

Corporate Governance Report

Introduction

Rabbalshede Kraft AB (publ) intends to apply for listing on the NASDAQ OMX Stockholm Stock Exchange at a time deemed suitable by the Board of Directors. Accordingly, in 2009, the Company continued its adaptation to the Swedish Code of Corporate Governance. This Corporate Governance Report was prepared in accordance with these regulations and pertains to the shortened fiscal year from July 1, 2009 to December 31, 2009. The report has not been reviewed by the Company's auditors.

Corporate governance is defined as the decision-making system through which the shareholders, directly or indirectly, control a company.

Shareholders

Following a new share issue in December 2009, Rabbalshede Kraft AB had 1,052 shareholders.

Legislation and Articles of Association

Rabbalshede Kraft AB's Articles of Association are based on such Swedish legislation as the Swedish Companies Act, the Swedish Bookkeeping Act, the Swedish Annual Accounts Act, the listing agreement with the NASDAQ OMX Stockholm Stock Exchange, which includes the Swedish Code of Corporate Governance, and the rules and recommendations issued by such pertinent organizations as the Commerce Stock Exchange Committee. The Company's Articles of Association also act as a central document for the management of the Company. The Articles of Association establish such facts as the name of the Company, the registered office of the Board, the focus of operations and information concerning share capital.

Annual General Meeting

The highest decision-making body is the Annual General Meeting, which passes resolutions on such matters as the composition of the Board, dividends and the election of auditors. In accordance with the Articles of Association, notice of the Annual General Meeting shall be issued not earlier than six weeks and not later than four weeks prior to the Meeting. The notice shall contain information regarding registration and the right to participate in and vote at the Meeting, a numbered agenda with a list of the matters to be addressed, information regarding the proposed dividend and the principal content of the other motions. Shareholders or representatives may vote for the full number of owned or represented shares.

Annual General Meeting 2008/2009

The 2008/2009 Annual General Meeting was held at Hotel Gothia Towers on Mässans gata 24 in Gothenburg, Sweden, on October 20, 2009. The Meeting was held in Swedish and the material presented was in Swedish. During the Meeting, shareholders were given the opportunity to pose questions to the Chairman and the President, which were answered during the Meeting. It was not possible to follow or participate in the Meeting through the use of communications technology from another location. In this regard, no changes are planned for the 2009 Annual General Meeting. At Rabbalshede Kraft's 2008/2009 Annual General Meeting, 55 vote-entitled shareholders participated, representing about 94% of the votes.

Annual General Meeting 2010

In October 2009, it was announced that the 2010 Annual General Meeting would be held on April 15, 2010. The notice was published on March 18, 2010 with information stating that the Annual General Meeting would be held at Lisebergsteatern in Gothenburg. Information regarding the Annual General Meeting was published on the website at www.rabbalshedekraft.se.

The minutes from the Annual General Meeting will be published on the Company's website.

Nomination Committee

Pursuant to a resolution at the Annual General Meeting on October 20, 2009, the Chairman shall convene each of the Company's three largest shareholders, in terms of votes, by October 20, 2009 to have each appoint a representative to the Nomination Committee. In addition, the Nomination Committee shall comprise the Chairman of the Board, who is also the convener. The Nomination Committee internally appoints a non-Board member as Chairman.

In October 2009, it was announced that the Nomination Committee prior to the 2009 Annual General Meeting would comprise Thomas Lundh, appointed by Byggnadsfirman Ernst Rosén AB, Bertil Jönsson, appointed by Anna-Lisa Thorén Jönsson, Lars Berndtsson, appointed by Källö Sweden AB, and Chairman of the Board Torgny Bergh.

At the Nomination Committee's first meeting, Bertil Jönsson was appointed Chairman of the Nomination Committee.

The Nomination Committee's assignment at the 2010 Annual General Meeting is to present motions for the Meeting Chairman, the Board of Directors, the Chairman of the Board, Board and auditors' fees, and motions for the proceedings of the Nomination Committee. The Nomination Committee's motions are presented in the notice of the Annual General Meeting and on the Company's website.

To the 2010 Annual General Meeting, the Nomination Committee proposed the reelection of Anders Kullendorff, Fredrik Bergh Thorén, Karin Kronstam, Karl-Erling Trogen, Reine Rosén and Torgny Bergh for the period until the end of the next Annual General Meeting, and the new election of Håkan Hellström. Torgny Bergh is proposed for reelection as Chairman of the Board for the period until the end of the next Annual General Meeting.

It is proposed that Board fees for 2010 total SEK 810,000, of which SEK 270,000 be paid to the Chairman and SEK 90,000 to each of the other members elected by the Annual General Meeting who are not employed by the Company. Fees to the Board's Audit Committee for the same period are proposed to total SEK 80,000, of which SEK 40,000 be paid to the Committee's Chairman and SEK 20,000 to each of the other members of the Committee. It is proposed that no fees be paid to the Board's Remuneration Committee. It is proposed that fees to the auditors be paid as their invoices are approved by the Company.

Board of Directors

Pursuant to Rabbalshede Kraft's Articles of Association, the Board of Directors shall comprise not less than three and not more than eight members, who are elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting. There are no rules concerning the maximum length of time that a member can sit on the Board.

The 2008/2009 Annual General Meeting resolved to reelect members Anders Kullendorff, Bertil Falck, Fredrik Bergh Thorén, Karin Kronstam, Reine Rosén and Torgny Bergh, and to

newly elected Karl-Erling Trogen. The Annual General Meeting reelected Torgny Bergh as Chairman of the Board. All members were independent in relation to the Company and executive management, at the end of the Company's fiscal year on June 30, 2009, in accordance with the continuous listing requirements of the NASDAQ OMX Stockholm Stock Exchange and pursuant to the requirements of the Swedish Code of Corporate Governance. Most of the Board is also independent in relation to the Company's largest shareholders.

Work of the Board

During the fiscal year, eight Board meetings were held at which minutes were taken. During their scheduled meetings, the Board addressed the permanent items that were on the agenda at each Board meeting pursuant to the Board's operating procedures, such as ongoing projects, the work and employee scenario, forecasts, financial results, the Annual Report, interim reports and the current ownership structure. Overriding matters concerning strategic focus, investments, financing and organizational changes were also addressed.

Two of the Board meetings were held prior to interim reports. One meeting addressed strategic focus and operational planning, one was dedicated to borrowing and pledging collateral, one concerned investment decisions for new projects, another pertained to decisions regarding a new share issue and the final Board meeting of the fiscal year passed a resolution on the sale of half of a project. At the first scheduled Board meeting of the fiscal year, the Group's auditors present their observations from the review of the Group's internal control and financial statements, after which an individual meeting is held exclusively between the Board and the auditors at which topical matters in the relationship between the Board and Management are addressed. A statutory meeting is held after the Annual General Meeting at which resolutions are passed concerning authorized signatories, the Board's operating procedures, instructions for the President, the adoption of steering documents and a plan for scheduled Board meetings for the year.

Ahead of the Board meetings, the members receive printed material concerning the matters to be addressed. The material includes the President's written report about the business.

Board member Karin Kronstam was absent from one Board meeting. All other members were present at all Board meetings during the 2009 fiscal year.

The President of Rabbalshede Kraft participates in Board meetings as the presenter. The Board's secretarial duties for 2009 were performed by the Company's Head of Operations and Maintenance and former President, who, alongside the CFO, was co-opted onto the Board in 2009.

The Board passes a resolution on a written operating procedure for its work. The operating procedures establish the regulations that govern the Board's work in addition to the Swedish Companies Act and the Articles of Association.

Review of the Board's work

Once a year, the Chairman of the Board initiates an evaluation of the Board's work by having each Board member and co-opted member respond to a survey. The questions pertain to the working climate, range of expertise, work practices and how the Board's work was conducted. The purpose of the evaluation is to achieve an understanding of the members' perception of how the Board's work is being conducted, and what measures can be taken to enhance the efficiency of the Board's work. The responses are compiled by the Chairman, who subsequently presents the results to the Board, after which any decisions are taken to advance the Board's work. The overall results of the evaluation are conveyed to the Nomination Committee.

The Board regularly assesses the President's work by monitoring the performance of the business and by reviewing the President's written reports, which are presented monthly to the Board. Once a year, the President is evaluated at a meeting in which he does not personally participate. The results of the evaluation are subsequently conveyed to the President by the Chairman.

Executive management practices

The President has appointed an executive management team. In 2009, executive management consisted of the Company's President and the Managers of the Finance, Planning, Construction/Operations and HR/Quality/Environment divisions.

Executive management convenes every fourteenth day on average, although it also works very closely on essentially a daily basis. During the year, matters of both an operational and strategic nature were regularly addressed.

For a detailed presentation of the President and the executive management team, refer to page 65 of the Annual Report.

Remuneration

Remuneration to the Board for the coming fiscal year is determined each year by the Annual General Meeting. For the shortened 2009 fiscal year, the Annual General Meeting approved a total fee of SEK 270,000, of which SEK 90,000 is to be paid to the Chairman and SEK 30,000 to each of the Board's other members elected by the Annual General Meeting.

Remuneration to the President and other senior executives comprises a fixed salary, other benefits and pensions. The Chairman of the Board negotiates the remuneration and terms and conditions of employment for Rabbalshede Kraft's President. Remuneration to the President is approved by the Board.

The President negotiates the remuneration and terms and conditions of employment for members of executive management. For further information, refer to Note 5 in the Annual Report.

No variable remuneration or bonuses are paid.

Fees to the auditors are paid when their invoices are approved by the Company.

The Board's Remuneration Committee comprises Reine Rosén, Fredrik Bergh Thorén and Torgny Bergh. The Committee proposes Guidelines for remuneration to senior executives, which are approved by the Annual General Meeting, and reviews the application of these guidelines and the remuneration structures and levels at the Company.

Auditing

Auditors are appointed by the Annual General Meeting. The assignment applies until the end of the Annual General Meeting that is held during the fourth fiscal year after the election of the auditors. The auditors are charged with reviewing Rabbalshede Kraft's Annual Report and financial statements, as well as the administration of the Board and the President. The auditors submit an Auditors' report to the Annual General Meeting. Shareholders are given the opportunity to ask the auditors questions at the Annual General Meeting.

Pursuant to the Articles of Association, two auditors, with or without deputies, or one or two auditing companies shall be appointed to review the Company's Annual Report and financial statements, as well as the administration of the Board and the President.

The auditing company Ernst & Young AB was elected by the 2008 Annual General Meeting for the period until the end of the 2011 Annual General Meeting. The Auditors in Charge are Stefan Kylebäck and Bjarne Fredriksson. Ernst & Young AB has audited Rabbalshede Kraft AB and all of its subsidiaries.

The reconciliation, review and audit of the financial statements and Annual Report for 2009 were conducted in January-February 2010.

The Board receives a report on whether the Company's organization is designed so that accounting, financial management and the other financial conditions can be controlled in a reliable manner. The auditors reported to the Board on one occasion.

Rabbalshede Kraft intends to apply the Swedish Code of Corporate Governance in its entirety as of May 1, 2010. In 2010, Rabbalshede Kraft plans to allow the Company's third-quarter report to be subject to review by the auditors.

In accordance with the Swedish Code of Corporate Governance, a specific Audit Committee shall be established. The Board intends to appoint an Audit Committee at the statutory Board meeting on April 15, 2010, which shall ensure the quality of the Company's financial reporting. Instructions for the Committee will be formulated and adopted.

Internal control

The Company's financial reporting complies with the laws and regulations that apply to companies listed on the NASDAQ OMX Stockholm Stock Exchange. There are also internal instructions, procedures, systems and a delegation of roles and responsibilities aimed at achieving strong internal control. The consolidated financial statements and the Group's performance are followed up on a monthly basis with analyses and commentary.

Rabbalshede Kraft has no specific review function (internal control) since the Board does not deem there to be any specific circumstances in the Company or other conditions that would warrant the establishment of such a function.

The Board intends to prepare and submit a Report on internal control pertaining to financial reporting, which encompasses interim reports, year-end reports and annual reports. The report will describe how the internal control pertaining to financial reporting is organized.

Rabbalshede Kraft's internal control pertaining to financial reporting is designed to manage risks in financial reporting and to achieve a high level of quality in the external reporting.

A strong control environment requires an organization with distinctly defined responsibilities and authorities, and clear guidelines and policies. Rabbalshede Kraft has reporting instructions for financial reporting and a number of policies and guidelines that are updated annually. The operating procedures for the boards of the subsidiaries and instructions for the president of the subsidiaries are reviewed annually.

Rabbalshede Kraft's Board is responsible for ensuring that significant financial risks and risks of errors in the financial reporting are identified and managed. The focus is on the risk of errors in the financial reporting concerning key profit and loss and balance sheet items depending on their complexity or cases in which the effects of any errors may become significant.

To ensure that the financial reporting provides a fair view, a number of control activities are incorporated with the aim of preventing, detecting and correcting errors and deviations. The controls encompass such matters as the approval of key agreements, the follow-up of risk exposure, reconciliation of accounts and earnings analyses.

The financial reports are analyzed by the Company's management. The Company's financial situation is addressed at each Board meeting when the Board receives detailed reports from the President concerning the financial position and the Company's performance. As the need for the number of Board meetings declines, monthly reports from the President will be implemented.

Information

The Company's dissemination of information complies with the communications policy established by the Board for the Group. The policy states what to communicate, by whom it shall be communicated and in what manner the information shall be disseminated to ensure that the external and internal information is correct and complete.

Rabbalshede Kraft's information for shareholders and other stakeholders is disseminated through the publication of press releases, year-end and interim reports, annual reports and the Company's website (www.rabbalshedekraft.se). Press releases, financial statements and presentation material for the previous years, and information regarding corporate governance are published on the Company's website. Interim reports, annual reports and press releases are translated to English and published on the Company's website.