabbalshede Kraft had been responsible for procurement and construction, and also signed a two-year operational agreement.

Service agreements are signed with Gnosjö Energi, the Municipality of Dorotea and Kvarkenvinden.

ORGANISATION



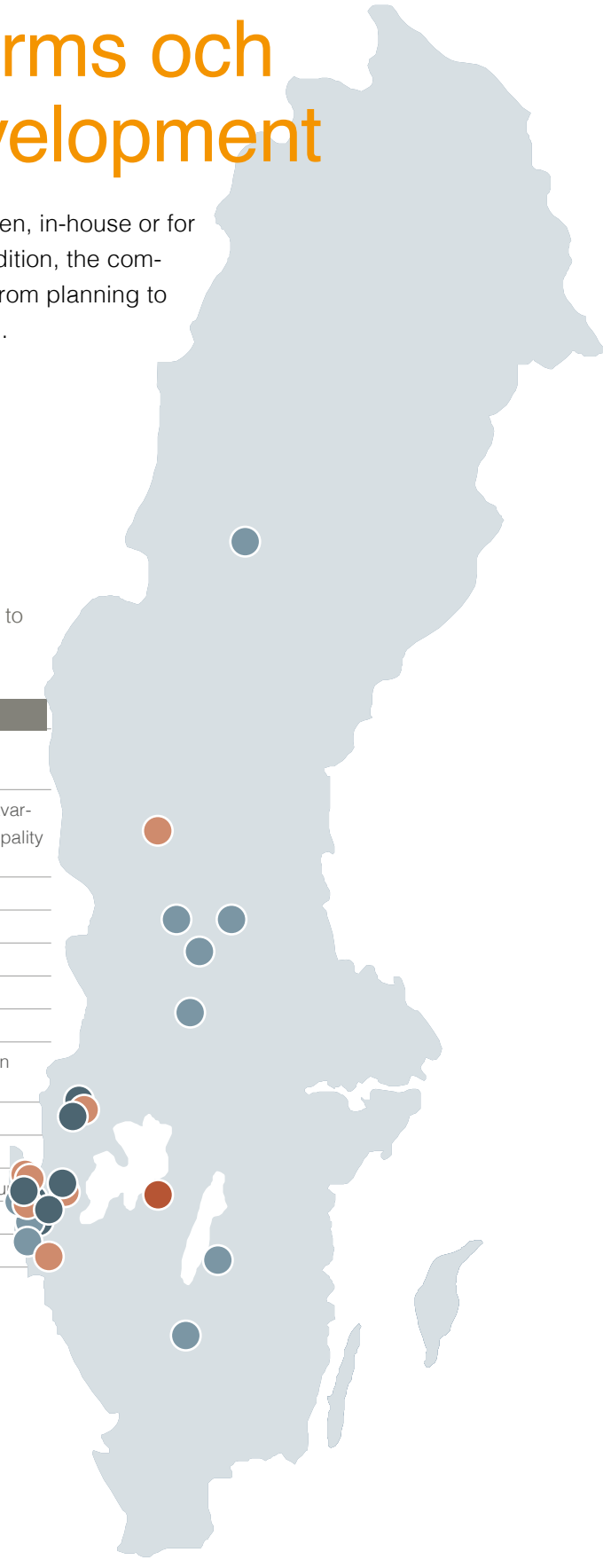
Rabbalshede Kraft's operations are located in Sweden, with a head office in Rabbalshede, Tanum Municipality. The Company has also an office in Gothenburg and in Lillhärdal, as well a service office in Dals-Ed.

The company has 26 employees with expertise in areas such as the environment and quality, environmental inquiries, permit inquiries, meteorology, surveying, calculations of sound and shadows, purchasing, construction, transportation,
technology, electricity, high tension electricity, reporting, financing and investor relations. In addition, services are purchased and personnel are contracted.

At the end of 2016, the average age among employees was 43 (49). The gender distribution was 35 percent (36) women and 65 percent (64) men. The company's presenteeism was 95,5 percent (99).

Operated wind farms och project under development

Rabbalshede Kraft manages wind farms around Sweden, in-house or for external partners with a production of 900 GWh. In addition, the company has a project portfolio of 500 MW in the phases from planning to construction, with a production capacity of 1,400 GWh.



- Wind farms in-house (190 MW)
- Wind farms owned by partners (151 MW)
- Wind farms under construction[1] (76 MW)
- Wind farms with legal permit[2] (140 MW)
- Wind farms under application and project planning are subject to assessment by the municipality and/or the CAB (250 MW)

WIND FARMS OWNED BY PARTNERS

Wind farm	Capacity (no. of turbines)	Production[3]	Owner
Bliekevare	36 MW (18)	84 GWh	Power Wind Partners, Kvarkenvindens, The Municipality of Dorotea
Brahehus	11,5 MW (5)	32 GWh	Power Wind Partners
Granberg	10 MW (5)	27 GWh	Power Wind Partners
Säliträdberget	16 MW (8)	44 GWh	Power Wind Partners
Rödbergsfjället	16 MW (8)	47 GWh	Power Wind Partners
Hedbodberget	10 MW (5)	28 GWh	Power Wind Partners
Töftedalsfjället	25,3 MW (11)	73 GWh	Göteborg Energi, Västan Vind, private landowner
Dingle-Skogen	4,6 MW (2)	10 GWh	Göteborgs Stift
Lyse	6 MW (2)	17 GWh	Leva i Lysekil
Tyft	3,3 MW (1)	8 GWh	The Municipality of Tanu
Hällevadsholm	2 MW (1)	6 GWh	Mölndal Energi
Kulltorp	10 MW (4)	23 GWh	Gnosjö Energi[4]

1 At the Lyrestad project, which is currently under construction, Rabbalshede owns 25% of the wind turbines, corresponding to 5.5 turbines, while Ardian Infrastruktur owns 75%.
2 Lillhärdal Åndberg wind farm with 57 turbines (205 MW) is authorized but has not gained legal force yet.

3 Estimated annual production for all wind farms corresponds to the estimated production during a normal year.

4 Rabbalshed Kraft commenced management for the Kulltorp wind farm in January 2017. Rabbalshede Kraft manage 141 turbines in total from January 2017.

WIND FARMS IN-HOUSE

Hud

Municipality	Tanum
In operation	2008
Manufacturer	Nordex
Capacitet (no. of turbines)	15 MW (6)
Est. annual production[1)]	38 GWh
Production in 2016	37 GWh

Kil

Municipality	Tanum
In operation	2009
Manufacturer	Enercon
Capacitet (no. of turbines)	8 MW (4)
Est. annual production[1)]	20 GWh
Production in 2016	20 GWh

Brattön

Municipality	Munkedal
In operation	2010
Manufacturer	Nordex
Capacitet (no. of turbines)	15 MW (6)
Est. annual production[1)]	35 GWh
Production in 2016	34 GWh

Dingle-Skogen

Municipality	Munkedal
In operation	2012-13
Manufacturer	Enercon
Capacitet (no. of turbines)	32 MW (12)
Est. annual production[1)]	68 GWh
Production in 2016	68 GWh

The wind farm comprises a total of 14 wind turbines, of which 12 are proprietarily managed. Rabbalshede Kraft, together with the supplier, is responsible for the operation and maintenance of the entire wind farm.

Töftedalsfjället

Municipality	Dals-Ed
In operation	2011
Manufacturer	Siemens
Capacitet (no. of turbines)	23 MW (10)
Est. annual production[1)]	66 GWh
Production in 2016	68 GWh

The wind farm comprises a total of 21 wind turbines, of which 10 are proprietarily managed. Rabbalshede Kraft, together with the supplier, is responsible for the operation and maintenance of the entire wind farm.

Årjäng Sydväst

Municipality	Årjäng
In operation	2014
Manufacturer	Vestas
Capacitet (no. of turbines)	40 MW (13)
Est. annual production[1)]	117 GWh
Production in 2016	109 GWh

Årjäng Nordväst

Municipality	Årjäng
In operation	2014
Manufacturer	Vestas
Capacitet (no. of turbines)	27 MW (9)
Est. annual production[1)]	79 GWh
Production in 2016	75 GWh

Skaveröd/Gurseröd

Municipality	Tanum
In operation	2014
Manufacturer	Vestas
Capacitet (no. of turbines)	33 MW (11)
Est. annual production[1)]	94 GWh
Production in 2016	89 GWh

1 Estimated annual production for all wind farms corresponds to the estimated production during a normal year.
Due to somewhat weaker winds during the first half of the year, however, production at year-end was about 3% lower than expected.
The differences can in certain periods be very large and affecting revenues and earnings during a single quarter or a year.

Lyrestad – new wind farm under construction

Rabbalshede Kraft and the investment company Ardian Infrastructure are investing just over SEK 1 billion in the Lyrestad wind farm, comprising 22 wind turbines for commissioning in autumn 2017. The annual production of 234 GWh will be purchased by Google under a power purchase agreement.

Construction of the Lyrestad wind farm, comprising 22 wind turbines in the municipalities of Mariestad and Töreboda, commenced in June 2016. The establishment is proceeding according to schedule. Some 15 kilometers of roads have been built within the wind farm and all of the foundations have been cast. The first wind turbines will be raised in June 2017 and commissioning will take place in stages during the autumn.

The Lyrestad wind farm is operated by a company owned jointly (joint venture) by Rabbalshede Kraft and Ardian Infrastructure, in which Rabbalshede Kraft holds 25% of the shares. Ardian Infrastructure is a global, independent investment company. This partnership marks Ardian Infrastructure's first investment in wind power in Sweden.

The wind farm's estimated annual production during a normal year amounts to 234 GWh and will be purchased by Google under a long-term power purchase agreement. Internet company Google's strategy is to conduct its entire operation using renewable energy sources.

Rabbalshede Kraft's majority shareholder, Manor Group, has assisted in the company's share of the project by providing financing and a Parent Company guarantee.

When a wind farm is established, it leads to positive effects locally, regionally and globally. The electricity produced contributes to a more sustainable society, which is positive from a global perspective. At the local and regional level, wind power helps to create new job and educational opportunities.

With its roots in a small town in Sweden's Bohuslän region, Rabbalshede Kraft endeavors to be a positive force, with a presence in the areas where the company constructs and operates wind farms.

The picture is a photomontage

22 turbines
under construction

76 MW
installed output

234 GWh
estimated annual production

- **Investment**

  Approximately 25% of the investment, corresponding to just over SEK 250 M, pertained to planning, earthworks and electrical work. This is helping to create local job and business opportunities.

  The civil-engineering contract, which includes roadworks, foundations and the wind farm's internal power grid, is being carried out by Skanska. Ellevio is responsible for connection to the main grid.

  Approximately 75% of the investment comprises the cost for wind turbines and assembly. The technicians responsible for assembling the wind turbines live and make their purchases in local area. There will be a significant need for local service during this period.

- **Electrical work**

  Rabbalshede Kraft is paying SEK 33.6 M for the rebuilding and construction work required to connect the wind farm to the power grid, including the internal wind farm grid, local grid and regional grid.

- **Foundations**

  Two types of foundations have been used at the wind farm: gravity foundations and bedrock foundations.

  11,000 m^3 of concrete was used for the foundations.

- **Roads**

  15 kilometers of road have been built to withstand bulky loads of up to 225 tons

  150,000 tons of crushed rock have been delivered to the wind farm from a local quarry

  20,000 meters of cable have been laid

  The establishment of wind power also results in better infrastructure as roads are built in areas that were previously difficult to access.

  Local contractors are responsible for road maintenance

- **Wind turbines**

  Model: Vestas V126-3.45 MW

  Total height: 200 meters, with a rotor diameter of 126 meters and tower height of 137 meters

  22 wind turbines (76 MW)

  Annual production capacity: 234 GWh

  After commissioning, Rabbalshede Kraft will assume responsibility for operational management, along with the turbine supplier, Vestas.

  Six local service technicians will have responsibility for the Lyrestad wind farm and Vesta's wind farms in the region.

Establishing wind farms with a focus on sustainability

The first step toward a profitable wind farm is to conduct a thorough analysis of the conditions. The following section describes the various phases involved, from preplanning to operation and production, from a sustainability perspective.

WORK BASED ON CERTIFICATION

Establishing a wind farm is a long process. Experience gained from operational wind farms, ongoing construction and applications provides a strong foundation for future projects. Rabbalshede Kraft has introduced industrial processes in all areas of operation, from the planning to the operation and maintenance of wind turbines. The company conducts its environmental work with the support of an environmental management system. Rabbalshede Kraft has been certified in accordance with ISO 14001 since 2010 and was recertified in 2016.

The first step toward a profitable wind farm is to conduct a thorough analysis of the conditions. As part of this work, Rabbalshede Kraft analyzes the financial, social and environmental aspects involved in every business decision. Establishing a wind farm requires extensive studies, analysis, consultations and regulatory assessment. The company has policies in place to govern how issues such as ethics are to be incorporated into its decisions.

1. PLANNING

During preplanning, suitable locations for new wind farms are identified based on the municipalities' wind-power plans. The prerequisites in terms of wind, grid connections, opposing interests and other factors are mapped out. Leasehold agreements are signed with land owners, at which point a consultation is initiated with the authorities, local residents and any interest groups. Biologists, archaeologists and other experts are commissioned to compile supporting documentation for an Environmental Impact Assessment (EIA).

The size of the wind farms and their boundaries are determined by such factors as wind conditions, sound, shadows, nature values and cultural values. Choosing a good location for the wind turbines is therefore a central part of the planning process. Exploiting an area's potential to ensure favorable production while limiting the impact on the surrounding environment as far as possible is always a balancing act. The conditions governing the establishment of wind farms are stated in the permit.

Wind measurements are carried out to document the wind supply.

2 APPLICATION/PERMITS

A consultation report and EIA are submitted to the County Administrative Board along with a permit application for consideration in accordance with the Environmental Code. The municipality must first approve the project, otherwise the application is rejected. In the case of smaller wind farms of up to six turbines with a total height of 150 meters and which are not deemed to have a significant impact on the environment, municipal approval in line with the Environmental Code and a building permit are sufficient. If no appeal is submitted then the decision gains legal force after three weeks. Appeals against decisions by the County Administrative Board are sent to the Land and Environment Court and potentially on to the Land and Environment Court of Appeal.

Light

Wind turbines need to marked with lighting to ensure they are visible to air traffic. Lighting requirements are specified in the permit for the wind power establishment. The Swedish Transport Agency is responsible for establishing regulations governing the marking of wind turbines.

Sound

Wind turbines impact the sound of the surrounding environment. Sound calculations are performed during the planning phase and are followed up with inspections once the wind farm has been commissioned.

Landscape

To gain a clear understanding of how residents and visitors could perceive the impact on the surrounding landscape, photomontages are prepared prior to the establishment of a wind power facility. These show how the wind turbines will look from various locations.

3. PROCUREMENT

When permission or building permits have been granted and gained legal force, procurement of the wind turbines, electrical and contracting work, other engineering works and financing begins. The wind measurements provide a basis for calculations. Agreements are signed with electricity companies to enable connection to the grid.

The procurement of wind turbines and infrastructure is a complex process and is led by a highly experienced team of construction and procurement experts. When it comes to selecting a supplier, the results of the company's supplier evaluations play a decisive role. These evaluations allow Rabbalshede Kraft to assess the supplier's ability to meet its requirements in terms of the environment, quality, the suitability of the turbine and the total cost over the turbine's expected economic life. During the procurement process, demands are imposed with respect to the turbines' compliance with Swedish laws and regulatory requirements. Rabbalshede Kraft's wind farms are established using wind turbines from leading manufacturers and contractors.

Wind power is undergoing rapid technological advancement. As a result of taller, larger and more efficient turbines, the costs of generating electricity from wind power have been reduced sharply in recent years. Wind power is now the fastest-growing power source in Sweden. However, market pressure affects all electricity producers, regardless of power source. Establishing new facilities requires a strong financial base. Financing is a major part of the procurement process.

4. CONSTRUCTION

The construction process starts by signing an agreement with the contractor for the construction of roads and infrastructure, including internal drawings of electric cable lines within the wind farm, also referred to as the non concession-bound network (NCN). Whenever possible, contractors with a local connection are used since this creates local job opportunities.

The turbine suppliers are responsible for the raising of the wind turbines and have total responsibility until trial operation has been completed. Electricity connections are made by the electricity companies that own the adjacent networks and are paid for by Rabbalshede Kraft. The subsidiary Rabbalshede Elnät AB is responsible for the construction of Rabbalshede Kraft's own concession-based power grids for the connection of wind farms.

It is important for Rabbalshede Kraft that the effect on the local natural environment is as small as possible when land is utilized for wind turbines and roads. When the construction phase starts, a control plan is prepared to ensure compliance with the conditions stated in the permit. When construction is completed, the roads are to be adapted to the natural surroundings.

5. OPERATION

Rabbalshede Kraft contributes to the creation of a long-term sustainable society by helping to increase the share of renewable and carbon-free electricity in Sweden as well as in other neighboring countries through the export of Sweden's surplus electricity. Consumers can decide to purchase renewable electricity from an electricity supplier. These electricity suppliers, in turn, purchase their electricity from Rabbalshede Kraft and other producers on the Nord Pool power market. Together, we have the power to influence our future.

It is also important to minimize the environmental impact during the operational phase. Improvements can be made continuously thanks to the expertise and experience built up by the company's employees. There is a control plan for each wind farm to ensure that the conditions set by the permits are adhered to. Funds are set aside for future dismantling of wind turbines in accordance with the requirements imposed by authorities on the company's operations.

Each wind turbine follows a precise service and maintenance plan. Monitoring and operations are performed remotely by both the supplier and Rabbalshede Kraft. Local personnel may also be hired for larger establishments. This ensures a very high level of operational reliability to ensure that, if possible, the turbines always produce electricity when the wind blows.

When a wind turbine has served its useful life after approximately 25 years and is no longer profitable, it is dismantled and sold on the secondary market or is scrapped for materials recycling. The concrete foundations are demolished or covered. The environmental permits from the County Administrative Board include requirements for financial undertakings that are to guarantee that the turbines are dismantled and that the foundations and locations of wind turbines are adapted to the surrounding environment.

Life cycle assessments show that after approximately eight months, a wind turbine has produced as much energy as it has consumed during the production of this energy. The total amount of energy consumed in the construction, operation and decommissioning of a wind turbine corresponds to only 3% of the turbine's total electricity production (footnote: www.vindkraftsbranschen.se)

The market

WIND POWER

The expansion of wind power slowed in 2016 due to falling electricity prices and uncertainties concerning the electricity-certificate system. Despite considerably milder winds compared with 2015, 15.4 TWh of wind power electricity was produced. According to the Swedish Energy Agency, the potential electricity production amounts to a full 100 TWh.

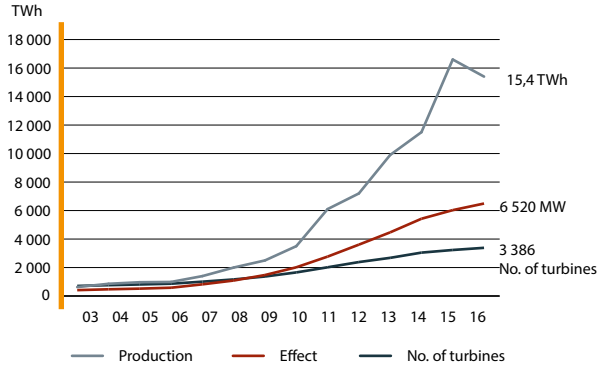
Wind power has grown more than any other form of electricity production in recent years, partly due rapid technological and price developments. A total of 153 wind turbines were constructed in 2016. This is a significant decline compared with 2014, when a record-breaking 367 turbines were constructed. At the end of the year, 3,386 (3,233) wind turbines were in operation, with a combined output of 6,520 MW. An average Swedish wind turbine has an output of 1.8 MW. New turbines are significantly larger with an output that often exceeds 3 MW. Total wind production over the past year declined 7% to 15.4 TWh.

FORECAST FOR 2017 AND BEYOND

According to the Swedish Energy Agency[1], the wind power potential in Sweden amounts to approximately 100 TWh, just over six times more than the past year's production of 15.4 TWh. Of this amount, 50 TWh can be realized at a price level of 40-50 öre/kWh and 40 TWh at a price level of 50-60 öre/kWh. However, according to a study published by the agency in September 2016, only the best projects will be realized at the expected low prices for electricity and electricity certificates over the coming years.

According to the forecast of Swedish Wind Energy[2], only 65 wind turbines will be constructed in 2017. This is less than half the number constructed in 2016 and significantly fewer than in previous years.

Swedish wind power during 14 years



Swedish wind power since 2003, the first year of electricity certificates. The rapid pace of technological advancement and price pressure on wind power have contributed to an extensive expansion in recent years. Source: Swedish Wind Energy

COST TREND

The costs for producing electricity from wind power have decreased sharply over the past few decades. Although capital costs vary, wind turbines are increasingly becoming larger, more efficient and more reliable. At the same time, knowledge concerning the planning and operation of wind farms is increasing. In a background report presented to the Swedish Energy Commission, the consulting company Sweco[2] states that technological advancement is a key reason for the increase in electricity production. Larger rotors and taller towers are making it possible to better utilize the winds at higher heights, where winds are usually stronger and more turbulent. At the same time, technology has become more robust. One conclusion in the report is that the height limitations that exist in many areas, particularly in southern Sweden, are causing this positive cost trend to slow down.

At the same time, Sweco states that rapid development is causing profitability problems for many facilities, primarily older wind farms. Large impairment losses have been reported and more are expected in the future. The direct cause for this is falling electricity and electricity certificate prices.

At the global level, a dramatic cost reduction took place between 1980 and 2000. The report from the Swedish Energy Agency (above) refers to calculations from Bloomberg New Energy Finance[4], which are updated continuously. During this period, production costs for land-based wind power declined by a third from USD 150 to USD 50/MWh. Between 2009 and 2016, costs fell 16%. Over the past year, the average production cost for wind power at the global level was USD 80/MWh, corresponding to 68 öre/kWh at current value.

According to Bloomberg, Sweden has the lowest production costs in Europe at 62 öre/kWh. This is due to a high capacity factor (utilization rate) combined with relatively low operation and maintenance costs. This can be viewed as a testament to the performance of Swedish wind power operators.

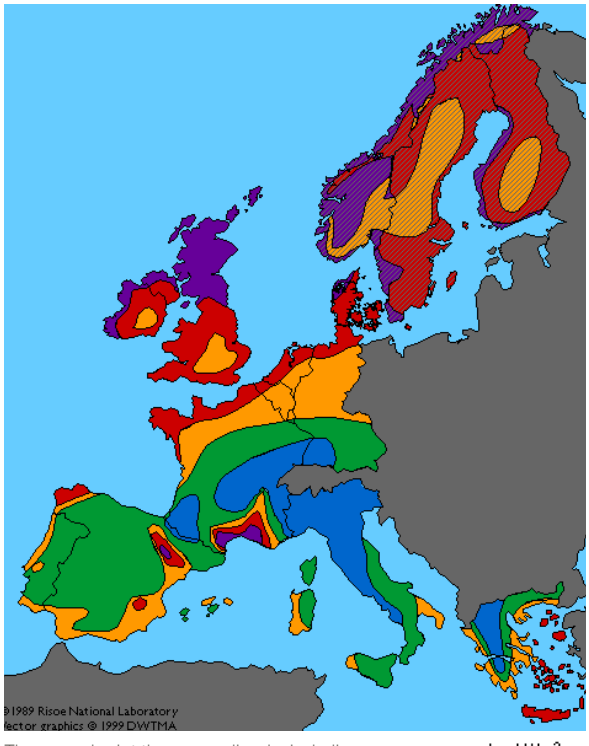
According to Bloomberg, this cost reduction will continue. Between 2015 and 2040, the average global cost per MWh could decline as much as 44% for land-based wind power.

POTENTIAL FOR SWEDISH WIND POWER

The potential for an ongoing expansion of wind power is greater in Sweden than in many other EU countries. As stated in the above report from the Swedish Energy Agency, wind conditions are favorable in many locations and the rate of expansion remains low. Since 2004, there have been areas of land and water specified as being of national interest for the use of wind. The Swedish Energy Agency describes them as follows: "The status of being of national interest for the use of wind is applied to areas that have particularly good conditions for the use of wind from a national perspective, that are needed for important or necessary functions in society and/or to meet a region's requirement for a certain level of energy production."

There are currently 315 areas of national interest, comprising approximately 7,900 square kilometers. This represents slightly more than 1.5% of the surface of Sweden, including 29 areas in Swedish waters. In relation to the total land area, there is a lot of distance between Swedish wind turbines. Both Denmark and Germany have about ten times more wind farms per square kilometer, but a significantly larger portion of these are offshore.

Wind power is considered to have the greatest potential in terms of future renewable electricity production in Sweden, according to the Swedish Energy Agency. The expansion of hydropower slowed several decades ago.



The map depict the generalized wind climate (wind atlas data) for Europe, i.e. the mean annual wind as it would be at 50 m above the ground, if the terrain was flat, uniform and featureless, and with a specific surface roughness length. Source; DTU Wind Energy, formerlyRisø National Laboratory

Sweden is far ahead of other countries in terms of biofuel-based electricity production, but the expansion of this type of power has also slowed. Approximately 60% of electricity from wind power is produced during the winter season and 40% during the summer season, which corresponds to the varying need for electricity.

MARKET PLAYERS

When the electricity-certificate system was introduced in 2003, it was expected that the expansion of Swedish wind power would primarily occur under the auspices of the traditional energy companies. While state-owned Vattenfall, which owns wind farms in five countries, is currently the largest operator, a series of new players are dominating the wind power market.

Wind power companies. On a proprietary basis, and also on behalf of others, these companies plan, construct and operate wind farms. These include Rabbalshede Kraft, Eolus Vind, Arise, OX2, Vindin, Svevind, Nordisk Vindkraft, Slitevind and others.

Other industries. Companies active primarily in the forestry, real estate, industrial and retail fields as well as municipalities. Often work together with and are joint owners of wind power companies.

Long-term investors and financial players. Such as pension funds, investment companies and banks. These players are increasingly taking over large shareholdings in Swedish wind power. These include Rabbalshede Kraft's owner Manor Group, Nordea and the new joint owner Greystone.

INTERNATIONAL OUTLOOK[5]

Over the past year, wind turbines with a combined output of 54,600 MW were installed globally. This corresponds to 18,200 wind turbines, each with an output of 3 MW. China accounted for nearly have of these wind turbines. At the end of last year, global wind power represented a combined output of 487,000 MW. This is only 75 times more than Sweden's output at year-end, which shows that wind power is a young – but maturing – technology with significant development potential.

In the EU, investments remained at a record-breaking level, with an addition of 12,500 MW, only slightly lower than in 2015. This came as a surprise to many analysts, since falling electricity prices and uncertainty regarding future energy policies have raised concerns among politicians and the players in the electricity market within the EU. Germany, France and the Netherlands are three countries that made significant investments during the past year.

1 Production Costs for Wind Power in Sweden, ER 2016:17
2 Swedish Wind Energy, Statistics and Forecast Q4 2016, published February 2017
3 Economic Conditions for Different Types of Power, Sweco 2016
4 Levelised Cost of Electricity Update, Bloomberg New Energy Finance. Several issues published. New Energy Outlook 2016
5 GWEC, Global Wind Statistics 2016

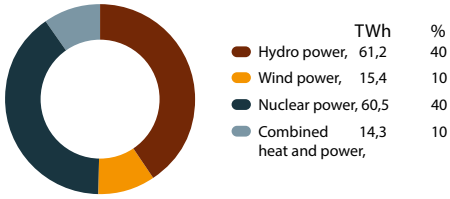
THE ELECTRICITY MARKET

In 2016, the system price on the Nordic power market rose 30% after bottoming out in 2015. While the price forecast for 2017 is cautiously optimistic, the pressure on the electricity price is contributing to declined wind power investments in the Nordic region. Political processes are under way in Sweden and the EU to reverse this trend. The goal is to achieve a significant increase in renewable electricity production and a reduction in climate gas emissions.

Nordic electricity prices have fluctuated sharply since the deregulation of the Swedish electricity market in 1996. Accordingly, it is not possible to assess the electricity market based on only one or two years. One reason for this is that the Swedish-Norwegian electricity system, where hydropower is an important cornerstone, is highly weather-dependent. A clear example of this was the warm, rainy and windy year of 2015, when rain filled the Nordic water reservoirs, wind power reached record-breaking production levels and electricity consumption declined as a result of the warm weather. This contributed to a low average system price[1] of only SEK 196/MWh, or 19.6 öre/kWh. The system price is a theoretical spot price for the entire power market and the reference price for financial contracts.

With less rain and milder winds, the average system price in 2016 was SEK 256/MWh, up 30%. The level in the Norwegian-Swedish hydroelectric dams fell and wind power production declined from 16.6 to 15.4 TWh. Net exports to neighboring countries were halved to 11.7 TWh.[2] Exports can benefit Swedish electricity producers since the price of electricity is usually higher in certain neighboring countries, such as Finland, Denmark, Germany and Poland.

Electricity production in Sweden in 2016



In 2016, 151.5 TWh was produced in Sweden. Net exports amounted to 11.7 TWh.

FOCUS ON POLITICS IN 2017

In June 2016, five parliamentary parties reached a new energy agreement. The final report published by the Swedish Energy Commission in January 2017 was based on this agreement. All of the parliamentary parties supported the final report. Prior to this, the European Commission presented a comprehensive energy package in November, stating that the EU is to lead the global transition to clean energy.

In 2017, energy issues have been given top priority in the Swedish parliament, the EU Council of Ministers and the European Parliament. The EU package will result in a number of decisions that will also impact Swedish legislation. These processes are expected to take time, but will be crucial to the future development of the Swedish and European energy market.

In short, the energy agreement[4] proposed a number of long-term sustainability rules for players in the Swedish energy market. The overall targets are ambitious. Sweden is to have zero net emissions of greenhouse gases by 2045 and thereafter achieve negative emissions. By 2040, electricity production is to be 100% renewable. The agreement has been criticized for failing to eliminate nuclear power from the future energy mix, which appears to contradict the renewable electricity target for 2040.

The agreement also states that the electricity-certificate system is to be extended until 2030, that energy tax is to be raised while production tax on nuclear power is to be abolished over the next two years and that property tax on wind power facilities is to be cut over the next four years. These proposals will be compiled in a government bill during the spring and take effect in 2018.

The final report of the Swedish Energy Commission[5] was compiled under the chairmanship of Minister for Energy Ibrahim Baylan and contains extensive supporting information regarding the scope of the energy policy for 2025 and onward. The report proposes continued assessment, changes to the tax system and other legislative changes. When it comes to electricity production, the report states that long-term trends are highly uncertain. The commission has established a target of 100% renewable electricity production by 2040 and states that energy consumption is to be 50% more efficient in 2030 compared with 2005.

The next audit of the electricity-certificate system, known as control station 2017, is being implemented this year and a decision is expected in June. Electricity certificates are a high priority since they are important to the continued expansion of wind power in Sweden. For more information on electricity certificates, see page 25.

The European Commission's energy package[5] (The Winter Package) is based on the EU's undertaking to reduce carbon emissions by at least 40% by 2030. The proportion of renewable energy is to be at least 27% by 2030. This pertains to electricity, heat and transport. Today, the proportion of renewable energy is just over

half of this level. The long-term goal is to achieve carbon-free electricity production by 2050. The commission also states that national support is to be harmonized, which could impact the Swedish electricity-certificate system. The proposals have to be converted into legislation, which is expected to take a couple of years and represents part of the efforts to create the EU Energy Union.

COP21[6] At the 2015 UN Climate Conference in Paris, the first global climate agreement was reached. Global warming is to be limited to 2 degrees Celsius, with a target of 1.5 degrees Celsius. 187 countries have pledged to uphold the voluntary emission-reduction commitments contained in the agreement, but these pledges are not binding. In addition to a number of research reports, the International Energy Agency (IEA) itself has said that the Paris Agreement is not enough to meet to the temperature target. Additional investments – in renewable energy, for example – will be required.

ELECTRICITY PRICE TREND AND DRIVING FORCES

According to the Swedish Energy Agency's short-term forecast[7], no major changes are expected in terms of production and electricity price between autumn 2016 and 2018. Most electricity is produced from hydropower and nuclear power, each of which account for approximately 40% of the total electricity production. Wind power accounts for about 10% and the remaining electricity production primarily takes place at municipal district heating boilers powered with biofuel. Solar energy accounts for just over 1 per mille.

In the short term, weather is the most important factor when it comes to prices. However, price elasticity is essentially zero since rapid price fluctuations have only a marginal impact on consumption.

In the medium term, with a time horizon of up to five years, economic conditions will play an important role in setting prices by boosting or reducing electricity consumption in the industry. The global economic situation also impacts the price of the fossil fuels used for electricity production, primarily coal but also natural gas. Over the past winter, the price of coal increased sharply due to strong demand primarily from China, which in turn contributed to a hike in the price of electricity. Meanwhile, natural gas is expected to become increasingly important at the global level.

In the long term, other additional factors will determine the rate of expansion of new power production in relation to demand and the technology that will be used. Significant changes are expected to take place in the Swedish energy system over the next few years. Three nuclear reactors – Oskarshamn 1, Ringhals 1 and Ringhals 2 – will be shut down by 2020. The remaining six reactors will also need to be shut down one day and there is a difference of opinions among politicians when it comes to how nuclear power should be replaced. The closure of the three reactors will result in increased volatility in the price of electricity, particularly in southern Sweden.

The expansion of the power grid in the EU will also impact the price of electricity as the transfer capacity between countries improves. A good grid connection is crucial for the continued expansion of renewable electricity since this enables exports from regions with surplus electricity to regions with an electricity deficit. This can reduce the need for so-called peak power, which in many countries is powered by fossil fuel. However, the expansion of national grids and international connections is proceeding too slowly in the EU.

The EU Emissions Trading System (EU ETS) plays a central role in achieving the EU energy and climate targets. An emission right entitles the holder to discharge one ton of carbon dioxide and other climate gases. The system encompasses some 13,000 facilities within the EU, of which approximately 760 are Swedish companies operating within electricity production, industry, transport and, as of 2012, airline operators. The goal for the current trading period is to reduce emissions by 21% by 2020 compared with 2005.

This is how it works: For every ton of greenhouses gases released by a company in the trading system, one emission right is cancelled. In practice, a company that discharges more emissions than anticipated has two options: buy more rights from companies with a surplus or invest in measures to reduce its emissions. The third alternative is a penalty charge.

Every year, the number of emission rights allocated decreases, making it increasingly profitable for companies to take the necessary measures to reduce their emissions. However, emissions from European industry have decreased at faster rate than the allocation of emission rights, resulting in a surplus and price pressure. Since the introduction of the system, prices have varied from EUR 3 to more than EUR 30/ton. Prices have fallen sharply in recent years, hovering around EUR 5/ton at the start of 2017.

Emission rights and electricity price[8] According to the industry organization Svensk Energi, a price of EUR 10/ton would cause the price of electricity on the Nord Pool power market to increase by nearly 8 öre/kWh. Accordingly, emission rights are considered an effective complement to renewable electricity production. A growing number of certificates are being auctioned off to companies that release climate gas emissions and the proceeds are going to the state treasury. Companies that generate too many emissions must then purchase more emission rights. This cost is added to the price of electricity, which also benefits the producers of fossil-free electricity producers.

A review of the emission rights for the period from 2021 to 2030 was initiated in the past year. This is a top priority in the EU's climate work. A tightening of the system is also expected to have a positive impact on the price during the current trading period from 2013 to 2020. By April at the latest, the European Parliament and European Council are expected to reach an agreement on how the system needs to be improved in order to meet the climate targets.

ELECTRICITY CERTIFICATES

Electricity certificates, as used by Sweden and Norway, provide support to renewable electricity. This system has been successful and has contributed to achieving the expansion target for 2020 ahead of schedule, which could slow the expansion of wind power over the next few years. This spring the government will leave a proposition that intended to strengthen the electricity certificate system.

In the EU, the member countries are using various support systems for the expansion of renewable electricity production. Electricity certificates were introduced in 2003 in Sweden. Under the Swedish system, electricity producers of, for example, wind power receive one certificate for every MWh of electricity that is produced for sale in an approved facility over a period of 15 years. Except in the case of certain electricity-intensive companies, these certificates are usually sold on and are ultimately tacked on to the electricity bills sent out electricity consumers. The proceeds have primarily gone to wind power, which is the fastest-growing form of renewable production and is considered to have the greatest potential for the future.

From 2012, the aim of the system, together with Norway, is to increase the annual production of renewable electricity by 28.4 TWh by 2020 compared with 2012. Up to 2030, it has been proposed that a further 18 TWh/year be constructed, although this only involves Sweden since Norway is closing its system at the end of 2021.

Price trend[9]
A number of the price forecasts published in recent months have been gloomy. These forecasts were based on estimates that the target of 28.4 TWh will be achieved long before 2020, thereby exacerbating the surplus of electricity certificates and resulting in further price pressure. Some analysts have even predicted a price collapse. A review of the electricity-certificate system is thus a top priority.

The next audit of the system, known as control station 2017[10], will be carried out this year. This audit pertains both to the period up to 2020 and to the period up to 2030. According to a report from the Swedish Energy Agency ahead of control station 2017, Sweden has built up a surplus of electricity over the current period. However, the report also states that nuclear power will need to be replaced. The only question is how quickly and with what. The report highlights other issues that also need to be solved before the next period begins and recommends the evaluation of a number of measures, including a stop mechanism to prevent overexpansion. Swedish Wind Energy is demanding quick action to prevent the expansion of renewable electricity from slowing down

For Rabbalshede Kraft, electricity certificates and guarantees of origin accounted for 34% (37) of net sales in 2016. Guarantees of origin represent an extra support for electricity producers as they are voluntary, in contrast to electricity certificates. This gives households and companies the option to purchase electricity derived solely from wind power or other forms of renewable electricity production.

1 Nord Pool's current and historical spot prices: www.nordpoolspot.com/Market-data1/Elspot/Area-Prices/ALL1/Hourly/?view=table www.energiforetagen.se/pressmeddelanden/pressmeddelande-elaret-2016-mindre-el-fran-vatten-och-vind-fortsatt-laga-elpriser
2 Swedish Energy Agency press release: Stable electricity production in 2016 with few surprises
3 sv.wikipedia.org/wiki/Energiöverenskommelsen (refer to links, including link to final report dated June 10, 2016)
4 www.energikommissionen.se
5 http://europa.eu/rapid/press-release_IP-16-4009_en.htm Energiföretagen's EU Blog: www.energiforum.se
6 www.iea.org, World Energy Outlook 2016
7 www.energimyndigheten.se/nyhetsarkiv/2017/elproduktionen-2016-var-stabil-och-bjod-pa-fa-overraskningar
8 Trading in emission rights: www.naturvardsverket.se and ec.europa.eu/clima/policies/ets/cap_en
9 www.vindkraftsbranschen.se/blog/vindkfo/fortroendekris-for-elcertifikatsystemet-nu-maste-politikerna-ta-sin-del-av-ansvaret
10 Kontrollstation 2017 för elcertifikatsystemet, ER 2016:19
www.vindkraftsbranschen.se/blog/vindkfo/fortroendekris-for-elcertifikatsystemet-nu-maste-politikerna-ta-sin-del-av-ansvaret

The share

The company and its shares are affiliated to the electronic securities system known as the VP system, with Euroclear Sweden AB as the central securities depository.

The company's Class B shares have been traded since April 1, 2014 on the Alternativa Listan. This list is a marketplace for unlisted shares and has been under the supervision of the Swedish Financial Supervisory Authority since 2003.

Rabbalshede Kraft's total number of shares amounted to 126,843,931 shares at the end of 2016. The shares were distributed among 1,000,000 Class A shares and 125,843,931 Class B shares. Class A shares entitle the holder to one vote and Class B shares entitle the holder to one-tenth of a vote.

In February 2017, a directed issue of shares was conducted to Sweden Holdco RK AB ("Greystone"), whereby Rabbalshede Kraft raised SEK 283 M. After the issue of shares, Greystone became the second largest shareholder in the company. The total number of shares after the share issue amounts to 160,108,636, of which 1,000,000 were Class A shares and 159,108,636 were Class B shares.

The Board of Rabbalshede Kraft has adopted the followingdividend policy:

When the requisite earnings and cash flow so permit, this is to accrue to the shareholders in the form of a dividend corresponding to at least 30 percent of profit after tax.

Share capital trend

Share capital trend		Change		Accumulated total				
Year	Event	Class A shares	Class B shares	Class A shares	Class B shares	Quoient value	Share capital increase	Accumulated share capital
June 2005	Company foundation	1,000	-	1,000	-	100	100,000	100,000
July 2006	Amended quotient value	99,000	-	100,000	-	1	-	100,000
July 2006	New share issue	4,000,000	300,000	4,100,000	300,000	1	4,300,000	4,400,000
Aug 2006	New share issue	1,600,000	-	5,700,000	300,000	1	1,600,000	6,000,000
Dec 2006	New share issue	4,000,000	6,000,000	9,700,000	6,300,000	1	10,000,000	16,000,000
Nov 2007	Non-cash issue	-	8,000,000	9,700,000	14,300,000	1	8,000,000	24,000,000
Dec 2007	Stock dividend 3:1	-	72,000,000	9,700,000	86,300,000	1	72,000,000	96,000,000
Jan 2008	Preferential rights issue	-	24,000,000	9,700,000	110,300,000	1	24,000,000	120,000,000
May 2008	Preferential rights issue	-	39,029,000	9,700,000	149,329,000	1	39,029,000	159,029,000
May 2008	Private placement	-	16,671,000	9,700,000	166,000,000	1	16,671,000	175,700,000
June 2008	Preferential rights issue	300,000	-	10,000,000	166,000,000	1	300,000	176,000,000
Jan 2010	New share issue	-	46,054,314	10,000,000	212,054,314	1	46,054,314	222,054,314
Apr 2010	Private placement	-	6	10,000,000	212,054,320	1	6	222,054,320
May 2010	Reverse split 1:10	-	-	1,000,000	21,205,432	10	-	222,054,320
Jan 2011	Share subscription due to warrants	-	482,500	1,000,000	21,687,932		4,825,000	226,879,320
July 2012	Preferential rights issue	-	8,356,845	1,000,000	30,044,777	10	83,568,450	310,447,770
June 2013	Private placement	-	14,300,000	1,000,000	44,344,777	10	143,000,000	453,447,770
July 2013	Preferential rights issue	-	29,480,153	1,000,000	73,824,930	10	294,800,530	748,249,300
Jan 2016	Preferential rights issue	-	52,019,001	1,000,000	125,843,931	6	312,114,006	1,060,363,306
Jan 2016	Impairment	-	-	1,000,000	125,843,931	6	299,299,722	761,063,584
Feb 2017[1]	*Private placement*	-	*33,264,705*	*1,000,000*	*159,108,636*	*5*	*166,323,525*	*927,387,109*
Feb 2017[1]	*Impairment*	-	-	*1,000,000*	*159,108,636*	*5*	*-126,843,931*	*800,543,178*

[1] The Company has done a private placement in February 2017

Largest shareholders (at December 31, 2016)

	No. of Class A shares	No. of Class B shares	Holding, %	Votes, %
Manor Group	347,500	72,683,334	57,58	56,06
Ernst Rosén Invest, The Rosén family	345,000	16,029,882	12,91	14,34
The Thorén-Jönsson family with Company	307,500	5,359,325	4,47	6,21
The Chalmers University of Technology Foundation	-	5,000,000	3,94	3,68
Nordea Investment Funds	-	4,682,471	3,69	3,45
SEB Investment Management	-	3,185,730	2,51	2,35
SEB Life International Assurance	-	3,114,540	2,46	2,29
Tibia Konsult AB	-	2,930,000	2,31	2,16
Trogen, Karl-Erling with family and Company	-	1,440,517	1,14	1,06
KL Ventures II AB	-	1,305,000	1,03	0,96
Others	-	10,115,132	7,97	7,45
Total	1,000,000	125,843,931	100,00	100,00%

The holdings encompass personal holdings, or holdings of a wife/husband/cohabitant, sibling or relative in a direct line of ascent as well as legal entities where the person has a controlling influence.

Largest shareholder (at February 28, 2017)

	No. of Class A shares	No. of Class B shares	Holding, %	Votes, %
Manor Group	347,500	72,683,334	45,61	45,04
Greystone	-	33,264,705	20,78	19,67
Ernst Rosén Invest, The Rosén family	345,000	16,029,882	10,23	11,52
The Thorén-Jönsson family with Company	307,500	5,359,325	3,52	4,97
The Chalmers University of Technology Foundation	-	5,000,000	3,12	2,96
Nordea Investment Funds	-	4,682,471	2,92	2,77
SEB Investment Management	-	3,185,730	1,99	1,88
SEB Life International Assurance	-	3,114,540	1,95	1,84
Tibia Konsult AB	-	2,930,000	1,83	1,73
Trogen, Karl-Erling with family and Company	-	1,440,517	0,90	0,85
Others	-	11,450,132	7,15	6,77
Total	1,000,000	159,108,636	100,00	100,00

From February 2017, Greystone became a significant owner.

Financial calendar

Annual General Meeting for the fisical year 2016	April 27, 2017
Interim report January-March 2017	May 18, 2017
Interim report January-June 2017	August 17, 2017
Interim report January-September 2017	November 23, 2017
Year-end report for 2017	February 28, 2018

Annual General Meeting

The Annual General Meeting for the 2016 fiscal year will be held at 4:00 p.m. on April 27, 2017, in Gothenburg, Sweden. The notification will be published in due course.

Financial statements

Annual reports, interim reports, press releases, etc. can be downloaded from Rabbalshede Kraft's website: www.rabbalshedekraft.se. You can order a printed Annual Report via email (only available in Swedish): info@rabbalshedekraft.se

Board of Directors, Senior Executives and Auditor

Board of Directors

Bertil Villard
Chairman of the Board

Mr. Villard has been a board member of Rabbalshede Kraft since 2017.

Born: 1952
Education: Master in Laws, LL M
Other assignments: Member and chairman of the board of Landsort Care 1-3 AB, member and chairman of the board of Strax AB, member of the board of Prior & Nilsson Fond- och Kapitalförvaltning AB, member of the board of Cleanenergy AB, member of the board of Polaris Invest A/S and Polaris Management A/S, member of the board of SamSari AB and Samsari Act Group AB, member of the board of ECODC AB.
Holdings: -

Karin Kronstam

Ms. Kronstam has been a board member of Rabbalshede Kraft since 2007.

Born: 1950
Education: Degree of master in business administration.
Other assignments: Chairman and CEO of Kamarilla AB. Board member of Posifon AB and Praktikertjänst AB.
Holdings: 73,550 B-shares.

Annika Ahl Åkesson

Ms. Ahl Åkesson has been a board member of Rabbalshede Kraft since 2017.

Born: 1965
Education: Master in Business Administration
Other assignments: CFO Ernst Rosén AB
Holdings: -

Jeffrey Mouland

Mr. Mouland has been a board member of Rabbalshede Kraft since 2017

Born: 1967
Education: Bachelor of Engineering, Master of Business Administration
Other assignments: Member and Chairman of the Board of Ballycadden Wind Farm Ltd., Member of the Board of Silicon Ranch Corporation, and Member of the Board of Smiling Land Foundation.
Holdings: -

Matthieu Baumgartner

Mr. Baumgartner has been a board member of Rabbalshede Kraft since 2016.

Born: 1969
Education: Master in Business
Other assignments: Chairmen of Manor Investment SA, Member of the Supervisory Board of CycleEnergy Biomass Power AG, Atalante Energies SAS, Member of the Board of Blue Elemente Pte Ltd, Agrinos AS, Treis Management Limited, Treis Asia Private Limited, Manager of Pharo Foundation
Holdings: -

Jean Baptiste Oldenhove

Mr. Oldenhove has been a board member of Rabbalshede Kraft since 2014.

Born: 1976
Education: Master of Science in Engineering, Master of Business Administration
Other assignments: Partner of Treis Partners LLP, Member of the Supervisory Board of CycleEnergy Biomass Power AG, Member of the Board of Agrinos AS, Member of the Board of Manor Advisory Services Limited and Managing Director of Manor Investment SA.
Holdings: -

Senior Executives

Håkan Frick
Acting CEO

Mr. Frick was appointed as acting CEO of Rabbalshede Kraft in August 2016

Born: 1950
Education: Master of Science, Engineering Physics Chalmer University of Technology
Experience: Leading positions in ABB, Calderyds, WM-data and Volvo.
Holdings: -

Fredrik Samuelsson
Financial Manager

Mr. Samuelsson was appointed as Financial Manager in 2012

Born: 1972
Education: University degree in economics
Experience: Accounting Manager at MQ Holding AB, accountant at Ernst & Young AB
Holdings: -

Britta Ersman
FInancial and IR Manager

Mrs. Ersman was appointed as Financial and IR Manager in 2015

Born: 1975
Education: Bachelor's degree in Business and Finance Administration, Gothenburg School of Economics with specialization Cost and Revenue Analysis
Experience: Head of Private Equity at the Second Swedish National Pension Fund
Holdings: 9 900 B-shares

Peter Bjelkengren
Purchasing and Construction Manager

Mr. Bjelkengren was appointed as Strategic Purchaser of Rabbalshede Kraft in 2010

Born: 1958
Education: Secondary education, mechanical engineering.
Experience: Purchaser at SAAB Automobile, Purchasing manager at Wärtsilä CoGen Department, Purchasing Consultant
Holdings: -

Lars Jacobsson
Operations Manager

Mr. Jacobsson was appointed as Operations Manager in 2016

Born: 1957
Education: B.Sc. Telecom
Experience: Operations engineer process industry, international consultant operations and maintenance in the gas and oil industry.
Holdings: -

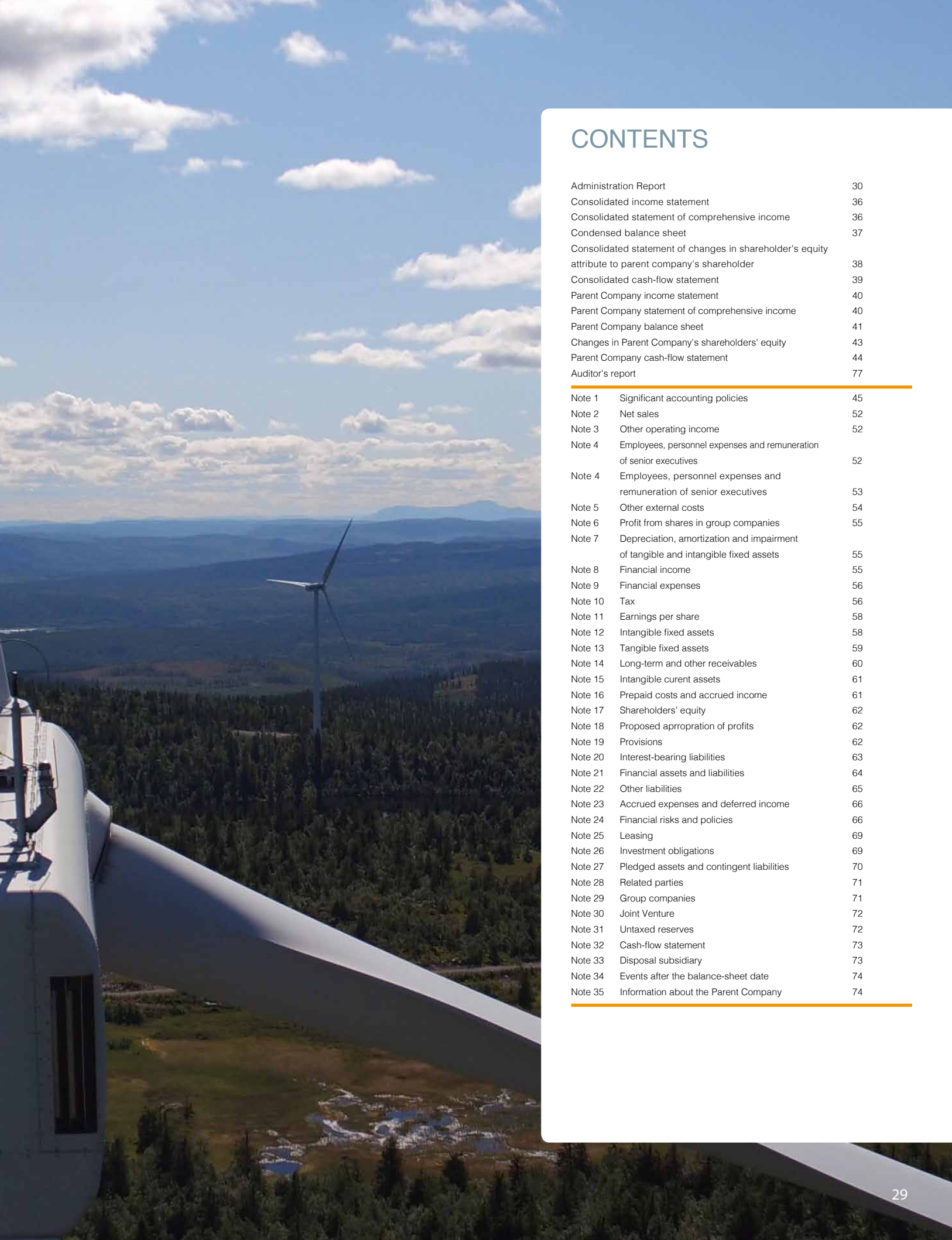
Auditor

At the 2016 AGM, Ernst & Young AB was reelected as the company's auditor, whereupon the following person was appointed as the

Chief Auditor:
Stefan Kylebäck, born: 1965. Authorized Public Accountant and member of FAR, Active in Ernst & Young AB in Gothenburg

The holdings encompass personal holdings, or holdings of a wife/husband/cohabitant, sibling or relative in a direct line of ascent as well as legal entities where the person has a controlling influence.

The company management's holdings refer to information at December 31, 2016



CONTENTS

Administration report

MULTI-YEAR REVIEW

Project portfolio	No. of turbines					Total Capacity, MW				
	Dec 31,16	Dec 31,15	Dec 31,14	Dec 31,13	Dec 31,12	Dec 31,16	Dec 31,15	Dec 31,14	Dec 31,13	Dec 31,12
Operation	71	71	71	38	26	190	190	190	89	61
Construction	22	-	-	33	14	76	-	-	101	32
Permit granted	47	133	65	49	51	140	424	194	141	146
Preplanning, planning and application phase	101	114	195	258	335	324	335	578	774	988
Total in operation and in planning	241	318	331	378	426	763	949	962	1.105	1.227
Sold projects	41.5	24	24	24	22	111	52	52	52	47

Production	Full-year 2016	Full-year 2015	Full-year 2014	Full-year 2013	Full-year 2012
Production outcome, MWh	500,247	576,412	314,665	189,431	159,785
Hedged energy, %	70	71	71	63	61

Condensed income statement and cash flow statement	Full-year 2016	Full-year 2015	Full-year 2014	Full-year 2013	Full-year 2012
Net sales, KSEK	235,628	264,204	146,161	104,694	85,269
Operating profit/loss, KSEK	44,263	-110,669	14,325	38,027	–7,619
Profit/loss before tax, KSEK	-109,334	-196,729	-32,132	210	–41,055
Profit/loss for the year, KSEK	-102,360	-171 647	-25,083	117	–30,200
Cash flow from operating activities before changes in working capital, KSEK	-12,113	92,006	34,626	36,163	13,506
Cash flow from operating activities, KSEK	-38,991	21,138	101,110	-8,627	58,317

Condensed balance sheet	Dec 31,16	Dec 31,15	Dec 31,14	Dec 31,13	Dec 31,12
Total assets, KSEK	2,355,778	2,562,718	2,647,556	1,938,658	1,277,824
Fixed assets, KSEK	2,188,026	2,183,987	2,422,682	1,611,542	1,095,576
Current assets, KSEK	167,752	378,731	224,874	327,116	182,248
Shareholders' equity, KSEK	1,074,957	1,145,146	990,369	1,117,952	573,058
Interest-bearing liabilities, KSEK (excl. shareholder loans)	709,713	1,231,722	1,385,815	751,933	562,969
Other liabilities, KSEK (incl. shareholder loans)	571,108	185,850	271,732	68,773	141,797

Key figures	Dec 31,16	Dec 31,15	Dec 31,14	Dec 31,13	Dec 31,12
Return on capital employed before taxes, %	2.2	neg	0.7	2.6	neg
Debt/equity ratio, multiple	1.0	1.1	1.4	0.7	1.0
Net debt, KSEK	1,023,662	914,788	1,210,382	471,261	416,715
Equity/assets ratio, %	46	45	37	58	45
Number of shares at the end of the period (thousands)	126,844	74,825	74,825	74,825	31,045
Shareholders' equity per share, (SEK)	8.47	15.30	13.24	14.94	18.46
Earnings per share (SEK)	-0.81	-2.29	--0.34	0.00	–1.13
Average number of employees	25	21	21	23	24

The Board of Directors and the CEO of Rabbalshede Kraft AB (publ), Corporate Registration Number 556681-4652 hereby submit the annual report och consolidated financial statements för fiscal year January 1-December 31, 2016.

BUSINESS ACTIVITIES

The Group comprises the Parent Company, Rabbalshede Kraft AB (publ.) and 18 wholly owned subsidiaries, of whom 12 are directly owned. Refer to Note 25 for further information.

The Parent Company started operations in 2005 and the Group was formed in November 2007. Rabbalshede Kraft refers to the Group in this report.

Rabbalshede Kraft plans and constructs land-based wind farms in Sweden for proprietary operation or in partnership with other operators, or to sell on to other operators. The company ensures effective control of all stages from preplanning, planning, application and construction to ultimately, operation and maintenance. Optimal long and short-term profitability is achieved by being in control of all of the stages from the initial analysis of suitable areas for the construction of wind farms to their actual operation. Rabbalshede Kraft also offers operational management of wind turbines for partners.
In 2016, the average number of employees was 25 (21).

TREND IN THE GROUP'S SALES AND EARNINGS

Net sales amounted to KSEK 235,628 (264,204).
The average electricity price per presold MWh for the January to December 2016 period was SEK 309/MWh (288). Average income for electricity certificates was SEK 154 (162) per electricity certificate and for guarantees of origin SEK 8 (8) per GoO during the January to December 2016 period. EBITDA amounted to KSEK 144,069 (169,655) and EBIT to KSEK 44,263 (loss: 110,669). A loss for the year was posted of KSEK 96,823 (loss: 171,647), corresponding to a negative earnings per share of SEK 0.77 (neg: 2.29). Net financial items were negative in an amount of KSEK 148,060 /-86,060) and the result after tax was a loss of KSEK 103,797 (loss: 196,729).

During the year, the Group reduced its bank borrowings by approximately 40%, both through scheduled and extra payments. This was made possible by a shareholder's loan from the company's principal owner, Manor. In conjunction with the amortization of loans, the early redemption of interest hedging instruments occurred, which had a negative impact on earnings of KSEK 62,930, which is the main reason that the year's result before tax was negative in an amount of KSEK 96,823.

Production from the Group's wind farms amounted to 500,247 MWh (576,412). The rate of expansion for wind farms varies from year to year and, accordingly, as does the increase in production.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Investments, including paid advances, totaled KSEK 41,755 during the January to December 2016 period. The investments primarily pertained to ongoing planning. Depreciation, amortization and impairment of tangible and intangible fixed assets totaled KSEK 99,036 (280,324), of which depreciation of operational wind farms accounted for KSEK 87,990 (95,867). During 2016, the Group recognized impairment of projects of KSEK 9,079.

The useful life of an investment in wind turbines is estimated at 25 years. Utilizing a useful life of 25 years for investments in wind turbines is standard practice among both Swedish and foreign wind-power companies.

CASH FLOW

The Group's cash flow from operating activities before changes in working capital was negative KSEK -12,113 (88,491) and cash flow from financing activities was negative KSEK 80,367 (107,621). Cash flow for the period amounted to negative KSEK 182 811 (pos: 105 738), primarily attributable to the repayment of a bank loan in an amount of KSEK 547,161.

FINANCING AND LIQUIDITY

Net debt at the end of the year totaled KSEK 1,023,662 (914,788). Cash and cash equivalents amounted to KSEK 43,933 (226,744), of which blocked bank funds accounted for KSEK 59,726 (90,190). The equity/assets ratio was 46 percent (45) at the closing date. Bank loans totaled KSEK 728,492 (1,255,652) at December 31, 2016.

The average interest rate on raised bank loans was 5.98 percent (5.33). The fixed-interest period at December 31, 2016 was 4.71 years (4.47) and the capital maturity term was 4.47 years (4.84).

During the year, the company's prinicipal owner, Manor Investment S.A ("Manor"), provided the Group with a shareholder loan of KSEK 400,000. Together with the proceeds from the rights issue in 2015 of 312 114 thousand, most of it were used to amortize the loans for the wind parks of Hud, Töftedalsfjället, Kil, Brattön, Dinge-skogen, Skaveröd/Gurseröd, Årjäng Nordväst and Årjäng Sydväst. In conjunction with the amortization of loans, the early redemption of interest hedging instruments occurred, which had a negative impact on earnings of KSEK 62,930.

The company has been granted an overdraft facility of MSEK 50 000, of which MSEK 20 000 had been utilized on the balance-sheet date.

PARENT COMPANY

The Parent Company, Rabbalshede Kraft AB (publ.), focuses primarily on the management, coordination and operation of the Hud wind farm and the development of the Group. The administration of electricity sales is carried out in the Parent Company. The Parent Company is responsible for issues related to the equities market, such as preparing consolidated financial statements and equity market information, as well as to the credit market such as matters regarding funding and financial risk management.

Net sales totaled KSEK 23,694 (30,268) and other operating revenues KSEK 18,550 (910). EBIT was a loss of KSEK 19,653 (loss: 24,565) and profit after tax was a loss of KSEK 43,983 (loss: 204,266).

SHARE CAPITAL AND OWNERSHIP STRUCTURE

At the end of the fiscal year, the registered share capital comprised 126,843,931 shares (74,824,930), of which Class A shares comprised 1,000,000 (1,000,000) and Class B shares 125,843,931 (73,825,930).

Class A shares entitle the holder to one vote and Class B shares entitle the holder to one-tenth of a vote. The quotient value of the shares is SEK 6 per share.

At December 31, 2016, according to the shareholder register maintained by Euroclear Sweden AB, the number of shareholders was 1,054 (1,068). At the end of the fiscal year, Manor controlled 56.06 percent of the company's votes, Ernst Rosén Invest AB, including Reine Rosén with companies and family, 14.34 percent, Anna-Lisa Thorén Jönsson with companies and family 6.21 percent and Nordea Funds 3.45 percent. No other shareholder controls 3 percent or more of the company's votes.

At the end of 2015, a new share issue was carried out of 52,019,001 Class B shares at SEK 6 per share, which raised funds for the company of SEK 312,144,006.

The share issue was registered during 2016.

Rabbalshede Kraft AB's shares are not listed on any stock exchange or market. In April 2014, the Board of Directors decided to list the company's Class B share for trading on Alternativa Sweden's trading platform via the Alternativa List to replace its listing on Mäklarlistan. On the Alternativa List, buyers and sellers can follow share price information and execute regular trading. Trading on the Alternativa List occurs regularly, once a month in order to gather transactions and create share liquidity. Each trading period comprises four days. During 2016, 216,665 Class B shares were traded at an average price of SEK 4,53.

The Articles of Association do not include any preemption clauses, meaning barriers to transferring shares in the company.

SIGNIFICANT EVENTS DURING THE FISCAL YEAR

In late 2015, a new share issue was conducted whereby the company raised SEK 312 M. The share issue was registered in January 2016. Some of the proceeds from the share issue were used to reduce the company's borrowing.

In April 2016, an agreement was reached concerning the sale of a 2 MW wind turbine in Hällevadsholm to Mölndal Energi. Rabbalshede Kraft had been responsible for procurement and construction, and also signed a two-year management agreement. The wind turbine was commissioned during the fourth quarter of 2016.

The AGM for the 2015 fiscal year was held on June 1, 2016, in Gothenburg, Sweden.

Construction of Lyrestad wind farm, comprising 22 wind turbines (76 MW) in the municipalities of Mariestad and Töreboda, commenced in June 2016. The wind farm corresponds to an investment of just over SEK 1 billion and is operated by a company owned jointly, joint venture, by Rabbalshede Kraft and Ace Wind Sweden SA which is owned by Ardian Infrastructure. Ace Wind Sweden SA holds 75 percent of the shares and Rabbalshede Kraft holds 25 percent of the shares. Rabbalshede Kraft's majority shareholder, Manor, assisted in the project by providing financing and a parent company guarantee. The civil-engineering contract, involving roadworks and foundations, is proceeding as planned and the wind farm is scheduled to be commissioned in stages in autumn 2017. The wind farm's annual production of 234 GWh will be purchased by Google under a long-term power purchase agreement.

In August 2016, Rabbalshede Kraft concluded a management agreement with Gnosjö Energi. The agreement pertains to a four-year management assignment involving operational management and monitoring of the Kulltorp wind farm in Gnosjö municipality as of January 2017. The wind farm comprises four wind turbines (10 MW). A management agreement was signed with Dorotea Municipality and Kvarkenvinden for two wind turbines (4 MW) at the Bliekevare wind farm.

The company this year has been embroiled in a dispute. The dispute was resolved at the beginning of 2017, which meant that the company was settled by paying 4.8 million SEK to the other party. The amount has been reserved in the accounts for the financial year in 2016.

Håkan Frick was appointed Acting CEO on August 1, 2016. CEO Thomas Linnard is on sick leave.

During the year, Rabbalshede Kraft and its subsidiaries reduced their bank liabilities for the Group's wind farms by some 40 percent. This was made possible by a shareholder loan from Manor, the company's majority shareholder.

In October 2016, an environmental permit was received for the Sköllunga wind farm. The wind farm comprises up to three 180-meter-high wind turbines (9 MW).

EVENTS AFTER THE END OF THE FISCAL YEAR

An Extraordinary General Meeting was held on January 31, 2017, at which resolutions were passed to reduce the share capital by SEK 126,843,931 for transfer to unrestricted shareholders' equity.

The meeting also resolved on a private placement to Sweden Holdco RK AB ("Greystone"). The private placement was implemented on February 1, 2017 Following the investment, Greystone is the company's second largest shareholder, with Manor remaining the company's largest shareholder.

The meeting resolved that the Board of Directors is to comprise six elected members. The Meeting resolved on the re-election of Karin Kronstam, Jean Baptiste Oldenhove and Matthieu Baumgartner and new election of Bertil Villard, Annika Ahl Åkesson and Jeffrey Mouland. Bertil Villard was elected Chairman of the Board. Refer to note 34

After many years as an employee and as CEO of Rabbalshede Kraft AB (publ), the Board announced on February 28, 2017, that, following a joint decision, Thomas Linnard has chosen to leave his position. Håkan Frick will continue as Acting CEO until further notice.

INFORMATION ABOUT RISKS AND UNCERTAINTIES

Risk management for electricity sales

Rabbalshede Kraft has a collaboration in place with Axpo Sverige AB, one of the leading operators on the Nord Pool power market. The partnership aims to secure future pro-

duction revenue, reach long-term profitability, reduce the risk of fluctuations in market prices negatively impacting the company's revenue, achieving favorable results from price hedges and managing the balance power cost-effectively.

Together with Axpo, Rabbalshede Kraft has prepared an electricity trading policy, which aims to identify risks and set frameworks and limits for Rabbalshede Kraft's risk-taking. The company hedges prices for a proportion of its production volume with fixed price contracts (PPAs and EPAs), which means that the volume risk and profile cost for the hedged portion are eliminated. Volume risk is defined as the risk that production volumes do not correspond to the hedged volume. The profile risk pertains to the difference between the selling price under futures, which is fixed during the day, and the actual spot price when electricity is delivered during the day.

Political risks

The electricity market is governed by laws and regulations, which in Sweden, partly derive from EU directives. Likewise, the market for wind power is governed by laws and regulations, both in terms of the support system and the permit process for establishing new wind turbines.

The projects that are under planning and application are subject to evaluation and assessment by the municipality and/or county administrative board. Accordingly, there may be some uncertainty as to whether or not the Company will receive permits for these projects.

The electricity-certificate system was introduced in Sweden in 2003 to promote the expansion of renewable and carbon-free electricity. From 2012, the aim of the system, together with Norway, is to increase the annual production of renewable electricity by 28.4 TWh by 2020 compared with 2012. Up to 2030, it has been proposed that a further 18 TWh/year be constructed, although this only involves Sweden since Norway is closing its system at the end of 2021.

The expansion of wind power has progressed rapidly, contributing to a wide range of electricity certificates, although electricity consumption has not kept pace with increased green electricity production. Since 2005, the spot price has varied from more than SEK 300 to just over SEK 100/MWh (30 – 10 öre/kWh). The tendency has been declining for all of the 2010s and the monthly average in December 2016 amounted to SEK 115.5. A number of the price forecasts published in recent months have been gloomy. These forecasts were based on estimates that the target of 28.4 TWh will be achieved long before 2020. This is worsened by the surplus of certificates, which is leading to further price pressure. Some analysts have even predicted a price collapse. The next audit of the system, known as control station 2017, will be carried out this year. This audit pertains both to the period up to 2020 and to the period up to 2030. According to a report from the Swedish Energy Agency ahead of control station 2017, Sweden has built up a surplus of electricity over the current period. However, the report alsostates that nuclear power will need to be replaced. The only question is how quickly and with what. This will impact the size of the annual quotas in 2022 – 2030.

Electricity price

In 2016, the system price on the Nordic power market rose 30% after bottoming out in 2015. While the price forecast for 2017 is cautiously optimistic, the pressure on the electricity price is contributing to declined wind power investments in the Nordic region. Political processes are under way in Sweden and the EU to reverse this trend. The goal is to increase the share of renewable electricity production.

In the short term, weather is the most important factor when it comes to prices. However, price elasticity is essentially zero since rapid price fluctuations have only amarginal impact on consumption.

In the medium term, with a time horizon of up to five years, economic conditions will play an important role in setting prices by boosting or reducing electricity consumption in the industry. The global economic situation also impacts the price of the fossil fuels used for electricity production, primarily coal but also natural gas. Over the past winter, the price of coal increased sharply due to strong demand primarily from China, which in turn contributed to a hike in the price of electricity. However, the long-term trend is for gas to gain increasing importance globally.

In the long term, other additional factors will determine the rate of expansion of new power production in relation to demand and the technology that will be used. The expansion of the power grid in the EU will also impact the price of electricity as the transfer capacity between countries improves. A good grid connection is crucial for the continued expansion of renewable electricity since this enables exports from regions with surplus electricity to regions with an electricity deficit.

Competitors

Over the past few years, interest in wind power has increased and competition for areas with favorable wind conditions has intensified. Through its extensive project portfolio, Rabbalshede Kraft already holds a strong position in the Swedish wind power market. Rabbalshede Kraft is positive to partnerships with other operators on individual projects, which can also enable the establishment of more and larger wind farms than the company's own funding allows. Wind farms with favorable wind conditions have a competitive advantage when applying for financing. Since the risk taken by the financier is reduced in line with the financial position of the wind farm, financiers prefer to finance profitable projects.

The capacity in the power grid is limited, which entails that local wind power projects compete for the available space.

Exchange-rate movements

A substantial portion of the Group's purchases of wind turbines is made in EUR. Changes in the exchange rate in relation to the SEK can impact profitability when establishing new wind farms.

Electricity prices on the spot market are listed in EUR, which results in electricity prices indirectly being dependent on the exchange rate for this currency, even though the company receives electricity revenues in SEK. Rabbalshede Kraft has an adopted policy for hedging future payments in foreign currencies.

Variations in wind

Wind-power production varies during the year, normally entailing higher electricity production during the winter season. An average wind year, known as a normal year, is based on wind measurements over at least a ten-year period. Deviations from a normal year can be substantial during certain periods, thus impacting income and earnings during a single quarter or year. When making investment decisions about wind farms, Rabbalshede Kraft takes variations in wind into consideration and, furthermore, places great importance on diligent wind measurement to optimize the location of wind turbines and, thereby, production.

Interest-rate trend

Since the loan-to-value ratio generally accounts for 60–70 percent of the investment cost for a wind farm, changes in market interest rates have a material impact on earnings. With extra repayments carried out in recent years the wind farms loan-to-value ratio today to around 50 percent. Rabbalshede Kraft defines its management of interest-rate risk in its financial policy. Refer to notes 20 and 24 for further information.

Economic life and operating costs

Investment decisions are based on an estimated economic life of 25 years for wind turbines. If the actual economic life should be less than the assessed economic life, this will negatively impact the Group's profitability. Such a long investment horizon means that future operating costs may deviate from estimated costs and thus impact the earnings trend. The Group established its own operation and maintenance organization in 2010 to increase turbine availability.

Dependency

The company uses various suppliers as part of planning and constructing wind farms. In the assessment of Rabbalshede Kraft, the company is not dependent on any single supplier of strategic components such as wind turbines, which means that any break in deliveries does not need to entail any long-term consequences for operations. The critical point for bringing new turbines into operation is whether they can be connected to the Swedish power grid. On this point, producers of renewable electricity, such as Rabbalshede Kraft, are extremely dependent on grid companies at a local, regional and national level. Svenska Kraftnät is responsible for the Swedish national grid and has system responsibility for the electricity supply in Sweden. The agency has been tasked by the government to strengthen the national grid with the aim of managing the build-out of wind farms that are often located in sparsely populated areas with power grids that are under-dimensioned for large-scale electricity production. The company expects the connections to be in place in time for those turbines planned to be operational over the next few years.

Employees

The achievement of sustained growth combined with healthy earnings is also dependent on the company's ability to recruit, retain and develop senior executives and other key individuals. At present, the organization is adjusted for continued growth in line with the expansion plan. Additional key employees may be recruited in pace with the company's growth.

Financial instruments and risk management

Refer to Note 21 for further information about the company's financial instruments and risk management.

Environmental information

Wind power is a clean and renewable energy source that has an environmental impact throughout the useful life of a turbine. Environmental impact under operation is primarily in the form of sound and shadow. Through its portfolio of wind power facilities, Rabbalshede Kraft operates a business that is licensable or notifiable under the Swedish Environmental Code. The company holds all necessary environmental permits. Where activities are notifiable, application is required under the Environmental Code for building permission to be granted.

In 2010, Rabbalshede Kraft secured ISO 9001 quality certification and ISO 14001 environmental certification.

Financing

Rabbalshede Kraft has a goal of financing up to 70 percent of new investments with loans and of maintaining a minimum equity/assets ratio of 30 percent. Bank loans totaled KSEK 728,492 (1,255,652) at December 31, 2016, distributed primarily among Swedbank, SEB and DNB.

THE BOARD'S WORK

The Board of Directors comprises six members. During the 2016 fiscal year, the Board held 21 scheduled Board meetings. The Board has a written work plan and an instruction regulating the duties of the Board and the CEO. Accordingly, the Board's meetings and its work follow an agenda program, dedicated to securing the Board's need for information and control of business activities as well as the Group's organization.

CORPORATE GOVERNANCE REPORT

Rabbalshede Kraft applies the Swedish Corporate Governance Code (the Code). The Corporate Governance Report is presented on the company's website: www.rabbalshedekraft.se. The Corporate Governance Report contains disclosures about key elements of the Group's systems for internal control and risk management.

EXPECTATIONS FOR FUTURE DEVELOPMENT

The assessment of the Board of Directors is that the company's future business activities under normal market conditions, meaning when electricity revenues are at historically average levels, will generate a cash flow that results in value growth for the shareholders.

A substantial project portfolio has been built up comprising nearly 700 MW, represented by some 20 wind farms in favorable wind locations across Sweden. The project portfolio comprises wind farms with the potential to produce 2 TWh of electricity annually. The company plans and establishes land-based wind farms operated in Sweden to be operated on a proprietary basis, in collaboration with other players or for resale. Value growth is created through the sale of proprietary electricity production and through

divestments, whereby the gain on invested capital is realized. A wind farm of 22 wind turbines (76 MW) is under construction, with commissioning planned for autumn 2017. The Lyrestad wind farm is operated by a company owned jointly (joint venture) in which Ardian Infrastructure holdes 75 percent of the shares and Rabbalshede Kraft holds 25 percent of the shares.

Rabbalshede Kraft has six wind farms for which environmental permits have gained legal force.

The company continues to have an agreement to build future wind farms together with Enercon. Refer to Note 27 for further information.

The company has a broad strategy and provides proprietary management of wind farms, but also sells operational services to its partners. Rabbalshede Kraft also procures and manages the construction of wind farms on behalf of its customers.

Future capital requirements

If developments follow the predicted expansion plan, a natural need for fresh capital will arise in the future. Additional shareholders' equity in the company is required before a bank will grant any loans for new wind farms. This means that from time to time the need for liquid funds may be substantial. Accordingly, additional share issues may be carried out in parallel with the company continuing to sell entire or parts of existing and future wind farms. To date, Rabbalshede Kraft has secured financing for its expansion on an ongoing basis.

PROPOSAL FOR GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

Senior executives are defined as the group of individuals for which the company reports salaries and other benefits separately in accordance with Chapter 5, Section 20 of the first and third paragraphs of the Swedish Annual Accounts Act (1995:554), in other words, Board members, the CEO and all members of the company's management. The company's executive management is defined as the same group of individuals excluding Board members.

Fees for the Board of Directors

Board fees are resolved by the AGM acting on a proposal from the Nomination Committee.

Remuneration of the company's executive management

The Board proposes the following guidelines for setting remuneration and other benefits for the company's executive management. The guiding principle is to offer remuneration and other terms of employment for the company's executive management at competitive market rates in order to ensure that the company can attract and retain competent executives.

Salaries and other benefits: Remuneration for the company's executive management comprises a fixed salary and pension. The fixed salary is normally reviewed on an annual basis. In addition to fixed salary, variable salary may be paid under the condition that variable salary never exceeds 50 percent of the annual salary. Furthermore, the company's executive management is entitled to customary non-monetary benefits, such as company cars and occupational health services. In addition to these benefits, company housing and other benefits may be offered in individual cases, but should only comprise a limited part of remuneration.

Pension: The company's executive management are offered defined-contribution pension agreements. Premiums correspond to the applicable premium provisions under ITP 1 at that time. Under the defined-contribution pension agreement, the pension amounts to the sum of paid-in premiums and any return on capital with no guaranteed pension level. Under the framework of the defined-contribution pension plan, there is no defined date for retirement.

Notice period and severance pay: Notice periods are limited to a maximum of one year if notice is served by the company, and a maximum of one year if notice is served by the executive. When notice is served by the company, severance pay may be payable in an amount corresponding to a maximum of 12 months' salary less income earned from any other employer.

Incentive scheme: A resolution must be taken on share and share-price-based incentive schemes for the company's executive management by a general meeting.

Remuneration Committee: The Remuneration Committee appointed by the Board is tasked with preparing questions pertaining to remuneration policies, remuneration and other terms of employment for the company's executive management. Detailed policies for setting salaries, pensions and other benefits must comply with the established salary policy set by the Remuneration Committee for the company's executive management.

The Board is entitled to deviate from these guidelines if specific reasons to motivate this are found in individual cases. A disclosure must be made of any such deviation and its underlying reason reported at the next AGM.The above guidelines for remuneration for the Board and company management are unchanged from the 2011 fiscal year.

PROPOSED APPROPRIATION OF PROFITS

The following funds in SEK are at the disposal of the Annual General Meeting:

Share premium reserve	356,962,008
Retained earnings	85,657,151
Loss for the year	-49,520,023
Total	393,099,136

PROPOSED APPROPRIATION OF PROFITS

The Board of Directors proposes that unappropriated earnings and unrestricted reserves be appropriated as follows (SEK):

To be carried forward	36,137,129
Share premium reserve	356,962,007
Total	393,099,136

For information regarding the earnings and financial position of the company, please refer to the following financial statements and balance sheets with accompanying notes.

CONSOLIDATED INCOME STATEMENT

KSEK	Note	Jan 1, 2016–Dec 31, 2016	Jan 1, 2015–Dec 31, 2015
Net sales	2	235,628	264,204
Other operating revenues	3	12,620	6,388
Total revenues		248,248	270,592
Personnel costs	4	-17,929	-15,176
Other external costs	3, 5	-93,759	-85,761
Other operating expenses		-770	-
Profit from shares in group companies	6	7,509	-
Depreciation, amortization and impairment of tangible and intangible fixed assets	7	-99,036	-280,324
Operating profit/loss		44,263	-110,669
Financial income	7	2,337	100
Financial expenses	8	-155,934	-86,160
Loss before tax		-109,334	-196,729
Tax	10	6,974	25,082
Loss for the year		-102,360	-171,647
Of which attributable to non-controlling interests			0
Earnings per share			
Average no. of shares before dilution, thousands		125,707	74,825
Average no. of shares after dilution, thousands		127,015	79,253
Earnings per share before dilution, SEK		-0.81	-2.29
Earnings per share after dilution, SEK		-0.81	-2.17

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KSEK	Jan 1, 2016–Dec 31, 2016	Jan 1, 2015–Dec 31, 2015
Loss for the year	-102,360	-171,647
Other comprehensive income:		
Items that can be reclassified to profit or loss when specific conditions have been met:		
Cash-flow hedges:		
Change in fair value	-53,251	-5,539
Reversals against profit or loss	32,841	35,701
Reversal to income statement	62,930	
Transferred to cost of hedged item	-	-2,266
Tax attributable to cash-flow hedges	-9,354	-6,137
Total	33,166	21,759
Items that will not be reclassified to profit or loss:		
Total items that will not be reclassified to profit or loss	-	-
Comprehensive income for the year	-69,194	-149,888
Of which attributable to non-controlling interests	0	0

CONSOLIDATED BALANCE SHEET

KSEK	Note	Dec 31, 2016	Dec 31, 2015
Assets	24, 26 27		
Intangible fixed assets	12	31,888	33,751
Tangible fixed assets	13	1,988,607	2,088,834
Deferred tax assets	10	59,290	61,387
Receivables from joint venture		108,226	
Long-term receivables	14, 30	15	15
Total fixed assets		2,188,026	2,183,987
Intangible current assets	15	4,897	7,737
Accounts receivable		4,061	1,316
Receivables from joint venture		2,273	
Prepaid costs and accrued income	16	44,608	46,010
Other receivables	14, 21	8,254	6,734
Blocked bank funds		59,726	90,190
Cash and cash equivalents	32	43,933	226,744
Total current assets		167,752	378,731
Total assets		2,355,778	2,562,718
Shareholders' equity	17		
Share capital		761,063	748,249
Other capital contributions		399,527	399,527
Ongoing new share issue		-	304,665
Hedging reserve		-62,118	-95,284
Retained earnings including profit/loss for the year		-23,523	-212,019
Shareholders' equity attributable to Parent Company's shareholders		1,074,949	1,145,138
Non-controlling interests	29	8	8
Total shareholders' equity		1,074,957	1,145,146
Liabilities	27		
Provisions – rehabilitation costs for wind turbines	19	6,981	6,617
Interest-bearing liabilities	20, 24	537,771	5,400
Derivate	22	80,006	122,844
Other long-term liabilities	22	417,608	-
Total long-term liabilities		1,042,366	134,861
Accounts payable	24	15,525	5,204
Interest-bearing liabilities	20, 24	171,942	1,226,322
Other liabilities	21, 22	6,745	5,805
Accrued expenses and deferred income	23	44,243	45,380
Total current liabilities		238,455	1,282,711
Total liabilities		1,280,821	1,417,572
Total shareholders' equity and liabilities		2,355,778	2,562,718

See Note 27 for information about the Group's pledged assets and contingent liabilities.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS

KSEK	Note	Share capital	Other capital contributions	Ongoing new share issue	Hedging reserve	Retained earnings incl. comprehensive income for the year	Total shareholders' equity
Opening shareholders' equity, Jan. 1, 2015		748,249	399,527	-	-117,043	-40,372	990,361
Loss for the year		-	-	-	-	-171,647	-171,647
Other comprehensive income		-	-	-	21,759	-	21,759
Comprehensive income for the year		-	-	-	21,759	-171,647	-149,88
Total changes in equity excluding transactions with the company's owners		748,249	399,527	-	-95,284	-212,019	840,473
Transactions with the Group's owner							
Ongoing new share issue		-	-	312,114	-	-	312,114
Expenses attributable to the new share issue		-	-	-9,551	-	-	-9,551
Tax attributable to the issuance costs		-	-	2,102	-	-	2,102
Closing shareholders' equity, Dec. 31, 2015		748,249	399,527	304,665	-95,284	-212,019	1,145,138
Opening shareholders' equity, Jan. 1, 2016		748,249	399,527	304,665	-95,284	-212,019	1,145,138
Loss for the year		-	-	-	-	-102,360	-102,360
Other comprehensive income		-	-	-	33,166	-	33,166
Comprehensive income for the year		-	-	-	33,166	-102,360	-69,194
Total changes in equity excluding transactions with the company's owners		748,249	399,527	304,665	-62,118	-314,379	1,075,944
Transactions with the Group's owner							
Ongoing new share issue		312,114		-312,114	-	-	-
Expenses attributable to the new share issue		-		9,551	-	-10,829	-1,278
Skatt hänförlig till emissionsutgifter		-		-2,102	-	2,385	283
Reduction of share capital		-299,300			-	299,300	-
Closing shareholders' equity, Dec. 31, 2016		761,063	399,527	-	-62,118	-23,523	1,074,949

Holders of non-controlling interests hold only KSEK 8 and, accordingly, only a summary of changes in consolidated shareholders' equity attributable to Parent Company's shareholders is reported. The trend for non-controlling interests remained unchanged during the reporting period, January 1, 2015 to December 31, 2016. Provisions consist of the fair value valuation of the derivatives that are included in the hedge accounting after tax effects, refer to Note 17.

CONSOLIDATED CASH-FLOW STATEMENT

KSEK	Note	Jan 1, 2016– Dec 31, 2016	Jan 1, 2015– Dec 31, 2015
Operating activities			
Loss before tax		-109,334	-196,729
Adjustment for non-cash items	32	97,221	288,735
Income tax paid		-	-
Cash flow from operating activities before changes in working capital		-12,113	92,006
Cash flow from changes in working capital			
Increase (–)/Decrease (+) in intangible current assets		2,840	2,713
Increase (–)/Decrease (+) in operating receivables		-39,842	-15,814
Increase (+)/Decrease (–) in operating liabilities		10,124	-57,767
Cash flow from changes in working capital		-26,878	-70,868
Cash flow from operating activities		-38,991	21,138
Investing activities			
Acquisition of intangible fixed assets, including advances		-480	-290
Acquisition of tangible fixed assets, including advances		-41,275	-22,731
Sale / disposal of tangible fixed assets		27,318	-
Divestment of subsidiaries, cash and cash equivalents	33	-49,016	-
Cash flow from investing activities		-63,453	-23,021
Financing activities			
Ongoing new share issue		-	312,114
Issuance costs		-1,278	-9,551
Change in shareholder loans		417,608	-109,811
Raised loans		20,000	25,000
Amortization of loans		-547,161	-74,368
Changes in blocked funds		30,464	-35,763
Cash flow from financing activities		-80,367	107,621
Cash flow for the period		-182,811	105,738
Opening cash and cash equivalents		226,744	121,006
Closing cash and cash equivalents		43,933	226,744
Blocked funds		59,726	90,190
Total cash and cash equivalents and blocked funds		103,659	316,934

PARENT COMPANY INCOME STATEMENT

KSEK	Note	Jan 1, 2016–Dec 31, 2016	Jan 1, 2015–Dec 31, 2015
Net sales	2	23,694	30,268
Other operating revenues	3	18,550	910
Total revenues		42,244	31,178
Personnel costs	4	-18,075	-15,871
Other external costs	5	-26,220	-17,622
Depreciation, amortization and impairment of tangible and intangible fixed assets	7	-17,602	-22,250
Operating profit/loss	25	-19,653	-24,565
Profit from participations in Group companies	6	-37	-179,169
Interest income and similar items	8	2,354	1,524
Interest expense and similar items	9	-21, 934	-9,115
Loss before tax		-39,270	-211,325
Tax	10	-10,250	7,059
Loss for the year		-49,520	-204,266

PARENT COMPANY'S STATEMENT OF COMPREHENSIVE INCOME

KSEK	Jan 1, 2016–Dec 31, 2016	Jan 1, 2015–Dec 31, 2015
Loss for the year	-49,520	-204,266
Total other comprehensive income	-	-
Comprehensive income for the year	-49,520	-204,266
Of which attributable to non-controlling interests	0	0

PARENT COMPANY BALANCE SHEET

KSEK	Note	Dec 31, 2016	Dec 31, 2015
Assets			
Fixed assets			
Intangible fixed assets	12	16,140	16,927
Tangible fixed assets	13	214,771	234,777
Financial fixed assets			
Share in Group companies	29	1,056,541	825,741
Share of Joint Venture	30	13	
Receivables from joint venture		108,226	
Other long-term receivables	14	15	15
Deferred tax assets	10	7,000	16,969
Total financial fixed assets		1,171,795	842,725
Total fixed assets		1,402,706	1,094,429
Current assets			
Intangible current assets	15	522	561
Accounts receivable		3,088	7
Receivables from Group companies		8,000	8,000
Other receivables	14	2,915	2,580
Prepaid costs and accrued income	16	3,547	2,859
Blocked bank funds		3,940	6,655
Cash and bank balances	32	6,160	201,686
Total current assets		28,172	222,348
Total assets		1,430,878	1,316,777

continued on the next page

Parent Company balance sheet, cont'd.

KSEK	Note	Dec 31, 2016	Dec 31, 2015
Shareholders' equity and liabilities			
Shareholders' equity	17, 18		
Restricted shareholders' equity			
Share capital		761,064	748,249
Ongoing new share issue		-	312,114
Unrestricted shareholders' equity			
Share premium reserve		356,961	365,410
Ongoing new share issue		-	-7,449
Retained earnings		85,658	-9,378
Loss for the year		-49,520	-204,266
Total shareholders' equity		1,154,163	1,204,680
Untaxed reserves	31	500	500
Liabilities			
Interest-bearing liabilities	20	217,438	5,400
Deferred tax liability	10	-	-
Total long-term liabilities		217,438	5,400
Current liabilities			
Interest-bearing liabilities	20, 24	33,697	81,731
Accounts payable		5,894	3,264
Other liabilities	22	1,236	1,566
Accrued expenses and deferred income	23	17,949	19,636
Total current liabilities		58,772	106,197
Total shareholders' equity and liabilities		1,430,878	1,316,777

CHANGES IN PARENT COMPANY'S SHAREHOLDERS' EQUITY

	Restricted shareholders' equity	Unrestricted shareholders' equity				
KSEK	Share capital	Ongoing new share issue	Share premium reserve	Retained earnings	Comprehensive income for the year	Total shareholders' equity
Opening shareholders' equity, Jan. 1, 2015	748,249	-	365,410	5,696	-15,071	1,104,284
Appropriation of profits		-	-	-15,071	15,071	-
Comprehensive income for the year		-	-	-	-204,266	-204,266
Ongoing new share issue		312,114	-	-	-	312,114
Expenses attributable to the new share issue		-9,551	-	-	-	-9,551
Tax attributable to the issuance costs		2,102	-	-	-	2,102
Closing shareholders' equity, Dec. 31, 2015	748,249	304,665	365,410	-9,378	-204,266	1,204,680
Opening shareholders' equity, Jan. 1, 2016	748,249	304,665	365,410	-9,378	-204,266	1,204,680
Appropriation of profits		-	-	-204,266	204,266	-
Comprehensive income for the year		-	-	-	-49,520	-49,520
Reduction of share capital	-299,300	-	-	299,300	-	-
Ongoing new share issue	312,115	-312,115	-	-	-	-
Expenses attributable to the new share issue		9,551	-10,830	1	-	-1,278
Tax attributable to the issuance costs		-2,101	2,382	-	-	281
Closing shareholders' equity, Dec. 31, 2016	761,064	-	356,962	85,657	-49,520	1,154,163

PARENT COMPANY CASH-FLOW STATEMENT

KSEK	Note	Jan 1, 2016–Dec 31, 2016	Jan 1, 2015–Dec 31, 2015
Operating activities			
Loss before tax and appropriations		-39,270	-211,325
Adjustment for non-cash items	32	10,002	201,578
Betald inkomstskatt		-	
Cash flow from operating activities before changes in working capital		-29,268	-9,747
Cash flow from changes in working capital			
Increase (–)/Decrease (+) in intangible current assets		39	1,115
Increase (–)/Decrease (+) in operating receivables		-112,330	-114
Increase (+)/Decrease (–) in operating liabilities		-577	10,819
Cash flow from changes in working capital		-111,714	11,820
Cash flow from operating activities		-140,982	2,073
Investing activities			
Acquisition of tangible fixed assets, including advances		-38,863	-21,653
Acquisition of intangible fixed assets, including advances		-480	-290
Divestment of intangible fixed assets		50,329	1,243
Shareholders' contributions paid		-230,850	-119,634
Cash flow from investing activities		-219,864	-140,334
Financing activities			
New share issue		-	312,114
Issuance costs		-1,278	-9,551
Receiving loan		20,000	
Change shareholder loan		192,750	
Amortization of loans		-48,867	-9,632
Changes in blocked funds		2,715	-300
Cash flow from financing activities		165,320	292,631
Cash flow for the year		-195,526	154,370
Opening cash and cash equivalents		201,686	47,316
Closing cash and cash equivalents		6,160	201,686
Blocked funds		3,940	6,655
Total cash and cash equivalents and blocked funds		10,100	208,341

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Significant accounting policies

COMPLIANCE WITH STANDARDS AND LEGISLATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB). The Group has voluntarily chosen to apply the rules of the IFRS in accordance with Annual Accounts Act. In addition, the Swedish Financial Accounting Standards Council's recommendation RFR 1 Supplementary Accounting Rules for Groups is applied. The Parent Company applies the same accounting policies as the Group except in cases listed below in the section "Parent Company accounting policies." The Annual Report and the consolidated financial statements were approved for issue by the Board of Directors on April 6, 2017. The consolidated income statement and balance sheet, and the Parent Company's income statement and balance sheet will be presented to the Annual General Meeting on April 27, 2017 for adoption.

VALUATION BASIS APPLIED WHEN PREPARING THE FINANCIAL STATEMENTS OF THE PARENT COMPANY AND GROUP

Assets and liabilities are recognized at historical cost, except for certain financial assets and liabilities that are measured at fair value. Financial assets and liabilities measured at fair value consist of derivative instruments.

FUNCTIONAL CURRENCY AND REPORTING CURRENCY

The Parent Company's functional currency is SEK, which is also the reporting currency for the Parent Company and the Group. This means that the financial statements are presented in SEK. All amounts, unless otherwise stated, are rounded to the nearest thousand.

ASSUMPTIONS AND ESTIMATES IN THE FINANCIAL STATEMENTS

Preparing financial statements requires management to make assumptions, estimates and presumptions that affect the application of the accounting policies and the carrying amounts for assets, liabilities, revenue and expenses. The actual outcome may diverge from these estimates and assumptions. Estimates and assumptions are reviewed regularly and revised when necessary. Changes in the estimates are recognized in the period they are made if this is the only period affected by the change, or in the period the changes are made and in future periods if they also affect future periods. For Rabbalshede Kraft, impairment testing of the Group's fixed assets comprises the area that requires a high degree of assumptions and where estimates are of material significance. Impairment testing of the Group's fixed assets uses revenue that is based on the average of a price curve from the forecasting agencies Pöyrys and Nena, which is converted to the balance-sheet date's EUR/SEK exchange rate. A price curve comprises information on the electricity and certificate price trends, indicated as SEK per MWh for a given forecast period. If, for example, global economic conditions should take a considerable change for the worse following the reporting period, this could lead to an impairment requirement that is not reflected in the annual accounts.When testing ongoing projects among the Group's tangible fixed assets for impairment, the carrying amounts for the projects are compared with their respective market values. The market values are mainly based of offers received from other market operators. See note 12 for more information. Testing for impairment of deferred tax assets is based on the probability that temporary differences and fiscal deficits will be possible to utilize. Valuation is carried out by forecasting future taxable profits within a foreseeable future. The value of deferred tax assets is adjusted when it is no longer deemed probable that they can be utilized. See note 10 for further information.

SIGNIFICANT ACCOUNTING POLICIES APPLIED

The accounting policies presented below have been applied consistently in all periods presented in the consolidated financial statements. The Group's accounting policies have also been applied consistently by the Group's companies.

Classification

Fixed assets and long-term liabilities essentially comprise amounts that are expected to be recovered or paid more than twelve months after the balance-sheet date. Current assets and current liabilities mainly comprise amounts that are expected to be recovered or paid within 12 months of the balance-sheet date or where the liability is subject to terms that could require repayment of the debt within 12 months. The company was in breach of its loan covenants at the end of the year and, accordingly, the bank loans have been classified as short-term; refer to Note 16.

SEGMENT REPORTING

In accounting terms, an operating segment is an identifiable part of the Group that either provides goods or services or provides goods or services within a particular economic environment that is exposed to risks and opportunities that differ from other segments. Since the Group's operations currently comprise the production of electricity in a limited geographic market, the Group as a whole is deemed to constitute an operating segment. Accordingly, no segment information is presented since it corresponds to the Group as a whole.

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are companies over which Rabbalshede Kraft AB has a controlling influence. A controlling influence entails an entitlement to a variable return from the involvement with the investee and the ability to exercise its power over the investee to affect the investor's returns. Acquisitions of subsidiaries are recognized using the purchase method. An acqui-

sition is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and takes over its liabilities and contingent liabilities. When an acquisition takes place, an acquisition analysis is performed, through which the cost is established for shares or the business, as well as the fair value of acquired identifiable assets, and assumed liabilities and contingent liabilities on the acquisition date. Amortized cost comprises the sum of the fair values on the acquisition date of assets acquired, arising or assumed liabilities, and for issued equity instruments submitted as payment in exchange for the acquired net assets. If in a business combination, the acquisition cost exceeds the fair value of acquired assets and assumed liabilities, as well as any contingent liabilities that are recognized separately, the difference is recognized as goodwill. When the difference is negative, this is recognized directly in profit or loss. The financial statements of subsidiaries are included in the consolidated financial statements as of the acquisition date until the date on which the control ceases.

Joint venture

Cooperation arrangements in the form of joint ventures are accounted as the equity method in the consolidated statements.

The shares in a joint venture is initially recognized as cost at the acquisition date and adjusted to its share of the jointly controlled Company's income, adjusted for dividends, internal profits and depreciation of assets. The Group's share of earnings generated in the jointly controlled Company is recognized in the consolidated income statement.

When the Group's holding is reduced to zero, additional losses and a liability is recognized, but only to the extent that the Group has incurred legal or constructive obligations or made payments to the joint venture company's behalf. If the joint venture company reports profits, the Group return to recognize its share of those profits only when these amounts to the same amount as the share of losses not recognized by the group.

FOREIGN CURRENCIES

Transactions in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transaction date. Functional currency is the currency of the primary economic environment in which the entity operates. Monetary assets and liabilities in foreign currency are translated into the functional currency using the exchange rate prevailing on the balance-sheet date. Exchange-rate differences arising on translation are recognized in profit or loss under net financial items. Exchange-rate differences on investments are capitalized in the balance sheet. Exchange- rate differences arising on business combinations are recognized in profit or loss. Exchange-rate differences from financial items are recognized under net financial items.
Non-monetary assets and liabilities that are recognized at their historic cost are translated to the exchange rate prevailing on the date of the transaction.

REVENUES

Revenue primarily comprises sales of produced electricity, sales of electricity certificates and remeasurement of awarded electricity certificates. Other operating revenues primarily comprises payments for the sale of wind power projects, re-invoiced construction costs and the sale of asset management services. Revenue from the sale of produced electricity is recognized in the period in which delivery is made. The unhedged portion of electricity produced is valued at the wind production hour (WPH) price from Nasdaq Commodities and the hedged portion valued at the hedged price. Hedging is carried out using PPAs. Revenue from electricity sales is recognized as accrued revenue in the balance sheet until payment has been received. Revenue regarding awarded electricity certificates and guarantees of origin (GoO) are recognized in the period in which the delivery of electricity based on certificates or GoO occurred. Electricity certificates and GoO are recognized in the balance sheet as intangible assets when they are registered in the Swedish Energy Agency's account and recognized as accrued revenue provided that they have been earned but not yet registered. Other revenue from sales of wind turbines is recognized during the period in which the purchaser acquires the wind turbines.

LEASES

Leased assets

Lease agreements are classified in the consolidated financial statements either as finance leases or operating leases. A finance lease substantially transfers the economic risks and rewards associated with ownership to the lessee; any other case is an operating lease. Assets under a finance lease agreement are recognized as assets in the consolidated balance sheet. The obligation to pay future lease payments is recognized as either a longterm or a current liability. Leased assets are depreciated on a straight-line basis over the leasing period or useful life, whichever is shorter, while leasing payments are recognized as interest payments and debt amortization. Costs for operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Benefits received in connection with signing an agreement are recognized in profit or loss as a reduction of the lease payment on a straight-line basis across the duration of the leasing agreement. Variable fees are expensed in the period in which they were incurred.

FINANCIAL INCOME AND EXPENSES

Financial income comprises interest income, exchange-rate gains and divestments of financial instruments. Interest income on financial instruments is recognized in accordance with the effective interest-rate method. Gains on the disposal of a financial instrument are recognized when the risks and benefits associated with owning the instrument are transferred to the buyer and the Group no longer controls the instrument. Financial expenses primarily comprise interest expenses for loans, interest derivatives and other financial expenses. Borrowing costs are recognized in profit or loss applying the effective interest-rate method. Borrowing costs during construction are included in the asset's cost. Exchange-rate gains and exchange-rate losses are recognized gross. The

effective interest rate is the rate used to discount estimated future cash payments or receipts during the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. The calculation includes all fees paid or received by contractual parties that are an integral part of the effective interest rate, transaction costs and all other fair value adjustments.

TAXES

Income tax comprises current and deferred tax. Income tax is recognized in profit and loss, except when the underlying transaction is recognized directly against shareholders' equity or as other comprehensive income, at which time the related tax effect is recognized in shareholders' equity or other comprehensive income. Current tax comprises tax that is to be paid or received in the current year, with the application of the tax rates that have been decided or decided in practice on the balancesheet date. Current tax also includes adjustments of current tax attributable to prior periods. Deferred tax is calculated in accordance with the balancesheet method, proceeding from the temporary differences existing between the carrying amounts and tax bases of assets and liabilities. Temporary differences are not considered when they arise from the initial recognition of goodwill or from initial recognition of assets and liabilities in a transaction that is not a business acquisition and that affect neither recognized nor taxable earnings at the time of the transaction. Nor are temporary differences attributable to shares in subsidiaries or associated companies that are not expected to be reversed in the foreseeable future taken into consideration. Measurement of deferred tax is based on how the carrying amount of underlying assets or liabilities is expected to be recovered or settled. Deferred tax is calculated using the tax rates and regulations enacted or substantially enacted at the balancesheet date. Deferred tax assets relating to eductible temporary differences and loss carryforwards are recognized only insofar as it is probable that they can be utilized. The value of deferred tax assets is adjusted when it is no longer probable that they can be utilized. Any additional income tax relating to the dividend is recognized at the same date as the dividend is recognized as a liability.

FINANCIAL ASSETS AND LIABILITIES

Financial instruments recognized in the balance sheet include, on the assets side, cash and cash equivalents, loans and accounts receivable, as well as derivatives with a positive fair value. The liabilities side includes accounts payable and loan payables, as well as derivatives with a negative fair value. At inception, financial instruments are recognized at a cost corresponding to the instrument's fair value, including direct transaction costs for all financial instruments except those belonging to the category; financial assets measured at fair value in profit or loss and all derivatives, which are recognized at fair value less transaction costs. Recognition in and derecognition from the balance sheet A financial asset or financial liability is recognized in the balance sheet when the company becomes a party to the instrument's contractual terms and conditions. Accounts receivable are recognized in the balance sheet when invoices have been sent. A liability is recognized when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not been received. Accounts payable are recognized when an invoice has been received. A financial asset is derecognized from the balance sheet when the rights inherent in the agreement are realized or expire or if the company loses control over them. The same applies to a portion of a financial asset. A financial liability is removed from the balance sheet when the obligation arising from the agreement has been met or is extinguished for other reasons. The same applies to a portion of a financial liability. A financial asset and a financial liability are offset and recognized in a net amount in the balance sheet only when there is a legal right to offset the amounts and there is an intention to settle the items in a net amount or to simultaneously realize the asset and settle the liability. Acquisitions and sales of financial assets are recognized at the transaction date, which is the date when the company commits to acquire or sell the asset.

Classification and measurement

A non-derivative financial instrument is initially recognized at cost, which corresponds to the instrument's fair value including direct transaction costs for all financial instruments except those belonging to the category financial assets measured at fair value in profit or loss, which are recognized at fair value excluding transaction costs. When entered for the first time, a financial instrument is classified on the basis of the purpose for which the instrument was acquired. This classification determines how the financial instrument is measured following the first reporting occasion. At inception, derivative instruments are recognized at fair value. This means that transaction costs are charged to profit or loss for the year. The main rule is that these financial instruments are recognized on an ongoing basis in profit or loss at fair value unless hedge accounting is applied. Where derivative instruments are used for hedge accounting and, insofar as this is efficient, changes in the value of derivative instruments are recognized on the same line as the hedged item in profit or loss if it pertains to fair-value indexing. Increases and decreases in the value of derivatives are recognized in profit or loss as income and expenses, respectively, or under net financial items based on the purpose of the holding. Refer also to the heading below "Derivative instruments and hedge accounting." Cash and cash equivalents comprise cash and immediately available balances in banks and corresponding institutes, as well as short-term investments with a maturity, from the time of acquisition, of less than three months, and which are exposed to a minimal risk of fluctuations in value. Blocked funds are excluded from cash and cash equivalents as of fiscal year 2013. The blocked funds are recognized under the item blocked liquid bank funds in the balance sheet.

Financial assets at fair value through profit or loss

This category consists of two subcategories: financial assets held for trading and other financial assets that the company initially chooses to put in this category (according to the Fair Value Option). Financial instruments in this category are mea-

sured continuously at fair value, and the changes in value are recognized in profit or loss during the period in which they arise. The first sub-category includes derivatives with positive fair values. The contractual changes in value are recognized as financial income. In the balance sheet, derivatives are recognized as other current receivables and other long-term receivables, depending on the duration of the agreement.

Loan receivables and accounts receivable

Loan receivables and accounts receivable are non-derivative financial assets with payments that are fixed or can be determined and that are not listed on an active market. These assets are measured at amortized cost. Amortized cost is determined based on the effective rate calculated on the acquisition date. Accounts receivable are recognized at the amounts expected to be received, that is, after deductions for doubtful receivables.

Financial liabilities at fair value through profit or loss

This category consists of two subcategories: financial liabilities held for trading and other financial liabilities that the company chooses to put in this category (according to the Fair Value Option); refer to above description under "Financial assets measured at fair value through profit or loss." The first category includes the Group's derivatives with negative fair values. Changes in fair value are recognized in profit or loss under the period in which they arise. Based on the purpose of the agreement, changes in value are recognized either in operating profit/loss or as a financial expense. In the balance sheet, derivatives are recognized as other current liabilities and other long-term liabilities, depending on the duration of the agreement.

Other financial liabilities

Loans and other financial liabilities, such as accounts payable, are included in this category. Liabilities are measured at amortized cost.

Impairment of financial assets and liabilities

On each reporting occasion, the company assesses whether there is objective evidence of impairment of a financial asset or group of assets. Objective evidence comprises observable circumstances that have occurred and that have a negative impact on the possibility of recovering the cost. Rabbalshede Kraft receives objective evidence of any impairment of financial assets through credit-assessment reports on borrowers provided by external parties. Unforthcoming interest rates or a lack of ongoing communication from the borrower may constitute an indication that such a report should be ordered. The recoverable amount of accounts receivable recognized at amortized cost is calculated as the present value of future cash flows discounted using the effective interest rate applied when the asset was initially recognized. Accounts receivable of short maturity are not discounted. An impairment loss is recognized as an expense in profit or loss.

DERIVATIVES AND HEDGE ACCOUNTING

The Group's derivative instruments have been acquired to financially hedge risks associated with interest-rate exposure, and with the selling price or currency exchange rates to which the Group is subject. At inception, derivative instruments are recognized at fair value, entailing that transaction expenses are charged against profit or loss for the year. After initial recognition, derivative instruments are measured at fair value and changes in value are reported in the manner described below. Derivative instruments are recognized in the balance sheet as current receivables and liabilities, or as long-term receivables and liabilities, depending on the duration of the agreement. To meet the requirements for hedge accounting in accordance with IAS 39, a documented connection with the hedged item is required. It is also required that the hedge effectively protects the hedged item, that hedge documentation is prepared and that the effectiveness can be measured. Gains and losses pertaining to hedges are recognized in profit or loss at the same date that the gains or losses are recognized for the hedged items. Derivative instruments are used to hedge interest-rate risk, future cash flows from the sale of electricity (where the derivative is settled in cash) and for the hedging of purchases of wind turbines in foreign currencies. Interest-rate swaps are used to hedge future interest-rate flows pertaining to loans borrowed at variable interest rates. Interest-rate swaps are measured at fair value in the balance sheet. The interest coupon portion is recognized continuously in profit or loss as interest income or interest expense. Other changes in the value of interest-rate swaps are recognized as other comprehensive income until the time when the hedged item impacts profit or loss and as long as the criteria for hedge accounting are fulfilled and the hedged is deemed to be efficient. The gain or loss attributable to any ineffective portion is recognized in profit or loss. Cash-flow hedging is applied to derivative instruments and electricity futures that are used for the hedging of future electricity sales. Electricity agreements mainly consist of PPA and EPA contracts (refer to glossary on page 75) that are also used to hedge electricity prices and that are not settled in cash but through physical deliveries, which is why these agreements are not included under hedge accounting. A few electricity futures are settled in cash, which means that they are recognized as financial derivative instruments in accordance with IAS 39. Cash-settled electricity futures are recognized at fair value in the balance sheet. Changes in value are recognized in other comprehensive income until the time when the hedged flow impacts recognized profit/ loss, at which time the hedge instrument's accumulated changes in value (which are recognized under other comprehensive income) are transferred to profit or loss in order to match the effects of the hedged transaction. For example, if the interest rate has been hedged at 3 percent using a derivative, this means that if the market interest rate during the interest period is 2 percent, the company will need to pay a further 1 percent in interest to the derivative counterparty. If the interest rate conditions had been the same at the previous balance-sheet date, this takes place long as the criteria for hedge accounting are fulfilled and the hedge is deemed to be efficient. The gain or loss attributable to the ineffective portion is recognized in profit or loss. The currency forward contracts that are used to hedge future cash flows, pertaining to forecast purchases of wind turbines in foreign currencies, are

recognized at fair value in the balance sheet. Changes in value are recognized in other comprehensive income until the time when the hedged flow impacts profit or loss, at which time the hedge instrument's accumulated changes in value are transferred to tangible fixed assets. This takes place as long as the criteria for hedge accounting are fulfilled and the hedge is deemed to be efficient. The gain or loss attributable to the ineffective portion of the ongoing hedge, where hedge accounting is applied, is recognized in profit or loss. If hedge accounting in the above cases is terminated due to the forecast flows no longer being probable or because transactions will not occur, the items in comprehensive income will be transferred to profit/loss for the year.

TANGIBLE FIXED ASSETS

Owned assets In the Group, tangible fixed assets are recognized at cost, less accumulated depreciation and any impairment. Cost includes the purchase price and expenses directly attributable to bringing the asset to where it belongs and in the condition required for it to be used in accordance with the aim of the purchase. When calculating each asset's depreciable amount, consideration is given to the asset's potential residual value. The estimated residual value and applied useful life are reviewed continuously and recognition is adjusted to the extent necessary. In the event that tangible fixed assets comprise components that are significant in relation to the entire asset's value, these are processed separately. Each component is recognized and amortized in accordance with individual depreciation schedules. In the case of Rabbalshede Kraft, differences in the useful life of components may vary between three and 25 years. The carrying amount of a tangible fixed asset is derecognized from the balance sheet when the asset is scrapped or divested, or when no future financial benefits are expected from the use or scrapping/divestment of the asset. Gains or losses arising from the divestment or scrapping of an asset comprise the difference between the selling price and the asset's carrying amount, less direct selling costs. Capital gains are recognized as other operating income and capital losses are recognized as other expenses.

Leased assets

Financial leasing agreements, whereby the Group essentially assumes all of the risks and benefits associated with ownership of the leased item, are recognized in the balance sheet at the fair value of the leased property or, if the value is lower, at the present value of minimum lease payments. Lease payments are divided between financing costs and amortization of rents payable. Financially leased assets are depreciated over the expected useful life. Leasing agreements whereby the lessor essentially retains all of the risks and benefits of ownership are classified as operating leases. Leasing fees are expensed on a straight-line basis in profit or loss during the lease term. The Group has both operating and financial leasing agreements.

Additional expenses

Additional expenses are added to the cost only if it is probable that the future financial benefits associated with the asset will accrue to the company and the cost can be reliably calculated. All other additional expenses are expensed in the period they are incurred. An additional expense is added to the cost if the expense pertains to the replacement of identified components or parts thereof. The expense is also activated in cases where new components are created. Any remaining carrying amounts for replaced components, or parts of components, are retired and recognized in conjunction with the exchange. Repairs are expensed on a current account basis.

Borrowing costs

Borrowing costs directly attributable to the purchase, construction or production of assets that take a considerable amount of time to complete for their intended use or sale are included in the asset's cost. Interest expenses are capitalized during the construction phase.

Amortization policies

Depreciation is applied on a straight-line basis over the estimated useful life of assets, while ongoing planning is not amortized. The Group applies component depreciation, which means that the components' estimated useful life provides the basis for the depreciation. However, the useful lives for all components of the wind turbines, foundations and electrical installations are deemed to be the same, which is why there is no further division. The applied useful lives of the assets are:

– Buildings and land improvements, 20–25 years
– Wind turbines, foundations and electrical installations, 25 years
– Equipment, tools, fixtures and fittings 3–5 years

INTANGIBLE ASSETS

Leasehold agreements

Intangible assets acquired by the Group take the form of leasehold agreements that are recognized at their respective cost, less accumulated amortization and impairment losses.

Other intangible assets

Other intangible assets comprise acquired computer software and received electricity certificates and guarantees of origin (GoO). A certificate system is in place for the purpose of promoting the use of renewable electricity. Facilities affected by these systems receive certificates, free of charge, in pace with the generation of electricity that qualifies under the scheme. Received electricity certificates are registered in accounts maintained by the Swedish Energy Agency. Electricity certificates are recognized as intangible current assets in the balance sheet of the Rabbalshede Kraft Group. Whenever certificates are awarded, they are measured at the fair value on the date of receipt and on the balance-sheet date. The Group recognizes electricity certificates and their remeasurement as net sales. In connection with measurement, historical daily prices are provided by Svensk Kraftmäkling.

Amortization policies

Amortization is recognized on a straight-line basis in profit or loss over the estimated useful life of the intangible asset. Useful lives are reviewed at least on an annual basis. Intangible assets with determinable useful lives are amortized as from the date the asset is available for use.
The applied useful lives of the assets are:

– Leasehold agreements, 25 years
– Software, 5 years

Impairment of tangible and intangible assets

If there is an indication of an impairment requirement, the recoverable amount of the asset is calculated (see below). If it is not possible to determine essentially independent cash flows for an individual asset and its fair value less selling expenses cannot be used for impairment testing, the assets are to be grouped at the lowest level at which it is possible to identify essentially independent cash flows –this is known as a cash-generating unit (CGU). An impairment loss is recognized when the carrying amount of an asset or CGU exceeds the recoverable amount. An impairment loss is recognized as an expense in profit or loss. Impairment of assets identified for a CGU is distributed proportionally between other assets included in the unit. The recoverable amount is the higher of the fair value minus selling costs and value in use. When calculating the value in use, future cash flows are discounted using a discount factor taking into account risk-free interest and the risk associated with the specific asset.

Reversal of impairment losses

An asset's impairment loss is reversed if there is an indication that impairment no longer exists and also that a change has occurred in the assumptions on which the estimate of recoverable value was based. A reversal is only performed to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that would have been recognized, minus appropriate depreciation, if no impairment loss had been recognized.

INVENTORY

To the extent that any inventory exists, it is recognized in accordance with the lowest value principle and the first-infirst-out method (FIFO).

SHAREHOLDERS' EQUITY

Dividends are recognized as liabilities after the Annual General Meeting has approved the dividend.

EMPLOYEE BENEFITS

Defined-contribution pension plans

Plans in which the company's obligation is limited to the contributions that the company undertakes to pay are classified as defined-contribution pension plans. In such cases, the amount of the employee's pension depends on the contributions that the company pays to the plan or to an insurance company and the return generated by the contribution. Accordingly, it is the employee who bears the actuarial risk (that the payment will be lower than expected) and the investment risk (that the investment assets will be inadequate to provide the expected benefits). The company's obligation regarding contributions to definedcontribution plans are recognized as an expense in profit or loss at the rate at which they are vested by employees performing services for the company during a period. There are only defined-contribution pension plans in the Group.

Termination benefits

A provision is recognized in connection with termination of employment only if the company is clearly obligated, without a realistic possibility of reversal, to a formal and detailed plan to terminate employment before the normal time. When a termination benefit is offered to encourage voluntary redundancy, a cost is recognized if it is probable that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

Short-term benefits

Short-term benefits to employees are calculated without discounting and are recognized as a cost when the related services are received. A provision is recognized for the anticipated cost of profitshare and bonus payments when the Group has a valid legal or informal duty to make such payments as a result of services received from employees and when the obligation can be reliably calculated.

PROVISIONS

The agreements and obtained permits are subject to requirements regarding the restoration of land following the expiry of leasehold terms and cessation of production by wind-power plants. This entails an obligation to dismantle and remove all facilities, buildings and conduits. The Company recognizes a provision under long-term liabilities; provisions and this has been discounted to present value.

CONTINGENT LIABILITIES

A contingent liability is recognized when a possible obligation arising from past events exists whose existence will only be confirmed by one or more uncertain future events or when there is an obligation that is not recognized as a liability or provision since it is not probable that an outflow of resources will be required (see above). Refer to Note 27 for further information.

EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's net profit for the year attributable to Parent Company shareholders and on the weighted average number of shares outstanding during the year. In calculating earnings per share after dilution, the earnings and average number of shares are adjusted to take into account the effects of potentially diluting ordinary shares, which derive from issued shares and options distributed to employees during the reported periods. Dilution from options impacts the number of shares and occurs only when the exercise price is lower than the market price. The larger the difference between the exercise and market price, the greater the dilution.

PARENT COMPANY ACCOUNTING POLICIES

The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Statements issued by the Swedish Financial Reporting Board's emergency group are also applied. RFR 2 means that the Parent Company, in the annual accounts for legal entities, will apply all EU-approved IFRS and statements, as far as possible, within the framework of the Annual Accounts Act, the Swedish Pension Obligations Vesting Act and taking into account the connection between accounting and taxation. The recommendation specifies the exceptions and supple-

ments that should be applied in relation to IFRS. The accounting policies for the Parent Company stated below have been consistently applied in all periods presented in the financial statements of the Parent Company.

Subsidiaries
Shares in subsidiaries are recognized in the Parent Company in accordance with the cost method. Only dividends received are recognized as revenue.

Financial instruments
The rules regarding financial instruments in IAS 39 are not applied in the Parent Company as a legal entity. Financial fixed assets in the Parent Company are measured in accordance with the cost method, which means that they are measured at acquisition cost less any impairment losses and financial current assets, in accordance with the lowest-value principle. Hedge accounting is not applied in the Parent Company.

Anticipated dividends
Anticipated dividends from subsidiaries are recognized in cases where the Parent Company has sole rights to decide on the size of the dividend and the Parent Company has passed a resolution on the size of the dividend prior to the Parent Company publishing its financial statements.

Tax
In the Parent Company, untaxed reserves including deferred tax liability are recognized. However, in the consolidated financial statements, untaxed reserves are divided into deferred tax liability and equity.

AMENDED ACCOUNTING POLICIES
Changes to existing standards
None of the amendments and interpretations of existing standards that are to be applied as of the fiscal year beginning on January 1, 2015 have any material impact on the financial reporting of the Group or Parent Company. New and amended IFRS yet to be applied A number of new and amended IFRS are yet to come into effect and have not been applied in advance when preparing the Group's and Parent Company's financial reports. The following sections describe the IFRS that may impact the Group's or Parent Company's financial reporting. None of the other new standards, amended standards or IFRIC interpretations published by the IASB are expected to have any material impact on the Group's or the Parent Company's financial reporting.

IFRS 9 Financial Instruments
IFRS 9 comprises the reporting of financial assets and liabilities and replaces IAS 39 Financial instruments: Recognition and Measurement. Similarly to IAS 39, financial assets are classified under different categories, of which some are measured at amortized cost and others at fair value. IFRS 9 introduces new categories that do not exist under IAS 39. IFRS 9 also introduces a new model for the impairment of financial assets. The purpose of the new model includes the reporting of credit losses at an earlier stage than under IAS 39. IFRS 9 essentially corresponds to IAS 39 in terms of financial liabilities. However, for liabilities recognized at fair value, the portion of the change in fair value that is attributable to the company's own credit risks is recognized under other comprehensive income instead of profit or loss, provided that this does not cause inconsistencies in reporting. The amended criteria for hedge accounting may result in more financial hedging strategies meeting the requirements on hedge accounting under IFRS 9 than under IAS 39. IFRS 9 comes into effect on January 1, 2018. However, the EU has yet to adopt the standard. No decision has been made on when the standard will be applied by the Group and Parent Company. During the year, the Group began assessing the effects of the standard in order to determine how IFRS 9 will impact the financial reporting of the Group and Parent Company.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 replaces all previously issued standards and interpretations which manages revenue with a comprehensive model for revenue recognition. The standard is based on the principle that a revenue should be recognized when a promised good or service has been transferred to the customer, that is, when the customer received the control over this. This may occur over time or at a time. IFRS 15 comes into force on 1 January 2018. The Group commenced the evaluation of the impact of the standards to investigate how IFRS 15 will affect the financial statements of the Group and the parent company.

IFRS 16 Leases
IFRS 16 replaces IAS 17 as of January 1, 2019. In accordance with the new standard, most leased assets are to be recognized in the balance sheet. The EU is yet to indicate an expected date for adopting the standard. No assessment has been performed on the impacts of the standard.

Changes in the Swedish regulations
No significant changes that affect the parent company or group.

Note 2 Net sales

	Group		Parent Company	
KSEK	2016	2015	2016	2015
Income per significant income category				
Sale of electricity	154,533	165,980	10,441	11,799
Income from electricity certificates	76,937	93,609	5,437	7,070
Income from guarantees of origin	4,158	4,615	63	553
Other income from Group companiesg	-	-	7,753	10,846
Total	235,628	264,204	23,694	30,268

The Group's sales of electricity in 2016 totaled 500,247 MWh (576,412). Other income from Group companies consists of planning services, operation and maintenance services, as well as administrative services.

Note 3 Other operating income

	Group		Parent Company	
KSEK	2016	2015	2016	2015
Technical and financial management	5,804	1,047	4,706	11
Reinvoiced costs	700	2,110	-	-
Gain on sales of wind farms	250	-	7,796	-
Services within project planning	5,940	-	5,940	-
Other	-74	3,231	108	899
Total	12,620	6,388	18, 550	910

Reinvoiced construction costs totaling KSEK 700 (2,122) are included as a cost under other external costs.

Note 4 Employees, personnel expenses and remuneration of senior executives

Average number of employees

	2016	Percentage of women/ men, %	2015	Percentage of women/men, %
Parent Company	25	36/64	21	36/64
Subsidiaries	-	-	-	-
Group total	25	36/64	21	36/64

Distribution of company management by gender	2016 Percentage of women/men, %	2015 Percentage of women/men, %
Parent Company		
Board of Directors	14/86	17/83
Other senior executives	20/80	20/80
Group total		
Board of Directors	14/86	17/83
Other senior executives	20/80	20/80

Note 4 Employees, personnel expenses and remuneration of senior executives (cont'd)

Salaries and other remuneration distributed between members of the Board/senior executives and other employees, as well as social security expenses

	2016			2015		
KSEK	Board of Directors/ Senior executives (12 persons)	Other employees	Total	Board of Directors/ Senior executives (10 persons)	Other employees	Total
Parent Company						
Sweden	5,211	9,599		5,963	8,750	14,443
(of which, bonus, etc.)	-	-		540	-	540
Social security expenses	2,967	4,200		3,091	3,850	6,941
of which, pension costs	1,122	842		1,022	761	1,783
Group						
Sweden	5,211	9,599		5,963	8,750	14,443
(of which, bonus, etc.)	-	-		540	-	540
Pension costs	1,122	842		1,022	761	1,783

All of the employees are in the Parent Company, and consequently, the Parent Company and the Group's payroll expenses are the same.

Remuneration to senior executives

A fixed monthly salary is paid to senior executives. All of the pension plans in the Group are defined-contribution plans. For senior executives, with the exception of the Board of Directors, a defined-contribution pension agreement is paid into. Premiums correspond to the applicable premium provisions under ITP 1 at that time.

Remuneration and other benefits, Parent Company, 2016

KSEK	Basic salary/ Board fee	Other remuneration and benefits	Pension cost	Total
Karl-Erling Trogen, Chairman of the Board	350	-	-	350
Karin Kronstam, Board Member	83	-	-	83
Reine Rosén, Board Member	62	-	-	62
Anders Strålman, Board Member	52	-	-	52
Jean Baptiste Oldenhove, Board Member	88	-	-	88
Jérome David, Board Member	75	-	-	75
Matthieu Antoine Henry Baumga, Board Member	75	-	-	75
Thomas Linnard, CEO[1]	1,095	61	654	1,810
Other senior executives (4 individuals)	3,332	173	469	3,974
Total	5,212	234	1,122	6,569

Remuneration and other benefits, Parent Company, 2015

KSEK	Basic salary/ Board fee	Other remuneration and benefits	Pension cost	Total
Karl-Erling Trogen, Chairman of the Board	250	1	-	251
Karin Kronstam, Board Member	165	-	-	165
Reine Rosén, Board Member	125	-	-	125
Anders Strålman, Board Member	125	-	-	125
Jean Baptiste Oldenhove, Board Member	145	-	-	145
Jérome David, Board Member	125	-	-	125
Thomas Linnard, CEO[1]	2,363	137	544	3,044
Other senior executives (3 individuals)	2,665	129	478	3,272
Total	5,963	267	1,022	7,252

[1] Including KSEK 540 (excluding social security expenses) pertaining to bonuses attributable to 2015.

Note 4 Employees, personnel expenses and remuneration of senior executives (cont'd)

Notice period and severance pay

A mutual notice of termination of 12 months applies between the company and CEO. Upon termination from the Company's side, the CEO is entitled to remuneration that may correspond to a maximum of 12 months' salary. Acting CEO has one month upon ermination from the Company's side.

Defined-contribution pension plans

There are only defined-contribution pension plans in the Group that are completely paid by the companies. The plans are paid into continuously, according to the rules of each plan.
Avgiftsbestämda pensionsplaner

	Group		Parent Company	
KSEK	2016	2015	2016	2015
Costs for defined-contribution pension plans	1,964	1,783	1,964	1,783

Specification of personnel costs

	Group		Parent Company	
KSEK	2016	2015	2016	2015
Personnel costs				
Personnel costs	22,437	21,850	22,437	21,850
Capitalized planning personnel	-3,324	-4,876	-3,177	-4,181
Capitalized personnel in management and administration	-1,184	-1,798	-1,185	-1,798
Total	17,929	15,176	18,075	15,871

The Company capitalizes all personnel costs for planning personnel. Personnel costs for management/administration (overhead fees) are capitalized at an appropriate percentage for projects that are approved or in the construction phase, and the remaining costs impact earnings.

Note 5 Other external costs

Specification of other external costs

	Group		Parent Company	
KSEK	2016	2015	2016	2015
Other external costs				
Other external costs	95,384	87,177	28,504	20,953
Production-related remuneration to wind-turbine supplier	-	-	-	-
Reinvoiced costs	700	2,110	-	-
Capitalized other external costs	-2,325	-3,526	-2,284	-3,331
Total	93,759	85,761	26,220	17,622

The Company capitalizes all other external expenses for project-planning personnel. Other external costs for management/administration (overhead fees) are capitalized at an appropriate percentage for projects in an approved or construction phase, and the remaining costs impact earnings

Fees and cost reimbursement paid to auditors

	Group		Parent Company	
KSEK	2016	2015	2016	2015
Ernst & Young				
Auditing assignments	1,001	531	800	330
Auditing activities other than auditing assignments	-	256	-	256
Tax advice	365	247	365	247
Other services	413	-	413	-
Total	1,779	1,034	1,578	833

Note 6 Profit from shares in group companies

	Group		Parent Company	
KSEK	2016	2015	2016	2015
Profit on sale of shares in Group companies	7,509	-	-37	-
Total	7,509	-	-37	-

In 2016, 75 percent of the shares in Lyrestad Holding AB were sold (see Note 29 and 30). The sales price amounted to 1 EUR corresponding to approximately SEK 10.

* 100 percent of the shares are seen as divested and the remaining shares are valued as fair value. The consolidated value was approximately -7,509 KSEK. Sales price 0 SEK, the remaining shares are valued at fair value 0 thousand.

** Book value shares 50 KSEK. Sales price SEK 0. Loss on disposal (75%) 37 KSEK.

Note 7 Depreciation, amortization and impairment of tangible and intangible fixed assets

	Group		Parent Company	
KSEK	2016	2015	2016	2015
Intangible fixed assets:				
Leasehold agreements	1,040	750	-	-
Computer software	-	-	770	-
Tangible fixed assets:				
Wind turbines, foundations and electrical installations	87,990	95,867	7,026	7,026
Buildings and land improvements	530	887	430	779
Equipment, tools, fixtures and fittings	920	1,028	812	920
Discontinued projects	15,188	3,903	15,188	3,903
Project impairment	5,810	17,303	5,810	11,468
Reversal of previous project impairments	-11,919	-1,025	-11,919	-1,025
Impairment of wind farms	-	162,469	-	-
Capitalized depreciation/amortization	-523	-858	-515	-821
Total	99,036	280,324	17,602	-22,250

The Group has performed impairment testing by calculating the value in use of the Group's wind farms. The anticipated profitability of wind farms has declined due to low electricity prices. As a consequence, significant impairment was reported during 2015. No further impairment has been done during 2016, for more information see note 13

Note 8 Financial income

KSEK	2016	2015
Group		
Interest income	2,337	128
Exchange-rate difference	-	-28
Financial income	2,337	100
Parent Company		
Interest income	2,226	-
Interest income, Group companies	128	152
Dividends received	-	1,400
Exchange-rate difference	-	-28
Finansiella intäkter	2,354	1 524

Interest income for both the Group and the Parent Company are attributable to receivables measured at amortized cost.

Note 9 Financial expenses

KSEK	2016	2015
Group		
Interest expenses	58,832	69,011
Interest expense, shareholder loans	17,608	8,273
Other financial expenses	16,564	8,876
Early termination of interest rate swap	62,930	-
Exchange-rate losses	-	-
Financial expenses	155,934	86,160

KSEK	2016	2015
Parent Company		
Interest expenses	3,919	5,170
Interest expenses, shareholder loans	7,750	-
Other financial expenses	7,890	3,945
Early termination of interest rate swap	2,375	-
Foreign exchange losses	-	-
Financial expenses	21,934	9,115

Of the Group's interest expenses, KSEK 25,991 (33,310) pertains to interest attributable to liabilities measured at amortized cost. The corresponding amount for the Parent Company was KSEK 2,052 (2,740). Remaining interest expenses pertain to current interest attributable to the Group's interest derivatives.

Note 10 Tax

Recognized in profit or loss	Group		Parent Company	
KSEK	2016	2015	2016	2015
Current tax cost (-)/tax revenue(+)	8,318	22,785	-8,906	4,762
Deferred tax regarding temporary differencesr	-1,344	2,297	-1,344	2,297
Total tax	6,974	25,082	-10,250	7,059

Reconciliation of effective tax	Group		Parent Company	
KSEK	2016	2015	2016	2015
Loss before tax	-109,334	-196,729	-39,270	-211,325
Tax according to applicable tax rate for the Parent Company, 22%	24,053	43,280	8,639	46,491
Tax effects of non-deductible expenses	-76	-181	-22	-39,433
Tax effects of non-taxable revenues	2	3	1	1
Temporary differences	306	-	170	-
Reversal of previously capitalized loss	-	-	-8,616	-
Other deductible expenses	-326	-	-293	-
Uncapitalized loss carryforwards	-16,985	-18,020	-10,129	-
Recognized effective tax	6,974	25,082	-10,250	7,059

Note 10 Tax (cont'd)

RECOGNIZED IN THE BALANCE SHEET
CHANGE IN DEFERRED TAX IN TEMPORARY DIFFERENCES AND LOSS CARRYFORWARDS
Deferred tax assets and liabilities are attributable to the following:

Group KSEK	Closing balance at Jan. 1, 2016 Deferred tax assets	Deferred tax liability	Net balance	Recognized in profit/loss for the year	Recognized in Other comprehen-sive income	Closing balance at Dec. 31, 2016 Deferred tax assets	Deferred tax liability	Net balance
Intangible assets	-	-7,362		-214	-	-	-7,148	
Currency derivatives	-	-		-	-	-	-	
Interest derivatives	27,011	-		55	9,354	17,602	-	
Capitalized exchange-rate gains	-	-2,738		-132	-	-	-2,606	
Untaxed reserves	-	-7,359		-	-	-	-7,359	
Capitalized Group interest	92	-		8	-	84	-	
Internal profits	973	-		40	-	933	-	
Provisions for rehabilitation	170	-		32	-	138	-	
Capitalized loss carryforwards	47,990	-		-8,378	-	56,368	-	
Tax regarding issuance costs	-	-		283	-	-	-	
Other temporary differences	2,610	-		1,332	-	1,278	-	
Tax assets/liabilities	78,846	-17,459	61,387	-6,974	9,354	76,403	-17,113	59,290

Group KSEK	Closing balance at Jan. 1, 2015 Deferred tax assets	Deferred tax liability	Net balance	Recognized in profit/loss for the year	Recognized in Other comprehen-sive income	Closing balance at Dec. 31, 2016 Deferred tax assets	Deferred tax liability	Net balance
Intangible assets	-	-7,535		-173	-	-	-7,362	
Currency derivatives	-	-3		-	-3	-	-	
Interest derivatives	33,271	-		120	6,140	27,011	-2,738	
Capitalized exchange-rate gains	-	-2,867		-129	-	-	-7,359	
Untaxed reserves	-	-4,605		2,754	-	-	-	
Capitalized Group interest	100	-		8	-	92	-	
Internal profits	1,013	-		40	-	973	-	
Provisions for rehabilitation	55	-		-115	-	170	-	
Capitalized loss carryforwards	20,911	-		-27,079	-	47,990		
Tax regarding issuance costs	-	-		2,102	-	-		
Other temporary differences	-	-		-2,610	-	2,610	-	
Tax assets/liabilities	55,350	-15,010	4 0 340	-25,082	6,137	78,846	-17,459	61,387

	2016			2015		
Parent Company KSEK	Deferred tax assets	Deferred tax liability	Net balance	Deferred tax assets	Deferred tax liability	Net balance
Intangible assets	-	-3,933		-	-3,660	
Capitalized tax loss carryforwards	9,655	-		18,280	-	
Other temporary differences	1,278	-		2,349	-	
Tax assets/liabilities	10,933	-3,933	7,000	20,629	-3,660	16,969

The Parent Company's total closing tax loss at December 31, 2016, was 129,093 KSEK. The Group's total closing tax loss at December 31, 2016 was KSEK 415,337. Capitalized loss corresponds to the tax effect of 10-year forecast future results.

Note 11 Earnings per share

Group KSEK	Dec 31, 2016	Dec 31, 2015
Earnings per share were calculated as follows:		
Net profit attributable to parent company shareholders (KSK)	-102,360	-171,6470
Weighted average number of shares		
Total number of ordinary shares at 1 January	74,824,930	74,824,930
Effect of new shares	50,881,974	0
Average no. of shares before dilution	125,706,904	74,824,930
Effect of unexercised options	1,308,414	0
Average no. of shares after dilution	127,015,318	79,252,926
Earnings per share before dilution	-0.81	-2.29
Earnings per share after dilution	-0.81	-2.17

Note 12 Intangible fixed assets

Group	Leasehold agreements/ computer software	
KSEK	2016	2015
Accumulated costs		
Opening balance	42,400	42,110
New acquisitions	480	290
Sales/scrappage	-770	
Impairments for the year	-497	-
Closing balance	41,613	42,400
Accumulated amortization and impairment losses		
Opening balance	-8,649	-7,863
Amortization for the year	-1,076	-786
Sales/scrappage	-	-
Closing balance	-9,725	-8,649
Carrying amount	31,888	33,751

Parent Company	Leasehold agreements/ computer software	
KSEK	2016	2015
Accumulated costs		
Opening balance	19,904	21,017
New acquisitions	-	290
Sales/scrappage	-290	-1,403
Impairments for the year	-497	
Closing balance	19,117	19,904
Accumulated amortization and impairment losses		
Opening balance	-2,977	-3,147
Amortization for the year	-	
Sales/scrappage	-	160
Closing balance	-2,977	-2,977
Carrying amount	16,140	17,880

Note 13 Tangible fixed assets

Group	Land and buildings		Operational wind farms		Equipment, tools, fixtures and fittings		Wind farms under construction phase and ongoing production planning		Total	
KSEK	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Costs										
Opening balance	24,915	24,915	2,424,265	2,427,642	22,544	19,384	126,219	108,754	2,597,943	2,580,694
Reclassification	-	-	157	-	-157	-	-	-	-	-
New acquisitions	-	-	-	138	128	3,160	40,169	21,368	40,297	24,666
Sales/scrappage	-	-	-	-3,515	-5,049	-	-57,722	-3,903	-62,771	-7,418
Closing balance	24,915	24,915	2,424,422	2,424,265	17,466	22,544	108,666	-126,219	2,575,469	2,597,943
Depreciation										
Opening balance	-5,227	-4,341	-466,707	-208,380	-19,421	-18,418	-17,754	-1,471	-509,109	-232,610
Depreciation for the year*	-530	-887	-87,982	-95,858	-896	-1,003	-	-	-89,408	-97,747
Impairment losses for the year/ reversal of impairment	-	-	-	-162,469	-	-	6,606	-16,282	6,606	-178,751
Sales/scrappage	-	-	-	-	5,049	-	-	-	5,049	-
Closing balance	-5,757	-5,227	-554,689	-466,707	-15,268	-19,421	-11,148	-17,753	-586,862	-509,109
Carrying amount	19,158	19,687	1,869,733	1,957,558	2,198	3,123	97,518	108,465	1,988,607	2,088,834

* Of the depreciation for the year, KSEK 523 (822) was capitalized in tangible fixed assets pertaining to wind-measurement equipment.

The operational wind farms consist of Hud, Kil, Brattön, Töftedalsfjället, Dingle-Skogen, Skaveröd/Gurseröd, Årjäng NV and Årjäng SV. Capitalized interest expenses under construction for the year totaled KSEK 0 (0). Wind farms in a construction phase are reclassified as operational wind farms when wind turbines are taken into operation. Advances paid for the year totaled KSEK 0 (0). Acquisitions for the year include KSEK 0 for capitalized reversal expenses.

Parent Company	Land and buildings		Operational wind farms		Equipment, tools, fixtures and fittings		Wind farms under construction phase and ongoing production planning		Total	
KSEK	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Costs										
Opening balance	21,116	21,116	185,972	185,972	21,948	19,114	105,655	89,918	334,691	316,120
Reclassification	-	-	155	-	-155	-	-	-	-	-
New acquisitions	-	-	-	-	125	2,833	39,254	19,640	39,379	22,474
Sales/scrappage	-	-	-	-	-5,049	-	-57,722	-3,903	-62,771	-3,903
Closing balance	21,116	21,116	186,127	185,972	16,869	21,948	87,187	105,655	311,299	334,691
Depreciation										
Opening balance	-5,119	-4,341	-63,700	-56,648	-19,177	-18,282	-11,918	-1,471	-99,914	-80,742
Depreciation for the year*	-430	-779	-7,052	-7,052	-786	-894	-	-	-8,268	-8,725
Impairment losses for the year/ reversal of impairment	-	-	-	-	-	-	6,606	-10,447	6,606	-10,447
Sales/scrappage	-	-	-	-	5,049	-	-	-	5,049	-
Closing balance	-5,549	-5,119	-70,752	-63,700	-14,914	-19,177	-5,312	-11,918	-96,527	-99,914
Carrying amount	15,566	15,996	115,375	122,272	1,955	2,771	81,875	93,737	214,771	234,776

* Of the depreciation for the year, KSEK 515 (822) was capitalized in tangible fixed assets.
The operational wind farms consist of the Hud wind farm.
Wind farms in a construction phase are reclassified as operational wind farms when wind turbines are commissioned.

Untaxed reserves consisting of excess depreciation on operational wind farms totaled KSEK 500 (500).

Note 14 Long-term and other receivables

Group

KSEK	Dec 31, 2016	Dec 31, 2015
Long-term receivables classified as fixed assets:		
Other	15	-
Total	15	-
Other receivables classified as current assets:		
Receivables value-added tax	975	1,072
Receivables tax account	27	1,281
Preliminary tax	7,217	4,340
Other	35	41
Total	8,254	6,734

Parent Company

KSEK	Dec 31, 2016	Dec 31, 2015
Long-term receivables		
Other	15	15
Total	15	15
Other receivables (short-term):		
Receivables VAT	0	28
Tax Receivables	2	1,166
Preliminary tax	605	1,347
Receivables from joint venture	2,273	0
Other	35	39
Total	2,915	2,580

Note 15 Intangible current assets

Group

KSEK	Dec 31, 2016	Dec 31, 2015
Electricity certificates	4,850	7,416
Guarantees of origin (GoO)	47	321
Total	4,897	7,737

Parent Company

KSEK	Dec 31, 2016	Dec 31, 2015
Electricity certificates	487	561
Guarantees of origin (GoO)	35	-
Total	522	561

Note 16 Prepaid costs and accrued income

	Group		Parent Company	
KSEK	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Accrued electricity sales	21,390	21,083	1,323	1,442
Accrued electricity certificates	10,228	13,444	646	971
Accrued guarantees of origin (GoO)	480	133	7	13
Accrued income from insurance	-	-	-	-
Prepaid costs from insurance	1,874	1,867	207	-
Prepaid service contracts	6,637	6,480	308	239
Advance payment spare parts warehouse	2,757	2,074	-	-
Other	1,242	929	1,056	195
Total	44,608	46,010	3,547	2,859

Note 17 Shareholders' equity

Share capital in Rabbalshede Kraft totaled SEK 761,063,586 at December 31, 2016. The share capital is distributed among 126,843,931shares, of which 1,000,000 were Class A shares and 125,843,931 Class B shares. Class A shares entitle the holder to one vote and Class B shares entitle the holder to one-tenth of a vote. The quotient value of the shares was SEK 6 per share.

During the year the Company has reduced the share capital by SEK 299,299,720, which has been restored with a new share issue of SEK 312 million. The quota value has thus fallen from 10 to SEK 6 per share

GROUP

Other capital contributions

Pertains to shareholders' equity contributed by the owners. Includes premiums that are paid in connection with share issues.

Earnings brought forward including profit for the year Earnings brought forward including profit/loss for the year include funds earned by the Parent Company and its subsidiaries as well as paid option premiums. Previous statutoryreserve provisions, excluding transferred share premium reserves, are included in this shareholders' equity item.

Reserves

The hedging reserve includes the effective portion of the accumulated net change in the fair value of cash-flow hedging instruments (interest-rate swaps, electricity futures and currency forwards) attributable to hedging transactions that have not yet occurred. For information on the measurement category of hedging instruments in accordance with IFRS 13, refer to Note 24. Amounts that were removed from reserves for cash-flow hedging were recognized in the following items in profit and loss, and the balance sheet:

Group

KSEK	2016	2015
Opening balance	-95,284	-117,043
Change in fair value	-53,251	-5,539
Reversals against profit or loss; Financial expenses	32,841	35,701
Brought back to the income statement, financial expenses	62,930	-
Reversals against balance sheet; Tangible fixed assets	-	-2,266
Tax	-9,354	-6,137
Closing balance	62,118	-95,284

PARENT COMPANY

Restricted funds

Restricted funds are not reduced through dividends.

Parent Company

Number of shares	2016	2015
Opening number of shares	74,824,930	74,824,930
Right issue	52,019,001	0
Closing number of shares	126,843,931	74,824,930

UNRESTRICTED SHAREHOLDERS' EQUITY

Share premium reserve

When shares are issued to premium reserves, meaning when more than the shares' quotient value is to be paid for the shares, an amount corresponding to the amount received in excess of the shares' quotient value is to be transferred to the share premium reserve. The amount that was provided to the share premium reserve as of January 1, 2006 is included under nrestricted capital.

RETAINED EARNINGS

This consists of the previous year's unrestricted equity after any dividends payments. Combined with profit for the year and the share premium reserve, it constitutes the total unrestricted shareholders' equity, meaning the amount that is available for dividends to shareholders.

Note 18 Proposed aprropration of profits

PROPOSED APPROPRIATION OF PROFITS

The following funds in SEK are at the disposal of the Annual General Meeting:

Share premium reserve	356,962,008
Retained earnings	85,657,151
Loss for the year	-49,520,023
Total	393,099,136

PROPOSED APPROPRIATION OF PROFITS

The Board of Directors proposes that unappropriated earnings and unrestricted reserves be appropriated as follows (SEK):

To be carried forward	36,137,129
Share premium reserve	356,962,007
Total	393,099,136

Note 19 Provisions

	Group	
KSEK	Dec 31, 2016	Dec 31, 2015
Opening value	6,617	6,328
Interest	364	289
Closing value	6,981	6,617

The item relates to a provision for site restoration costs, ie, that the land where the wind turbines are to be restored to its original state, respects the operational wind turbines. The provision follows the wind farm's useful life.

Note 20 Interest-bearing liabilities

	Group		Parent Company	
KSEK	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Interest-bearing liabilities				
Bank loans (incl. current portion)	728,492	1,255,652	58,581	87,448
Fees allocated over the duration of the loan	-18,780	-23,930	-	-317
Total	709,712	1,231,722	58,581	87,131

Collateral for bank loans are issued through what is known as collateral transfer, whereby assets are transferred, as well as mortgage deeds on properties and chattel mortgages; refer to Note 27. Handling charges in connection with borrowing are recognized in profit and loss under bank loans.

As of Dec 31, 2015, the company did not meet its existing covenant requirements, which means that cash flow was below the levels / real functions specified in banking agreements which gave the bank an option to terminate the financing agreement. During 2016, the company and the bank reached a solution for the covenants, as the agreement was not completed at the balance sheet date, the bank loans are recognized as short-term. In 2016, the company has meet its existing convenants why the Group's bank loans are reported as long-term again.

	Group		Parent Company	
KSEK	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Maturity structure for loan agreements				
0–1 year	96,859	1,250,252	25,780	82,048
2–5 years	336,879	2,700	30,776	2,700
6–10 years	294,753	2,700	2,025	2,700
11–15 years	-	-	-	-
Total	728,492	1,255,652	58,581	87,448

	Group		Parent Company	
KSEK	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Interest-rate maturity				
0–1 year	50,640	350,132	13,616	33,513
2–5 years	409,365	371,566	44,965	53,935
6–10 years	268,486	533,955	-	-
11–15 years	-	-	-	-
Total	728,492	1,255,652	58,581	87,448

Note 21 Financial assets and liabilities

Group 2016

KSEK	Derivative instruments where hedge accounting is applied	Accounts and loans receivable	Other receivables and liabilities	Total carrying amount	Fair value
Cash and cash equivalents and blocked funds	-	103,659	-	103,659	103,659
Accounts receivable	-	4,061	-	4,061	4,061
Other current receivables	-	-	-	-	-
Total		107,720	-	107,720	107,720
Derivate	80,006	-	-	80,006	80,006
Other long-term liabilities	-	.	417,608	417,608	417,608
Interest-bearing liabilities	-	.	709,713	709,713	709,713
Accounts payable	-	.	15,525	15,525	15,525
Other current liabilities	-	.	-	-	-
Total	80,006	-	1,142,846	1,222,852	1,222,852

In the Parent Company, only the accounts receivable, accounts payable, cash and cash equivalents and interest-bearing liabilities have the same recognized and fair value amounts; refer to Parent Company balance sheet.

Group 2015

KSEK	Derivative instruments where hedge accounting is applied	Accounts and loans receivable	Other receivables and liabilities	Total carrying amount	Fair value
Cash and cash equivalents and blocked funds	-	316,934	-	316,934	316,934
Accounts receivable	-	1,316	-	1,316	1,316
Other current receivables	-	-	-	-	-
Total	-	318,250	-	318,250	318,250
Other long-term liabilities	122,844	-	-	122,844	122,844
Interest-bearing liabilities	-	-	1,231,722	1,231,722	1,231,722
Accounts payable	-	-	5,204	5,204	5,204
Other current liabilities	-	-	-	-	-
Total	122,844	-	1,236,926	1,359,770	1,359,770

In the Parent Company, only the accounts receivable, accounts payable, cash and cash equivalents and interest-bearing liabilities have the same recognized and fair value amounts; refer to Parent Company balance sheet.

CALCULATION OF FAIR VALUE

The following is a summary of the primary methods and assumptions used to determine the fair value of the financial instruments that are recognized in the above table.

DERIVATIVE INSTRUMENTS

For currency contracts, the fair value is determined proceeding from the listed rates, if such rates are available. If such rates are not available, the fair value is calculated by means of a discounting of the difference between the agreed forward rate and the forward rate that can be attained on the balance-sheet date for the remaining contractual period. Discounting is implemented on risk-free interest rates based on government bonds. For derivative instruments used for the hedging of future electricity sales, the fair value is determined based on the prices set in external market places. The fair value for interest-rate swaps is based on the measurement of intermediary credit institutions, and its fairness is tested through a discounting of estimated future cash flows in accordance with the contract's terms and maturities, and based on market interest-rates for similar instruments on the balance-sheet date. In the event that discounted cash flows are used, future cash flows are calculated based on the best assessment of company management. The interest rate used for discounting is the market-based interest rate for similar instruments on the balance-sheet date. When other valuation techniques are used, the input data is based on the balance-sheet date.

INTEREST-BEARING LIABILITIES

Fair values for financial liabilities that are not derivative instruments are calculated based on future cash flows of capital amounts and interest discounted to current market interest rates on the balance-sheet date.

ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

For accounts receivable and accounts payable with a remaining economic life of less than six months, the carrying amount is considered to reflect the fair value.

FINANCIAL INSTRUMENTS BY CATEGORY

According to IFRS 13, financial instruments must be categorized in three levels based on the input data used when making the fair-value measurement. The first category pertains to financial instruments that are quoted in an active market. The second category pertains to financial instruments that are not quoted in an active market, but where other market data can be used to obtain a measurement. The final category pertains to measurements for which there are no quoted prices or other market data. The methods for obtaining a measurement for category three primarily comprise discounted cash flows. All derivatives (electricity, interest rate and currency) belong to category 2.

Note 22 Other liabilities

Group

KSEK	2016-12-31	2015-12-31
Other long-term liabilities		
Interest derivatives	80,006	122,844
Shareholder loans, interest-bearing	417,608	-
Total long-term liabilities	497,614	122,844
Other current liabilities		
Value-added tax	5,834	4,397
Other	911	1,408
Total other current liabilities	6,745	5,805

Parent Company

KSEK	2016-12-31	2015-12-31
Other current liabilities		
Value-added tax	324	165
Other	912	1 401
Total	1,236	1,566

Note 23 Accrued expenses and deferred income

	Group		Parent Company	
KSEK	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Accrued holiday pay	4,037	3,290	4,037	3,290
Accrued social security contributions	421	498	421	498
Accrued interest expense	269	386	41	25
Accrued leasehold payments	11,046	13,149	3,056	3,222
Accrued service costs	566	2,963	-	1,084
Accrued property tax	15,976	12,570	476	1,058
Accrued project planning costs	1,878	-		-
Accrued right issue costs	-	8,025	-	8,025
Other	10,050	4,501	9,918	2,436
Total	44,243	45,380	17,949	19,636

Note 24 Financial risks and policies

Through its business operations, the Group is exposed to various types of financial risk. Financial risk pertains to fluctuations in the company's earnings and cash flow arising from changes in exchange rates, interest rates and defaulted credit. The Group's financial policy was formulated by its Board of Directors and constitutes a framework of guidelines and rules in the form of risk mandates and limits for finance activities for handling financial risks. The CEO is responsible for the Group's financial transactions and risks. The overall objective of the finance function is to provide cost-efficient financing and to minimize the negative impact on the consolidated income arising from market risks. Reporting is undertaken on a continuous bases to the company's Board of Directors.

MARKET RISKS

A market risk is the risk that the fair value or future cash flows of a financial instrument may vary due to fluctuations in market prices. Market risks are divided by IFRS into three categories: exchange-rate risk, interest-rate risk and other price risks. The market risks that primarily impact the Group consist of exchange-rate risk, interest-rate risk, and risks attributable to the price trends of electricity and electricity certificates. The Group's objective is to manage and control market risks within fixed parameters, while optimizing the profits from risk taking within given frameworks. The parameters are fixed with the aim that short-term (6–12 months) market risks should only marginally impact the Group's earnings and position. However, persistent changes to exchange rates, interest rates and prices for electricity, electricity certificates and guarantees of origin will have an impact on consolidated profit in the longer term.

PRICE RISKS IN ELECTRICITY SALES

Rabbalshede Kraft is net producer of electricity, which makes the price of electricity a crucial parameter in the Group's profit. A lower electricity price results in direct negative impact on the Group's sales and earnings. It is thus of great importance that electricity price risks are managed in a professional and cost-efficient manner. With the aim of achieving stable earnings, Rabbalshede Kraft has prepared a cooperation agreement with Axpo Sweden AB, one of the leading players at Nord Pool. Axpo assists with consultation concerning the markets for electricity and electricity certificates and functions as a support in Rabbalshede Kraft's risk management, and offers hedging products that provide Rabbalshede Kraft with the scope to balance risks and opportunities. The partnership aims to secure future production revenue, reach long-term profitability, reduce the risk of fluctuations in market prices negatively impacting the company's revenue, achieving favorable results from price hedges and managing the need for balance power in a cost-efficient manner. Together with Axpo, Rabbalshede Kraft has prepared an electricity trading policy and mandate, which are aimed at identifying risks and setting frameworks and limits for Rabbalshede Kraft's risk-taking. Price risk refers to fluctuations in the price of electricity and electricity certificates and their impact on profit. To minimize such exposure, derivative instruments are used as a hedge against future sales. The Group hedges its sale of electricity using forward contracts existing in the market, as well as PPA and EPA products. Fixed limits were set on the maximum permitted deviations in volume, between normal hedge volumes and price-hedged volumes relating to ongoing electricity sales. Similarly, there are limits on the volumes that may be stored and sold in advance concerning electricity certificates. The Group's sale of electricity in 2015 totaled 500,247 MWh (576,412).

Cont. note 24 Financial risks and policies

Hedged percentage	2017	2018	2019	2020	2021
Electricity	90 %	69 %	69 %	63 %	60 %

The fair value of outstanding forward contracts pertaining to future sales of electricity on the balance-sheet dateamounted to net KSEK 0 (0).

SENSITIVITY ANALYSIS

A fluctuation of 10 percent in the electricity price results in a change in the profit for the year of KSEK 2,992 (2,559). The sensitivity analysis is based on all other factors remaining unchanged and the non-application of hedge accounting.

EXCHANGE-RATE RISKS

Exchange-rate risk arises in connection with the planning and ordering of wind turbines, which occurs preferably from European suppliers in EUR. In most cases, payment occurs on a number of predetermined dates. With the aim of restricting the currency risk, Rabbalshede Kraft will, early in the process, reduce the uncertainty by hedging the currency exposure, in full or in part, when the order is placed, to thereby safeguard profits and estimates. This risk is referred to as transaction exposure. Exchange-rate risks are thus hedged if they are attributable to the purchase of future investments in wind turbines for which permits have been obtained. Hedge accounting is applied in the Group; refer to Note 1. The Group's transaction exposure, on the balance-sheet date, was distributed in the following currencies:

Group, KEUR	2016	2015
Ordered wind turbines*	-	-
Of which, hedged	-	-

* Includes the year's investments and orders for works where delivery has not yet taken place.

The Group classifies its currency futures that are used for the hedging of forecast purchases as cash-flow hedges. Hedge accounting is applied in the Group; refer to Note 1. The net fair value of forward contracts outstanding on the balance-sheet date totaled KSEK 0 (0).

SENSITIVITY ANALYSIS

A change of +/– 5 percent in the SEK against the EUR on December 31, 2016 would entail a change in costs by KSEK 0 (0). The sensitivity analysis is based on all other factors (such as interest rates) remaining unchanged and the non-application of hedge accounting.

INTEREST-RATE RISKS

Interest-rate risk is the risk that the value of a financial instrument may vary due to fluctuations in market interest rates. Interest-rate risks may result in changes in fair value and changes in cash flows. A significant factor that impacts interest-rate risk is the fixed-interest period. The Group's interest-rate exposure is managed by the Group's financial control function, which is responsible for identifying and handling this exposure. On the balancesheet date the Group had KSEK 728,492 (1,255,652) in loan payables outstanding.

The long-term policy is to finance investments in wind turbines with a loan ratio of 70 percent. This will significantly increase the Group's future financial liabilities, which will entail an increased interest-rate risk. Derivative instruments such as interest-rate swaps may be utilized to control the Group's interest-rate risk. According to the financial policy, the norm risk has been set at five years. The company has a mandate to allow the debt portfolio's average fixed-interest period to deviate from the norm risk by +/- 12 months. A maximum of 50 percent of the total debt portfolio including derivatives and a maximum of 50 percent of the loan maturity (tied-up capital) may be converted to interest within a 12-month period. During the year, the company's average interest rate on bank loans was 5.98 percent (5.33). There are also shareholder loans with an average interest of 7.0%. See note 20.

Interest-rate swaps are utilized for switching between floating and fixed interest rates with the aim of adapting interest rates and fixed-interest periods. On December 31, 2016, the average fixed-interest period was 4.71 years (4.47) and the average capital maturity term for the debt portfolio was 4.47 years (4.84). On the balance-sheet date, the company had interest derivatives with a nominal value of KSEK 701,413 (1,109,143). The net fair value of outstanding interest derivatives on the balance-sheet date totaled KSEK –79,639 (–122,159). These figures were recognized as long-term liabilities in the balance sheet. Hedge accounting is applied in the Group; refer to Note 1.

SENSITIVITY ANALYSIS

A change in interest rates of 100 points would entail a change of KSEK 13 (1,143) in profit or loss on the balance- sheet date. The sensitivity analysis is based on all other factors remaining unchanged and the non-application of hedge accounting.

LIQUIDITY RISKS

Liquidity risk refers to the risk the Group may have problems in meeting its obligations that are associated with financial liabilities.Styrelsens ambition är att bibehålla en balans mellan hög avkastning som kan möjliggöras genom en högre belåning och fördelarna och tryggheten som en sund kapitalstruktur erbjuder. Koncernens mål är att uppnå en avkastning på sysselsatt kapital före skatt på lägst 10 %. The Group has a rolling 24-month liquidity planning that is updated monthly. Liquidity planning is used to manage liquidity risks and costs for financing by the Group. The objective is for the Group to be able to manage its financial obligations in upturns and downturns without significant unpredictable costs. Liquidity risks are managed by the Group's financial function. According to the financial policy, there must always be sufficient cash and cash equivalents (liquidity reserves) totaling a mini-

Cont. note 24 Financial risks and policies

mum of KSEK 50,000 within the Group. The liquidity reserve pertains to cash, overdraft facility, listed investments that can be sold within five days, as well as unutilized confirmed lines of credit. In 2016, liquidity reserves comprised bank funds in accounts. In addition, the due dates for financial liabilities were distributed over time in order to limit the liquidity risk. The Group's financial liabilities at year-end amounted to KSEK 1,142,844 (1,236,926). For the maturity structure, refer to Note 20

Financial liabilities analysis of maturities per December 31, 2016

KSEK	Nominal value	Total	< 1 month	1–3 months	3 months–1 year	1–5 years	>5 years
Swedbank	618,276	683,549	0	14,330	171,440	497,780	0
Sparbanken Tanum	5,400	5,792	0	194	582	5,015	0
DNB	104,815	111,908	0	0	25,131	86,777	0
Shareholder loans	417,608	502,335	0	224,700	0	277,635	0
Derivate	80,006	80,006	0	2,740	8,220	69,045	0
Financial leasing	0	0	0	0	0	0	0
Accounts payable	15,525	15,525	15,525	0	0	0	0
Total	1,241,630	1,399,115	15,525	241,964	205,373	936,252	0

Financial liabilities analysis of maturities per December 31, 2015

KSEK	Nominal value	Total	< 1 month	1–3 months	3 months–1 year	1–5 years	>5 years
Swedbank	584,688	599,018	-	10,212	588,806	-	-
Sparbanken Tanum	6,075	6,615	-	193	579	4,225	2,776
DNB	323,077	327,429	3,223	-	3,242	-	-
SEB	341,812	349,834	-	-	349,834	-	-
Shareholder loans	-	-	-	-	-	-	-
Derivate	122,844	122,844			14,852	107,992	
Financial leasing	-	-	-	-	-	-	-
Accounts payable	5,204	5,204	5,204	-	-	-	-
Total	1,383,700	1,410,944	8,427	10,405	957,313	112,217	2,776

As of Dec 31, 2015, the company did not meet its existing covenant requirements, which means that cash flow was below the levels / real functions specified in banking agreements which gave the bank an option to terminate the financing agreement. During 2016, the company and the bank reached a solution for the covenants, as the agreement was not completed at the balance sheet date, the bank loans are recognized as short-term. In 2016, the company has meet its existing convenants why the Group's bank loans are reported as long-term again.

CREDIT RISK

Credit risks in accounts receivable

The risk that the Group's customers will not fulfil their obligations, meaning that payment is not received from the customers, is a credit risk. The credit rating of the Group's customers is checked, whereby information on the customers' financial position is obtained from various credit information companies. On the balance-sheet date, no impairment of accounts receivable was deemed necessary. No outstanding accounts receivable are older than 30 days. Since sales principally occur at Nord Pool through established electricity suppliers, the credit risk is low in terms of sales revenue.

CAPITAL MANAGEMENT

The Group's financial objective of having a solid capital structure and financial stability and to thereby retain investors, credit grantors and the market's confidence, is a basis for the continued development of business operations. Capital is defined as total shareholders' equity, excluding hedge reserves. The objective for the debt/equity ratio is 70 percent and adaptations toward this objective constitute a part of the strategic planning.

The Board of Directors' ambition is to maintain a balance between a high return that can be enabled through higher borrowing, and the benefits and safety that a sound capital structure offers. The Group's target is to achieve a minimum return on capital employed before tax of 10 percent.

Note 25 Leasing

The Group doesn't rent any assets through financial leasing.

The assets that the Group rents through operational leases and which are recognized as tangible fixed assets comprise: the land where the wind turbines are located, office premises and vehicles.

Future minimum lease payments for operating leases.

	Group		Parent Company	
KSEK	2016	2015	2016	2015
Operating leases				
Within one year	9,926	9,950	1,826	1,850
Between one year and five years	35,900	36,685	3,500	4,285
Longer than five years	141,915	150,633	6,848	7,449
Total	187,741	197,268	12,174	13,584

The cost in 2016 for operational leases totaled KSEK 10,120 (10,694). Operational leasing mainly comprises leases with landowners, and for cars and the rental of premises. The duration correlates with the wind turbine's lifetime. The lease agreements contain no contingent fees. New leases for office space have been concluded during 2015.

Note 26 Investment obligations

Investments, including paid advances, totaled KSEK 41,755 during the January to December 2016 period. In all material respects, the investments pertain to ongoing planning work. In April 2016, Rabbalshede Kraft signed an agreement regarding sale of one turbine in Hällevadsholm (2 MW) to Mölndal Energi. Rabbalshede Kraft has been responsible for the procurement and the construction.

Note 27 Pledged assets and contingent liabilities

	Group		Parent Company	
KSEK	2016	2015	2016	2015
Pledged assets				
In the form of pledged assets for own liabilities and provisions				
Collateral transferred for ordered wind turbines and leaseholds	1,864,162	1,953,003	115,350	122,350
Mortgage deeds on properties	14,400	14,400	13,500	13,500
Chattel mortgages	5,000	5,000	5,000	5,000
Blocked bank funds	59,726	90,190	3,940	6,655
Pledged shares in Rabbalshede vind 6 AB	653,752	0	653,766	0
Total pledged assets	2,597,040	2,062,593	137,790	147,505
Contingent liabilities	248,355	209,205	318,348	370,709

Collateral transferred for ordered wind turbines and leaseholds mean that the company has transferred to the bank usufruct to leasehold areas for wind turbines, other rights/permits/agreements, etc. that exist or which will exist to enable the construction of wind turbines that will subsequently produce, distribute and sell electricity, and ownership rights for all buildings, plants, etc. that exist or will be constructed within the leased area. The transfer of collateral occurs solely for the bank to obtain security for the borrower's liabilities with the bank, which after the utilization of the collateral, may sell the transferred assets at a market price in order to assimilate payments from the purchase price. The transfer of collateral falls under Chapter 3 Section 37 of the Contracts Act. Although it is a matter of a formal transfer of property, it is typical for collateral transfers – unlike real asset transfers – for the transferred property to remain in the transferor's possession and that it may be utilized by the transferor during the time the collateral is availed and the credit liabilities are contractually fulfilled. The transferor also retains all its obligations to third parties such as shareholders and/or beneficial owners of property. No prices are set on the collateral transfer and there are no tax consequences or register changes as in asset transfers. When the credits are repaid, the bank is to transfer the property back to the transferor without charge.

In 2008, Rabbalshede Kraft entered into an agreement with a supplier relating to the acquisition of a total of 29 wind turbines. Of these, the company instructed the delivery of 14 wind turbines to the Dingle-Skogen wind farm in February 2012. The advance payment in EUR that had previously been made for the 29 turbines, corresponding to KSEK 39,921 (rate 9.23), was used as an installment payment for 14 turbines. While the remaining agreements for 15 wind turbines stipulate specific delivery dates, the parties intend to sign upplementary agreements specifying new delivery dates for wind farms that are scheduled further down the line. If the company cancels the remaining 15 wind turbines, this could cost the company EUR 6.7 M, corresponding to SEK 64.1 M at the closing-date rate.

Rabbalshede Kraft AB has guaranteed SEK 33.5 M for Swedbank AB, which has issued a payment guarantee to Ellevio AB of SEK 33.5 M. Ellevio AB performs work for Lyrestad Vind AB. In case Lyrestad vind AB would not be able to pay its debts to Ellevio, Ellevio may claim warranty. Lyrestad vind AB is a wholly owned subsidiary of the joint venture Lyrestad Holding AB.

Parent Company guarantee

Töftedal Vind AB has a bank loan from Swedbank AB. As collateral for the loan, Rabbalshede Kraft AB issued a Parent Company guarantee to Swedbank AB totaling KSEK 72,750, which corresponds to the amount of the bank loan. The Parent Company guarantee entails that Rabbalshede Kraft AB will take Töftedal Vind AB's place if it is unable to pay repay its debt to Swedbank.

Brattön Vind AB, Kil Vind AB, Dingleskogen Vind AB, Skaveröd Gurseröd Vind AB, Årjäng Nordväst Vind AB and Årjäng Sydväst Vind AB have electricity and certificate-hedging contracts with Axpo as the counterparty. As collateral for the fulfillment of these contracts, Rabbalshede Kraft AB issued a Parent Company guarantee of KSEK 148,000. The Parent Company guarantee entails that Rabbalshede Kraft AB steps in for the above-named companies if they are unable to pay Axpo when the hedge contract is due.

Note 28 Related parties

RELATED PARTIES AND TRANSACTIONS WITH KEY INDIVIDUALS IN SENIOR POSITIONS

The company's Board members and their close family members control 16% of the votes in the company. Manor Investment S.A. ("Manor"), Corp, Reg. No. B 137 678, is the Parent Company to Rabbalshede Kraft AB and holds 56,06 percent of the votes. During the year, Manor Investment S.A. carried out consulting assignments on Rabbalshede Kraft's behalf. Accordingly, the company has made a KSEK 2,378 provision in the balance sheet at December 31, 2016. Manor has during the year given a shareholder loan of KSEK 400,000 exkluding accrued interest 17,608 KSEK. Former Chairman of the Board, Karl-Erling Trogen, carried out consulting assignments on Rabbalshede Kraft's behalf with a provision of KSEK 375.
Rabbalshede Kraft has sold 75% of the shares in the subsidiary Lyrestad Holding AB. and lent 108,226 KSEK to the joint venture Lyrestad Holding AB at a rate of 2,226 KSEK of which the Company holds 25%. Rabbalshede Kraft has also paid 5,595 KSEK to Lyrestad Holding Group for construction services.

Note 29 Group companies

Parent Company

KSEK	Dec 31, 2016	Dec 31, 2015
Accumulated costs		
On January 1	825,741	885,276
Purchasing	50	-
Sales	-87	-
Reclassification to joint venture*	-13	
Shareholders' contributions	230,850	119,634
Impairment losses	-	-179,169

*In 2016, 100 percent of the shares in Lyrestad Vind AB (formerly Rabbalshede Vind 5 AB) were sold to Lyrestad Holding AB (a wholly owened subsidiary of Rabbalshede Kraft, acquired during the year). In May 2016, 75 percent of the shares in Lyrestad Holding AB were sold. The remaining shares, 13 thousand have been evaluated and been classified as a cooperative arrangement in the form of a joint venture. See also Note 30.

Specification of the Parent Company's direct holdings of shares in subsidiaries

Subsidiaries	Corp. reg. no.	Domicile	Votes, %	Dec. 31, 2016 Carrying amount	Dec. 31, 2015 Carrying amoun
Töftedal Vind AB	556753-8599	Rabbalshede	100	165,529	98,029
Rabbalshede Förvaltning 1 AB	556775-1358	Rabbalshede	100	218,424	218,424
Rabbalshede Vind 6 AB	556872-2879	Rabbalshede	100	653,766	490,766
Sögårdsfjället Vind AB	556794-0340	Rabbalshede	100	8,831	8,831
Lygnern Vind AB	556792-4039	Rabbalshede	92	7,592	7,242
Rabbalshede Elnät AB	556865-6069	Rabbalshede	100	2,050	2,050
Lursäng Vind AB	556855-9008	Rabbalshede	100	100	100
Rabbalshede Vind 2 AB	556872-2838	Rabbalshede	100	50	50
Rabbalshede Vind 3 AB	556872-2820	Rabbalshede	100	50	50
Rabbalshede Vind 4 AB	556872-2853	Rabbalshede	100	50	50
Lyrestad Vind AB (formerly Rabbalshede Vind 5 AB)	556872-2846	Rabbalshede	100	0	50
Rabbalshede Värdepapper AB	556732-7852	Rabbalshede	100	100	100
Total				1,056,541	825,741

Pursuant to IFRS 12, item 12, additional information must be provided about significant companies with minority interests. About 8 percent of Lygnern Vind AB is owned by stakeholders outside the Rabbalshede Kraft Group and thereby constitute a company with minority interests. Since sales and total assets are insignificant, no further information about the company is provided.

Shareholdings owned by other Group companies other than the Parent Company

Subsidiaries	Corp. reg. no.	Domicile	Votes, %	Dec. 31, 2016 Carrying amount	Dec. 31, 2015 Carrying amount
Kil Vind AB,	556782-8305	Rabbalshede	100	8,666	15,546
Brattön Vind AB	556753-8870	Rabbalshede	100	67,743	80,615
Dingleskogen Vind AB	556840-0864	Rabbalshede	100	94,721	122,263
Skaveröd Gurseröd Vind AB	556809-3453	Rabbalshede	100	235,096	174,670
Årjäng Nordväst Vind AB	556812-2666	Rabbalshede	100	158,043	127,175
Årjäng Sydväst Vind AB	556872-2804	Rabbalshede	100	242,595	181,716

Note 30 Joint Venture

In 2016, 75 percent of the shares in Lyrestad Holding AB (a wholly owned subsidiary of Rabbalshede Kraft, acquired during the year) were sold to Ardian Infrastructure. The shareholder agreement between the parties requires the consent of all parties in all relevant activities whereupon the remaining shares are klasificerad as a cooperative arrangement in the form joint venture. The cooperation arrangement is driven to develop and build a wind farm with 22 wind turbines with commissioning in 2018. Below shows information on the holdings as December 31, 2016

The share capital in the joint venture listed below consists solely of ordinary shares owned directly by the Group.

The nature of the holdings in joint ventures

Company Name	Property location /	Ownership
Lyrestad Holding	country of registration AB, Sweden	25%

Group

KSEK	Dec 31, 2016
Summarized balance sheet and income statement for Lyrestad Holding Group:	
Fixed assets	316,158
Receivables	16,270
Cash and cash equivalents	125,931
Allocation to deferred tax	578
Long-term liabilities	429,858
Current liabilities	30,624
Equity	-2,701
The Group's share of equity *	-675
Reported value	0
Net sale	0
Other external costs	-113
FInancial costs	-424
Tax	-2,212
Loss for the year	-2,749

* As the Group's holding initially are valued as zero (see Note 6), losses and a liability are recognized only to the extent that the Group has incurred legal or constructive obligations or has made payments to the joint venture company's behalf. There are any such of legal or constructive obligations. If the joint venture subsequently reports profits, however, return the Group to recognize its share of those profits only when these amounts to the same amount as the share of losses not recognized by the group.

Parent Company

KSEK

Innehav Joint Venture	2016	2015
Per 1 januari 2016	0	-
Omklassifiering	13	-
Per 31 december 2016	13	-

Note 31 Untaxed reserves

Parent Company	Operational wind farms	
KSEK	2016	2015
Accumulated depreciation/amortization according to plan:		
Opening balance	500	500
Depreciation for the year in excess of plan	-	-
Divestment and scrappage	-	-
Closing balance	500	500

Note 32 Cash-flow statement

Cash and cash equivalents – Group

KSEK	Dec 31, 2016	Dec 31, 2015
The following sub-components are included in cash and cash equivalents:		
Cash and bank balances	43,933	226,744

Cash and cash equivalents – Parent Company

KSEK	Dec 31, 2016	Dec 31, 2015
The following sub-components are included in cash and cash equivalents:	6,160	201,686
Cash and bank balances	10	201, 686

Liquidity regulated interest

	Group		Parent Company	
KSEK	2016	2015	2016	2015
Interest received	2,337	100	2,354	124
Interest paid	-121,879	-77,839	-6,278	-5,165
Total	-119,542	-77,739	-3,924	-5,041

Adjustment for non-cash items

	Group		Parent Company	
KSEK	2016	2015	2016	2015
Depreciation and impairment losses	99,036	280,324	16,832	22,250
Impairment of participations in subsidiaries	-	-		179,169
Other	13	-		-
Capital gain on sale of shares in group companies	-7,795	-	-7,795	-
Capital loss on sale of shares			37	-
Inefficient interest-rate hedging	-318	-478		-
Capitalized financing expenses	5,151	5,086	158	159
Reversal charges	364	288		-
Divestment/disposal of intangible fixed assets	770	-	770	-
Divestment/disposal of tangible fixed assets	-	3,515		-
Total	97,221	288,735		201,578

Note 33 Disposal subsidiary

The item divestment of subsidiaries, net of cash and cash equivalents amounted to SEK 0 and outgoing cash and cash equivalents to 49,016 thousand.

Note 34 Events after the balance-sheet date

An Extraordinary General Meeting was held on January 31, 2017, at which resolutions were passed to reduce the share capital by SEK 126,843,931 for transfer to unrestricted shareholders' equity.

The meeting also resolved on a private placement to Sweden Holdco RK AB ("Greystone"). The private placement amounted to 283 MSEK and was implemented on February 1, 2017 Following the investment, Greystone is the company's second largest shareholder, with Manor Investment S.A, remaining the company's largest shareholder.

The meeting resolved that the Board of Directors is to comprise six elected members. The Meeting resolved on the re-election of Karin Kronstam, Jean Baptiste Oldenhove and Matthieu Baumgartner and new election of Bertil Villard, Annika Ahl Åkesson and Jeffrey Mouland. Bertil Villard was elected Chairman of the Board. Refer to note 34

The company has been embroiled in a dispute during 2016. The dispute was resolved at the beginning of 2017, which meant that the company was settled by paying 4.8 million SEK to the other party. The amount has been reserved in the accounts for the financial year in 2016.

After many years as an employee and as CEO of Rabbalshede Kraft AB (publ), the Board announced on February 28, 2017, that, following a joint decision, Thomas Linnard has chosen to leave his position. Håkan Frick will continue as Acting CEO until further notice.

Note 35 Information about the Parent Company

Rabbalshede Kraft AB (publ.) is a Swedish limited liability company headquartered in Rabbalshede, Sweden. The address of the head office is Marknadsvägen 1, SE-457 55 Rabbalshede, Sweden. The consolidated financial statements for 2016 relate to the Parent Company and its subsidiaries, jointly designated the Group.

The Board of Directors and CEO give their assurance that the consolidated financial statements have been compiled in compliance with International Financial Reporting Standards (IFRS) adopted by the EU and provides a fair and accurate view of the financial position and earnings of the Group. The Annual Report was compiled in compliance with generally accepted accounting policies and provides a fair and accurate view of the financial position and earnings of Parent Company. The administration reports for both the Group and the Parent Company accurately review the Group's and the Parent Company's operations, financial positions and earnings and describe the significant risks and uncertainties facing the Parent Company and the companies included in the Group. The Annual Report and the consolidated financial statements were approved for issue by the Board of Directors on April 5, 2017. The Parent Company's and Group's balance sheets and income statements will be presented to the Annual General Meeting on April 27, 2016 for adoption.

Rabbalshede April 5, 2017

Bertil Villard
Chairman of the Board

Annika Ahl Åkesson
Board member

Karin Kronstam
Board member

Jeffrey Mouland
Board member

Jean Baptiste Oldenhove
Board member

Matthieu Baumgartner
Board member

Håkan Frick
acting CEO

Our audit report was submitted on April 6, 2017
Ernst & Young AB

Stefan Kylebäck
Authorized Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of Rabbalshede Kraft AB (publ.), corporate identity number 556681-4652

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Rabbalshede Kraft AB (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 30-74 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Basis for Opinions

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

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

Key Audit Matters

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

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 3-27. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit con-

ducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility of the audit of the annual accounts and consolidated accounts is to be found at the website of Revisorsnämnden: http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is a part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Rabbalshede Kraft AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

A further description of our responsibility of the audit of the administration is to be found at the website of Revisorsnämnden: http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is a part of the auditor's report.

Gothenburg April 6, 2017

Ernst & Young AB

Stefan Kylebäck
Authorized Public Accountant

Glossary

Capacity
Is used as a measurement for how much electricity a power plant can produce optimally. Capacity is measured in watts (W). The size of the wind turbine and other power plants is indicated in capacity units of millions of watts, meaning megawatts (MW).

EIA
An Environmental Impact Assessment describes the direct and indirect impact of wind power on natural and cultural environments, recreational amenities and public health.

Electricity certificates:
Purchasable and saleable certificates obtained through the production of renewable electricity

Emission right
Emission rights entitle the holder to discharge a fixed amount of carbon dioxide and may be purchased or sold through channels such as Nasdaq OMX Commodities.

Energy
Refers to the electrical energy that is produced and subsequently sold to the electricity market.Energy refers to electricity production/consumption per time unit, normally per hour. Electricity bills to households use the energy unit of kilowatt hours (kWh), a thousand watts per hour. Production uses the larger megawatt hours (MWh) energy unit, which is one thousand kilowatt hours. However, even this unit results in a cumbersome amount of zeros when indicating a country's electricity production and consumption. In such cases, a terawatt hour (TWh) unit is used, which is one million megawatt hours and thus a billion kilowatt hours.

EPA (Electricity Certificates Purchase Agreement)
A fixed price contract for every kWh produced for electricity certificates

Forwards market/futures price
A market where buyers and sellers agree on a fixed price for a future delivery of, for example, electricity. Managed in the Nordic region by Nasdaq OMX Commodities. Contracts are also directly signed as bilateral agreements between buyers and sellers.

NCN
Wind-farm electricity grids are Non Concession-bound Networks. In accordance with Sweden's Electricity Act, the construction of high-tension power lines requires permits and network concessions. Exceptions are made for wind-farm networks

Normal year, average wind year
A normal wind-power year (also referred to as an average wind year) is the measurement of the average wind energy at a given location. As established based on the Swedish Meteorological and Hydrological Institute's ten-year forecast

PPA (Power Purchase Agreement)
A fixed price contract for every kWh of electricity produced

Peak-load hours:
The total number of hours per year that a wind turbine is expected to generate electricity corresponding to its full capacity

Profile risk
Profile risk pertains to the difference between the selling price under futures, which is fixed during the day, and the actual spot price when electricity is delivered during the day.

Quota curve, quota adjustment:
Electricity consumers, households, and the industrial and public sectors, are obliged to purchase a specific percentage of electricity certificates in relation to their electricity consumption. This is regulated through quotas varying between the years 2012 to 2035, referred to as the quota curve. The Swedish parliament's raising of the quotas from 2016 are known as quota adjustments

SODAR
Acronym for Sound Detection and Ranging, a technique for measuring wind speed and direction using sound waves.

Spot market/spot price
A market for trading through immediate deliveries managed in the Nordic region by Nord Pool.

System price
A weighted spot price at Nord Pool.

Wind farm
A grouping of wind turbines within a demarcated area.

Capital employed:
Total assets less non-interest-bearing liabilities

Debt/equity ratio:
Interest-bearing liabilities/shareholders' equity

Earnings per share:
Profit after tax divided by the number of shares

EBIT:
Operating profit before financial items and taxes

EBIT margin:
EBIT as a percentage of net sales excluding the sale of projects

EBITDA:
Operating profit before depreciation, amortization and impairments

EBITDA margin:
EBITDA as a percentage of net sales excluding the sale of projects

Equity/assets ratio:
Shareholders' equity as a percentage of total assets

IRR
Internal rate of return – a measurement of the average annual return-from an investment in company

Net debt:
Interest-bearing liabilities less cash and cash equivalents

Return on equity:
Net income for the period/average shareholders' equity

Return on capital employed:
Profit before tax plus financial expenses/average capital employed

Shareholders' equity per share:
Shareholders' equity divided by the number of shares

Total assets:
The total value of all of the assets held by the company

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