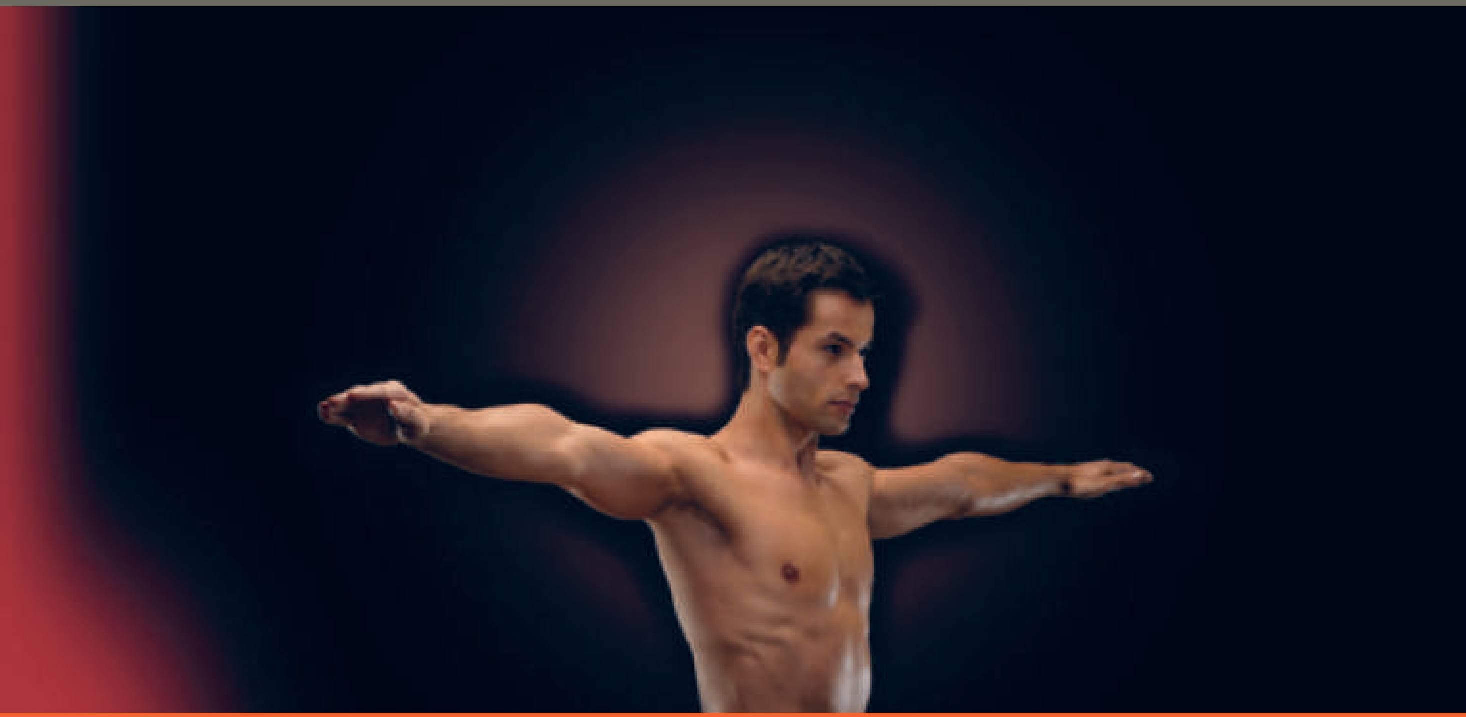
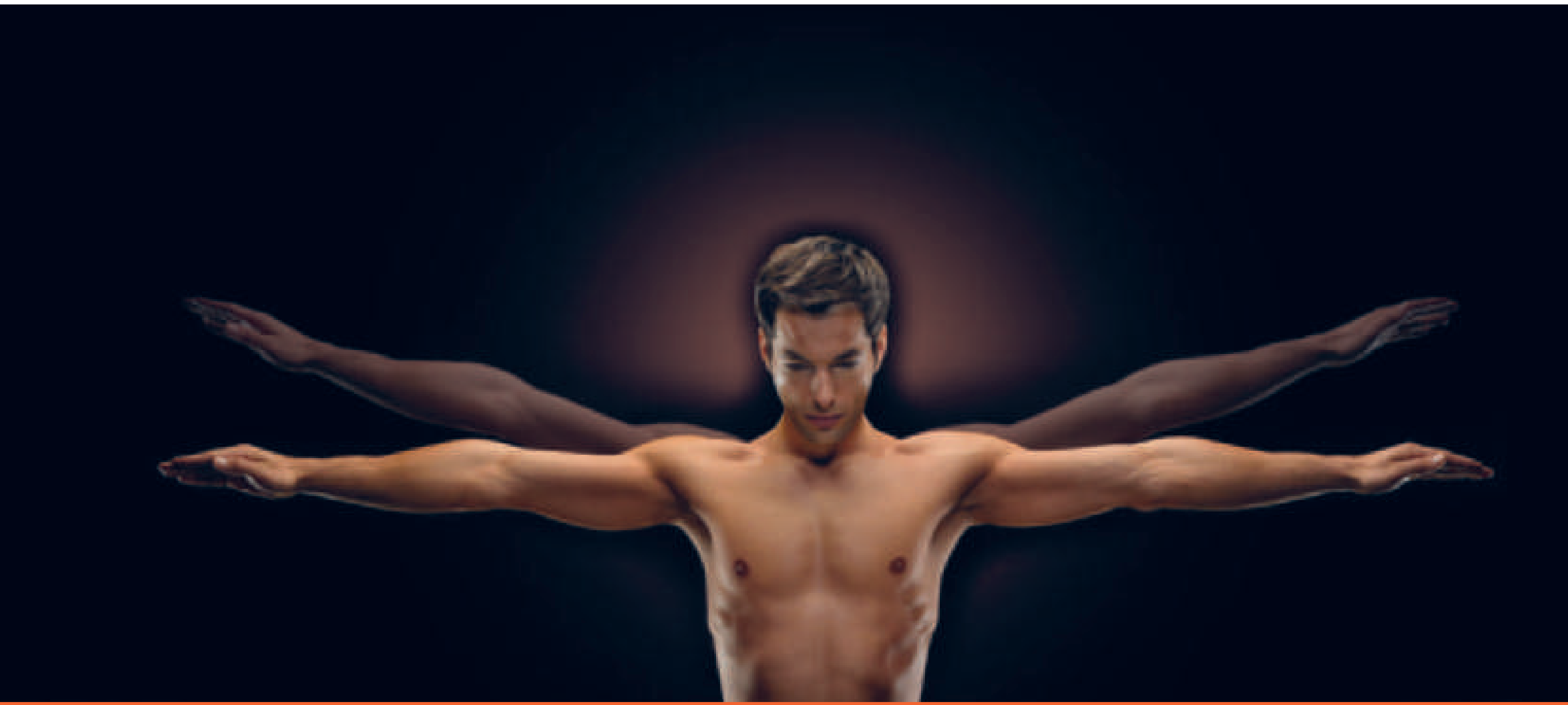
ANNUAL REPORT **2011**



People and their five senses

Eyes, ears, nose, mouth and hands: the sense organs are what connects our brain to the world outside. They pick up stimuli from the external environment or from within our body and convey them via the sensory nerves to the relevant centres in the brain. There the information is analysed and interpreted. Then the motor nerves transmit nerve impulses back to the muscles. In other words, the sense organs are the starting point and foundation for human beings' entire interaction with their environment.



REPOWER AND THE FIVE SENSES

Eyes, ears, nose, mouth and hands: the illustrations in this year's annual report place people and their five senses in the foreground. Whether they're delivering a project, talking to customers or maintaining our power plants and grids, the people who work for Repower use all their senses to achieve satisfying results. They check out the lie of the land, watch the market, listen to what customers want, then tackle the challenge. They're attentive and open to different views and ways of seeing things. At Repower, every new idea starts with the five senses – they're what make good results possible in the first place.

360° VIEW OF THE WORLD

Repower operates along the entire value chain, from power generation and trading to sales and distribution. This business model is reflected in the images we use, with panoramic views illustrating the way we take a broad view and are open to all the angles. The person on the cover of our annual report, for example, revolves around his own axis to see the world from different perspectives. The way he's standing is also reminiscent of Leonardo da Vinci's studies of anatomy and the proportions of a human body.

CONTENT

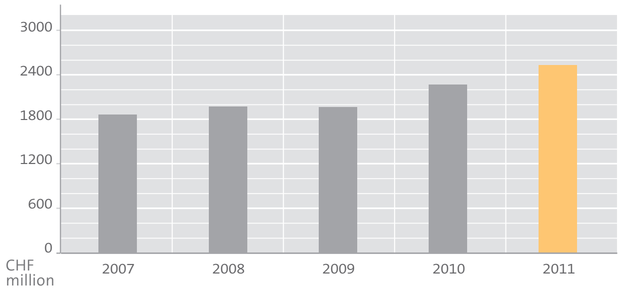
OVERVIEW

- *Total operating revenue generated by the Repower Group rose by 11 per cent to CHF 2,523 million.*
- *Repower posted operating income (EBIT) of CHF 130 million, which is a good result for the sector and considering the difficult environment.*
- *Group profit amounted to CHF 54 million (- 30 % compared to the prior year).*
- *Major contributors to these good results were trading business in Switzerland and Italy plus sales in Italy.*

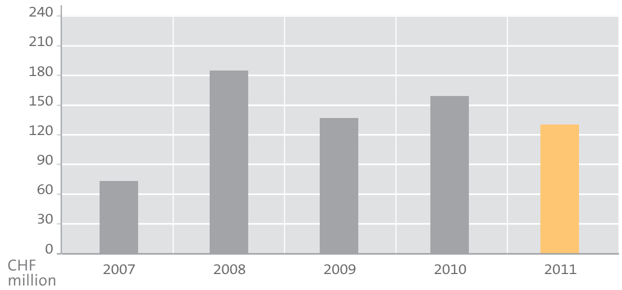
- *Repower made key advances in strategic projects: commissioning of the Taschinas hydropower plant (Switzerland), start of construction for the Lucera wind farm (Italy), and the concession application for the Lagobianco pumped storage power plant (Switzerland).*
- *Sales of electricity and gas to end customers increased significantly.*
- *Since July 2011, the company has also been operating in Romania under the Repower name and corporate identity.*

FINANCIAL HIGHLIGHTS

CHF million	2010	2010 Restated	2011	Change
Revenue and income				
Total operating revenue	2,267	2,267	2,523	+ 11 %
Income before interest and income taxes (EBIT)	163	159	130	- 18 %
Group profit including minority interests	**80**	**77**	**54**	**- 30 %**
Balance sheet and cash flows				
Balance sheet total at 31 December	2,274	2,269	2,367	+ 4 %
Equity at 31 December	922	916	965	+ 5 %
Equity ratio	41 %	40 %	41 %	



Total operating revenue



EBIT

SHARE INFORMATION

Share capital	2,783,115	shares	at CHF	1.00	CHF 2.8 million
	625,000	participation certificates (PC)	at CHF	1.00	CHF 0.6 million

CHF		2010	2011
Share price			
Shares	High	505	569
	Low	410	275
Participation certificates (PC)	High	400	378
	Low	249	222

Dividend	**2008**	**2009**	**2010**	**2011*)**
Shares	7.00	8.00	8.00	5.00
Participation certificates (PC)	7.00	8.00	8.00	5.00

*) 2011 dividend subject to decision by the Annual General Meeting.
There are no restrictions on transferability or voting rights.

ENERGY BALANCE SHEET

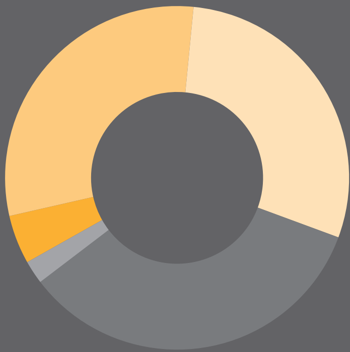
	2010	2011	Change
Electricity business in GWh			
Trading	14,563	12,039	- 17 %
Supply/sales	4,603	6,415	+ 39 %
Pumps, own use, losses	520	410	- 21 %
Electricity sales	**19, 686**	**18,864**	**- 4 %**
Trading	16,959	15,532	- 8 %
Own generation	1,788	2,243	+ 25 %
Energy from participations	940	1,089	+ 16 %
Electricity procurement	**19,686**	**18,864**	**- 4 %**
Gas business in 1,000 m^3			
Sales to end customers	125,230	153,654	+ 23 %
Trading (sales)	110,371	437,694	+ 297 %
Gas sales	**235,601**	**591,348**	**+ 151 %**
Consumption gas-fired power plant Teverola (Italy)	210,274	290,615	+ 38 %

Felix Vontobel, Head of Assets: “ The Lagobianco project reached an important milestone with the submission of the request for concession approval to the Graubünden cantonal government. ”

ELECTRICITY SALES IN 2011

TRADING
- 5 % long term*
- 30 % mid term*
- 29 % short term*

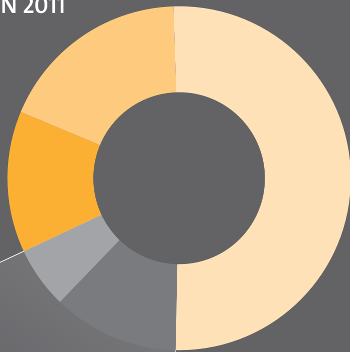
- 34 % sales
- 2 % pumps, own use, losses



ELECTRICITY PROCUREMENT IN 2011

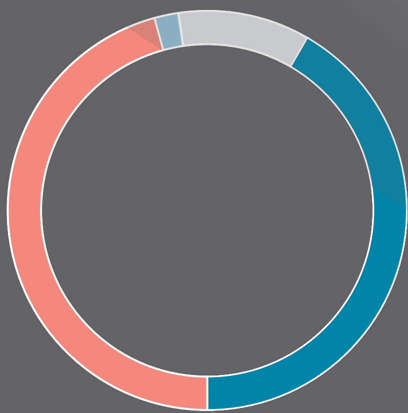
TRADING
- 13 % long term*
- 18 % mid term*
- 51 % short term*

- 12 % own generation
- 6 % participations and drawing rights



OWN GENERATION AND PARTICIPATIONS

- 42 % hydro
- 45 % gas
- 2 % wind
- 11 % nuclear



** Trading deals are classified based on the duration between their conclusion and final delivery date (end of contract):*

***Short term** = up to 3 months*
***Mid term** = longer than 3 months and up to a maximum of 2 years following the end of the year in which the deal was concluded*
***Long term** = all contracts with durations beyond those of mid-term deals*

Giovanni Jochum, Head of Market: " Our trading experts used their skills to take advantage of the few opportunities in electricity and gas trading. "

HEADCOUNT

at 31 December

	2010	2011
Switzerland	465	489
Italy	168	169
Germany	15	19
Romania	24	30
Prague	22	25
Total	**694**	**732**
Trainees	30	30
Agents Italy	420	453

THE ENERGY SECTOR NEEDS TO **COME UP WITH VIABLE SOLUTIONS**

DR EDUARD RIKLI, CHAIRMAN OF THE BOARD OF DIRECTORS

Dr Eduard Rikli, Chairman of the Board of Directors:

"A wide range of projects for new generating facilities and future-oriented solutions for the market are examples of the successful implementation of our strategy."

Following the decision in Switzerland and Germany to renounce nuclear energy, we need to ask ourselves what the future power generation mix should be in this new environment. What we need right now is for the regulatory requirements to be determined quickly, so that energy providers can come up with solutions on a binding basis. With its diversified power generation strategy and focus on defined key markets, Repower is well equipped for the planned changes.

It is not just since the accident in the Fukushima nuclear power plant that the energy sector finds itself in the spotlight. Power plant projects have always been closely scrutinised and the events of the last year have added a further dynamism to the political and public discussion on the future mix of electricity generation. Our current environment is defined by three poles – energy security, cost-effectiveness and environmental issues – criteria that are in competition with one another. Debates about this topic are very controversial simply due to the very nature of the matter. The decision has already been taken in Switzerland and Germany to progressively abandon nuclear energy. What we need now is for someone to put forward some alternatives. No-one is in any doubt that the planned changes to electricity generation resulting from the energy turnaround will involve some fundamental readjustments and significant challenges. Nevertheless, Repower sees an opportunity for the energy sector, besides responding to political requirements, to use innovation and development as a means to take a leading role in shaping energy supply.

TECHNICAL DEVELOPMENTS TO SHAPE THE FUTURE

For the ongoing review and setting of the strategy not only the present-day environment is decisive, but also the scenarios for the development of energy markets over the longer term. Based on international estimations, we have made the following assumptions:

- Electricity consumption will continue to increase in the longer term as a result of population growth and the shift from thermal to electrical applications;
- The increase in renewable energy sources will result in major changes to the power generation mix in Europe. Nevertheless, conventional resources will continue to be essential in the transitional period;

- Making renewable technologies marketable means that the above-mentioned shift will be driven by customers rather than politicians, as has been the case to date;
- Storage technologies and transport capacities will be key to ensuring a functioning supply based on renewables. Major, un-planned power generation surpluses need to be transported and stored so as to take advantage of generation when it is available and to cover shortfalls.

INTEGRATED BUSINESS MODEL IN KEY MARKETS

Repower aims to further strengthen its position in the European energy market so that it can increase the value of the company for its shareholders and ensure added value and high-quality jobs for the Canton of Graubünden. Trading and supplying energy successfully requires a high degree of understanding of the ever more complex international energy markets. We concentrate on selected key markets where we want to secure our sales and trading activities by means of our own generating capacity. Our power generation portfolio is being expanded through diversified technologies and covers base, medium and peak loads. Generation types are carefully analysed and selected for the most suitable type of generation according to location, with the majority of investments being made in renewable energies and therefore in technologies that are compatible and capable of being flexibly deployed. According to current assessments, until such time as renewables are able to guarantee secure, economic supplies, we need another generation of conventional, thermal power plants and so we are pursuing projects of this nature in Germany and Italy. Plants planned, built or operated by Repower always uphold the highest efficiency and emissions standards.

We aim to further expand our international trading activities in electricity, gas and certificates. In sales, we are strengthening our position vis-à-vis our competitors through innovative offerings and high-quality customer care.

CLARITY ABOUT REGULATORY ISSUES NEEDED

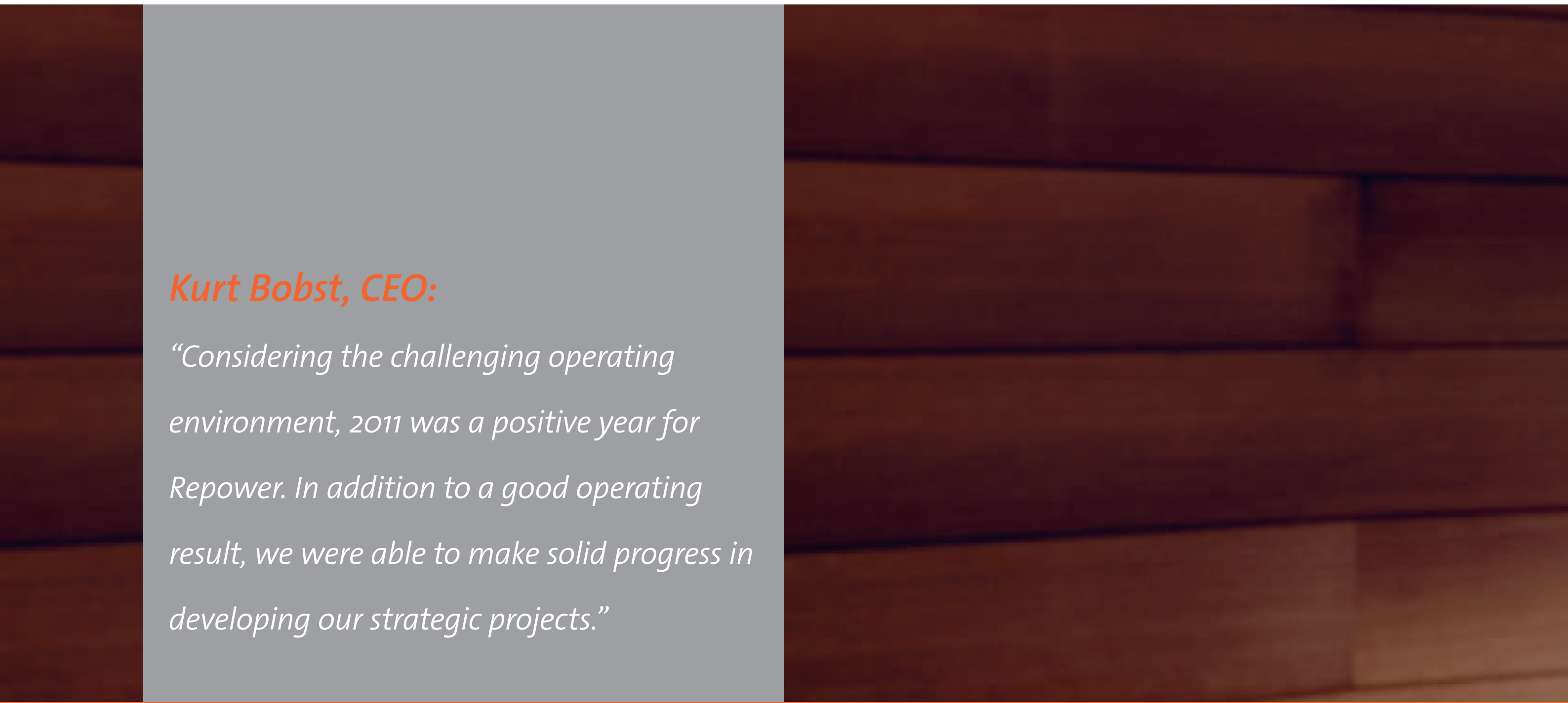
A binding set of rules should be created in the short term for the energy sector when regulatory parameters are defined. Both the revision of the Electricity Supply Act and the successful conclusion of the energy agreement between Switzerland and the EU are major preconditions for the success of the envisaged new energy policy. Grid expansion across all voltage levels is another essential element. Addressing these issues must therefore soon be made a high priority.

WELL EQUIPPED FOR THE FUTURE

In future, energy companies will come under even greater pressure to offer innovative products and services and to contribute to an economically and environmentally sustainable energy supply by pushing new technologies. With its successful wind and hydropower projects and future-oriented offers to end customers and utilities, Repower has demonstrated that it can rise to the challenge. This is possible only thanks to our employees' high level of commitment, and to them, on behalf of the Board of Directors, I would like to express my deepest gratitude.

GOOD RESULT
IN A DIFFICULT ENVIRONMENT

KURT BOBST, CEO



Kurt Bobst, CEO:

"Considering the challenging operating environment, 2011 was a positive year for Repower. In addition to a good operating result, we were able to make solid progress in developing our strategic projects."

In light of the difficult business year for the energy sector as a whole, Repower closed 2011 with a good result in terms of operating income and profit. The company successfully forged ahead with the implementation of its strategy.

The debt and economic crisis in the euro countries left its mark on the energy sector, resulting in less liquid markets and heightened uncertainty on stock markets from the middle of the year. The weak economic situation continued to dampen demand, with customers generally becoming increasingly price sensitive and reluctant to enter into longer-term contracts. The energy sector is also facing a persistently low price level.

CHALLENGES SUCCESSFULLY OVERCOME

Margins were negatively impacted by the continued low exchange rate between the euro and the Swiss franc as a result of the fact that Repower earns three quarters of its revenue in euros. Thanks to active currency hedging, the additional negative effect on the financial result was limited to an amount in the low tens of millions. The economic situation was eclipsed by the political and social debate about the future energy supply. Even though Repower's own plants are not affected by Germany and Switzerland's decision to phase out nuclear power, rulings like these will profoundly affect the supply environment and the markets. Repower sees this transformation as an opportunity and aims to embrace the change with sustainable ideas and forward-looking projects. Against this background, Repower posted operating income (EBIT) of CHF 130 million in 2011, a good result for the sector. Profit amounted to CHF 54 million.

MAJOR CONTRIBUTIONS FROM TRADING AND SALES

Margins from trading in Switzerland and Italy as well as sales in Italy made a decisive contribution to the result. Our trade experts used their skills to identify and capitalise on the few opportunities in

electricity and gas trading in the difficult European environment. Gas trading was further expanded in Italy and became a very profitable business: gas sales in trading were four times the previous year's figure. Combined with the increase in volume from distribution, total gas turnover volume in 2011 was 591 million cubic metres.

Sales margins in Italy, Switzerland and Germany were successfully improved overall. This development had a particularly positive impact on sales in Italy. The Italian market accounts for more than two thirds of the Group's overall sales volume and contributed to a further increase in sales of electricity and gas compared with the previous year. In contrast, the emerging Romanian market delivered a negative result. Particularly troublesome for Repower were the considerably higher procurement prices that came about primarily due to the lower hydraulicity and government intervention. The measures necessary for optimising procurement and sales are currently being implemented.

The period just concluded was characterised by several exceptional effects which can be placed into three categories. While a number of regulatory effects taken overall had a positive impact on the result, various exceptional writedowns – including the value adjustment of the Romanian subsidiary as well as a decrease in value for IT systems – weighed down the operating result. The financial result was negatively impacted by currency factors and by the value adjustment of the minority share in the Brunsbüttel project. In addition, the further increase in profit from Italy led to a higher tax rate. The impacts of the three categories of exceptional effects effectively balance each other out and in the end have only a negligible effect on the Group result.

INCREASE IN REVENUE

Total operating revenue generated by the Repower Group rose by 11 per cent to CHF 2,523 million in 2011. Electricity sales were only slightly below the previous-year level at 18.9 terawatt hours. 40 per cent more electricity was sold in distribution year-on-year at 6.4 terawatt hours. This increase can be attributed in part to the sales of the Romanian subsidiary which was taken over by Repower at the end of 2010 and thus only contributed to the sales for an entire year in 2011. Electricity sales in trading, on the other hand, fell by 17 per cent to 12 terawatt hours. Power generated by the company's own plants increased year-on-year by 25 per cent to 2.2 terawatt hours, a development that can primarily be attributed to a higher contribution from the gas-fired combined cycle-power plant in Teverola. Wind power generation nearly doubled to 66 gigawatt hours in 2011.

POWER GENERATION PORTFOLIO EXPANDED

During the reporting year, Repower successfully worked to expand its power generation portfolio. In Switzerland the **Taschinas hydropower plant** was connected on schedule to the grid in spring 2011 following construction lasting two and a half years. The high-pressure power plant with an installed capacity of 11 megawatts is the ideal complement to the current and future use of hydroelectric power in the Prättigau/Rheintal region. The gradient in the Prättigau valley has been utilised for many decades by the Klosters, Schlappin and Küblis power plants. Repower aims to add two more levels to the power plant cascade with the planned **Chlus hydropower project**: a station at the beginning of the valley near Landquart and another one in the vicinity of the Rhine. The planned total capacity of the power plant is 55 megawatts, which covers the annual energy demand of around 50,000 households. Electricity generation from hydropower would double in Prättigau with this project. In 2011 work continued on the concession project and the environmental impact statement (EIS). Repower expects the concession application to be submitted to the municipalities during the course of 2012.

Work progressed at all levels on the **Lagobianco project** in 2011. In November of the reporting year, Repower submitted the request for concession approval together with the municipalities Poschiavo, Pontresina and Brusio to the canton of Graubünden government. An important element of the application is the environmental impact statement (EIS) Level 1 that examines the situation after construction is complete and analyses the impact of power plant operations on the environment. Work for the project approval is in progress so that the final application can be submitted to the canton during 2012 if the concession decision is positive. With this planned 1,000-megawatt pumped storage power plant, Repower aims to considerably expand its own power generation portfolio with controllable energy. Storage capacities are the absolutely vital counterpart to further expansion of new renewable energies.

In addition to hydroelectric power, Repower invests in wind power in the area of renewable energies: last summer, construction got underway on the **Lucera wind power plant** in Apulia. In the meantime, the foundations for seven of the thirteen planned installations are in place. Repower expects the wind farm to commence operation in the autumn of 2012. The project to add a further fifteen wind turbines is currently in the approval phase. Moreover, the purchase of a project for another **wind farm** in the municipality of **Pontremoli, Toscana,** was concluded at the end of 2011. The wind farm will have an installed capacity of around thirty megawatts. Finally, an application to expand the existing **wind farm in Corleto Perticara** by eighteen megawatts is in the approval process.

To cover the base load, Repower is also pursuing projects in the thermal sector. The project specifications for the planned **coal-fired power plant in Saline Joniche,** Calabria, were further defined both at the technical level as well as in terms of the approval process. The environmental impact statement was submitted to the national authorities in 2011; their decision is expected in the spring of 2012. Dialogue with local stakeholders is also continuing: the project company regularly provides information on the status of the work and listens to the concerns of the local population. In addition to advocates of the power plant project, there are also critical voices among inhabitants and from environmental circles. Repower takes these seriously and contributes to shaping opinions by providing factual information. The first project and approval phase was completed for the project to build a **hard coal-fired power plant in Brunsbüttel** after obtaining the initial restricted planning permission in the spring of 2011. Due to the economic and energy policy situation, however, completion of the project is not expected in the foreseeable future.

Project work to complete a **combined cycle power plant** in **Leverkusen** continued in 2011. The planned power plant is a perfect fit for the industrial site in Leverkusen because it will supply process steam to the companies located there and it can take advantage of key services already available on the industrial site. The facility will be based on eco-friendly combined heat and power generation, thus achieving a very high fuel efficiency level.

INNOVATIVE PROJECTS LAUNCHED IN SALES

We are supporting the expansion of our sales operations with forward-looking projects in line with the respective market conditions of the countries we operate in.

Repower is reinforcing its position on the Swiss market, which is not yet liberalised for end customers, by becoming a service provider for energy utilities throughout Switzerland. **Repartner Produktions AG**, which was formed in the autumn of 2011 and has been operational since the beginning of 2012, gives energy utilities the opportunity to participate in a diversified power generation portfolio. The shareholders of the company are issued procurement rights from the co-financed plants in the areas of water, wind and gas power with planned generating capacities of around 400 megawatts in the final stage. The generation investment scheme has met with great interest on the market: the participation volume was completely used up by the beginning of 2012. With this innovative cooperation model, Repower has created proximity to the market and plans to expand the potential cooperation to the entire value chain.

In Italy Repower was able to increase sales operations profitably. In Repower's largest sales market, energy sales increased from the previous year by twelve per cent to 3.97 terawatt hours. Repower is pursuing quality leadership in sales and can, to some extent, escape the intense price war being waged by its competitors by aligning its customer portfolio accordingly. Besides a high level of service orientation, there is also a growing demand for new and innovative products. With its launch of **"Verde Dentro"** in the autumn of 2011, Repower introduced a product that offers more than just the conventional supply of green energy. Not only can a green power guarantee of origin be provided, but "Verde Dentro" also includes an e-mobility offering and a software application that measures the energy efficiency of electrical equipment, thus helping to positively influence consumption and costs. The first customer reactions have been very positive.

Sales activities in Germany are also undergoing positive development. As is the case in Italy, Repower focuses on small and medium-sized enterprises in Germany. Electricity sales increased threefold year-on-year, thus reaching a level that corresponds to the sales of a medium-sized utility company. The sales team in Germany also worked intensively in 2011 on preparations for entering the **gas sector**. With the addition of gas, customers will have the opportunity to meet all of their entire energy needs from a single source via Repower. Thanks to the existing infrastructure for acquisition, customer changeover and supply processes in the electricity segment, it was possible to implement the new offering with just a small number of adjustments and make twice as much use of the same distribution channel.

Since the middle of 2011, the Romanian sales company Elcomex EN has operated under the Repower name and corporate identity. With this step, the subsidiary was fully integrated both internally and externally and Repower now has a uniform brand in all markets. The necessary system and process adjustments to bring about integration were also undertaken in 2011.

KEEPING UP WITH GROWTH INTERNALLY

Growth means not only that infrastructure and processes need to keep pace, employee skills and expertise also need to keep up as a company grows. To this end, Repower also carried out a number of internal projects – in the area of process and data management, in risk management and in HR development. Details of two of these projects will be presented on the next pages.

Repower was affected by two offences involving property in 2011. These extremely unpleasant events underscore the importance of adequate management and control functions. The analyses in connection with these two cases were carried out as well as the necessary measures defined and implemented.

ENVIRONMENT REMAINS CHALLENGING

The environment will remain challenging in 2012. We expect persistently low prices, a weak euro and uncertain markets. Despite this situation, Repower considers itself well-positioned with its strategy of a diversified power generation portfolio and with business areas along the entire value chain.

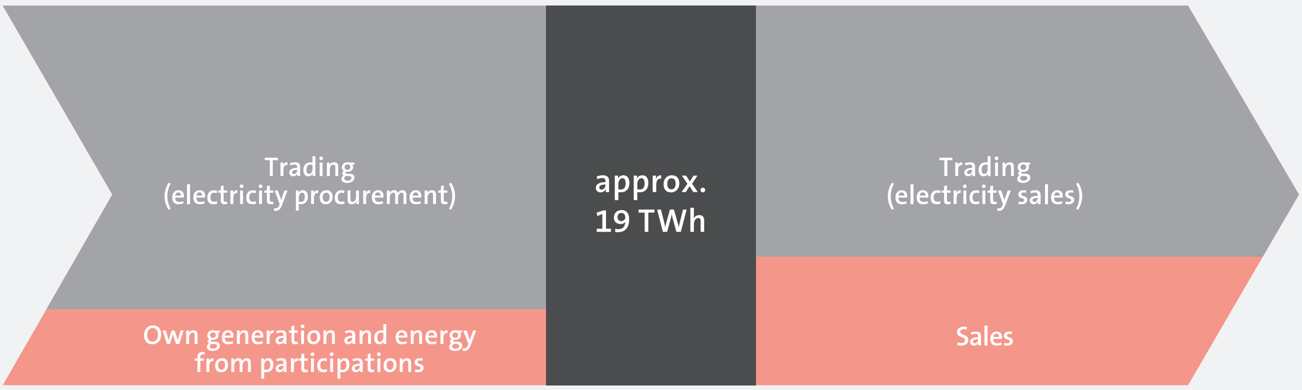
We therefore assume that profits in 2012 will be similar to 2011. In terms of EBIT, we anticipate a lower result than in 2011.

INTEGRATED BUSINESS MODEL IN FOUR KEY MARKETS

Repower's business model is based on activities along the entire value chain. The company is represented on the most important European energy exchanges via a trading floor with three locations, sells electricity and gas and also has its own power generation portfolio with a focus on gas, hydroelectric and wind power. In addition, in Switzerland Repower operates an intricate distribution grid. Repower is active in four key markets: Switzerland, Italy, Germany and Romania. It is in these markets that we plan to build or expand our integrated business model. The goal is to underpin trading and sales activities with our own generating facilities in all key markets. This is why we are preparing to develop our own generating capacities in Romania, as well. The following two-page spread provides an overview of our diverse activities with highlights from sales, power generation and in the grid (Switzerland).

Energy trading provides the market interface for power generation and sales and ensures access to the wholesale market. Through its own trading activities, Repower is in a position to optimise the value of its assets and actively manage market risks. Trading also plays a buffer role, by dampening volatility of costs and revenues. Repower trades in electricity and gas as well as guarantees of origin. As well as managing its own portfolio (asset-based trading), the company is increasingly involved in proprietary trading. Revenue-relevant total volume of trading activities equals the total volume of Repower's portfolio, i.e. an average of approximately nineteen terawatt hours a year.

Trading activities cross national boundaries. Different markets are covered by each of the three locations Poschiavo, Milan and Prague. The facing page provides an overview of Repower's trading highlights for 2011.



Repower's annual sales of electricity are in the range of nineteen terawatt hours. Of this amount, approximately 6.5 terawatt hours (34 %) are sold via distribution. On the procurement side, the share of own generation and energy from participations in 2011 amounted to approximately 3.3 terawatt hours, which corresponds to eighteen per cent of total electricity turnover.

2011 HIGHLIGHTS FROM TRADING

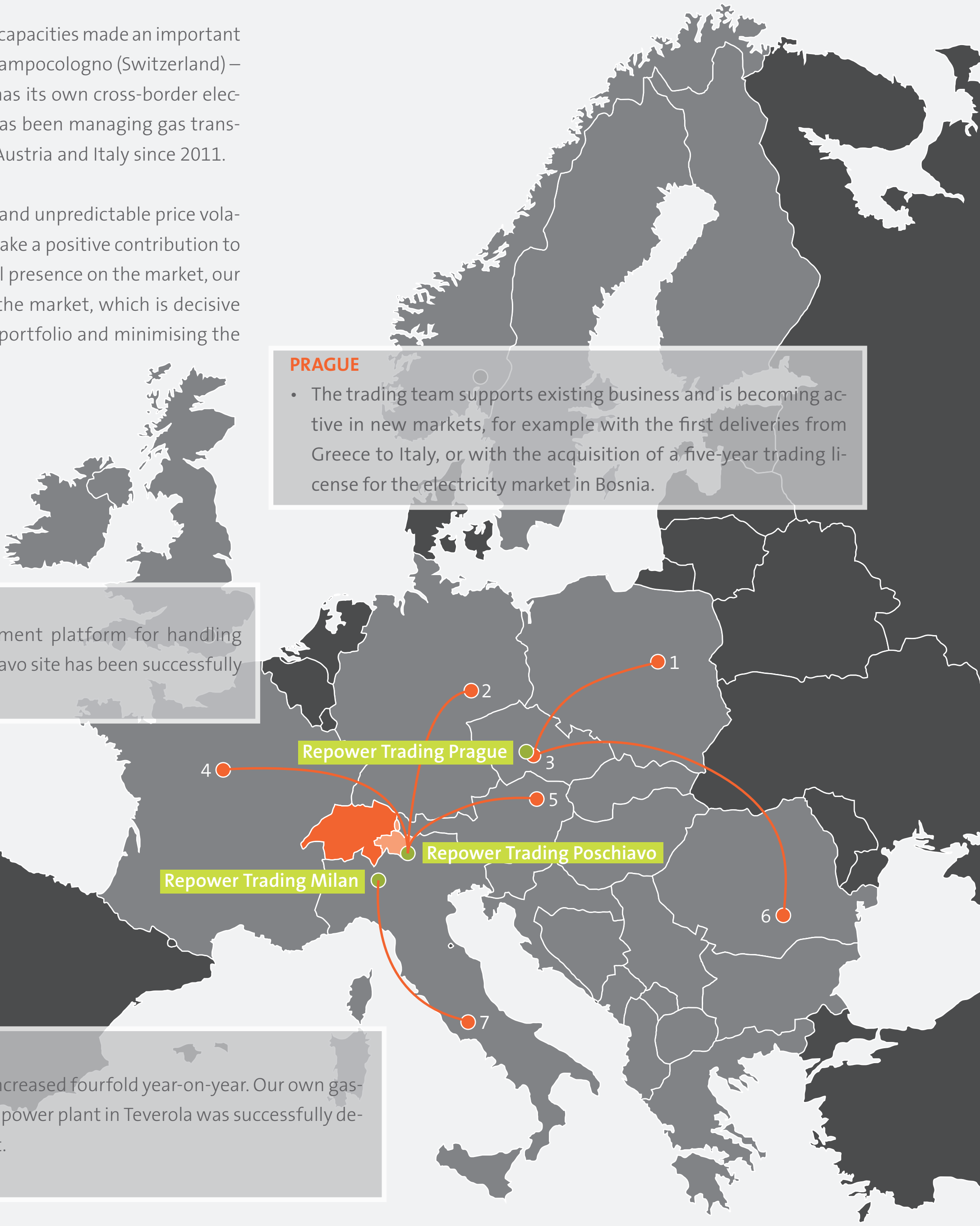
GOOD CONTRIBUTION TO RESULTS FROM BUSINESS AREAS IN TRADING

- Asset trading includes transactions with electricity, gas and guarantees of origin and serves to optimise the value of the portfolio. Our trading team understands what is necessary to achieve good margins in a difficult business environment.

- Management of cross-border transport capacities made an important contribution to results. Thanks to the Campocologno (Switzerland) – Tirano (Italy) merchant line, Repower has its own cross-border electricity capacity. In addition, Repower has been managing gas transport capacity in the pipeline between Austria and Italy since 2011.

- Despite unstable economic conditions and unpredictable price volatility, Proprietary Trading was able to make a positive contribution to Group results. Thanks to their continual presence on the market, our traders gain additional knowledge of the market, which is decisive for optimal management of our asset portfolio and minimising the associated risks.

- Trading with guarantees of origin, which is handled by the Renewables Trading team set up especially for this purpose, has been developing very positively. Energy volumes from successfully concluded transactions have increased significantly.



PRAGUE

- The trading team supports existing business and is becoming active in new markets, for example with the first deliveries from Greece to Italy, or with the acquisition of a five-year trading license for the electricity market in Bosnia.

POSCHIAVO

- The new trading and risk management platform for handling electricity transactions at the Poschiavo site has been successfully rolled out.

MILAN

- Gas sales in trading increased fourfold year-on-year. Our own gas-fired combined-cycle power plant in Teverola was successfully deployed on the market.

ENERGY EXCHANGES

1 PolPX Warsaw	4 Powernext Paris	6 OPCOM Bucharest
2 SWISSIX/EEX Leipzig	5 EXAA Vienna	7 IPEX Italy
3 PXE Prague		

2011 HIGHLIGHTS
FROM OUR KEY MARKETS

HIGHLIGHTS: SWITZERLAND

- After almost three years of construction, the 11 MW **Taschinas** hydropower plant is connected to the grid, expanding electricity generation in Prättigau.
- Repower works with partners to jointly develop Repartner Produktions AG. There is considerable interest in this generation investment company, with many energy utilities participating and thereby ensuring themselves the future supply of electricity.
- Extensive renovation work is performed at the dam for the **Palü** equalising reservoir and the Palü-Cavaglia pressure tunnel. Thanks to this maintenance, the plant will remain operational and equipped for many further years of service.
- Repower wants to offer grid operations and other services to further electricity companies. Efforts in this area are further refined in 2011.
- In spring, our mobile “energy containers” went on show in **Poschiavo** and **Pontresina**, enabling school classes and other interested parties to learn about topics from the world of energy in an easy-to-understand manner.

HIGHLIGHTS: GERMANY

- The project for the **Leverkusen** combined cycle power plant takes a decisive step forward, with the partners reaching an agreement on key parameters.
- Preparatory work for gas distribution goes into high gear at the office of Repower Germany in **Dortmund**. As a result, customers of Repower Germany will be able to purchase electricity and gas from a single source starting in 2012.
- For the second time, Repower Germany receives the “Top 100” award which is presented to the most innovative medium-sized companies in Germany. The company’s attitude to innovation was examined by the Vienna University of Economics and Business.
- The Repower Group also has a presence at the E-world international energy trade fair in **Essen** in 2011. The trade fair once again proves to be an excellent forum for exchanging ideas and fostering business contacts.

HIGHLIGHTS: ITALY

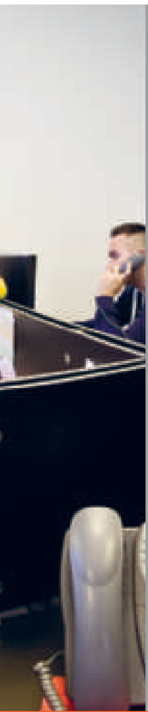
- In **Milan**, Repower launches the "Verde Dentro" product which, besides certified green power, also includes electric mobility and an energy-efficiency tool. With these efforts, Repower proves that it is an innovative pioneer in the Italian market for green power.
- The **Saline Joniche** project is further developed in collaboration with the partners and is considered an important contribution to reducing Italy's dependence on gas for the generation of electricity.
- The concession application and documents for the environmental impact assessment of the planned 540 MW pumped storage power plant in **Campolattaro** are submitted. Repower is pursuing this power plant project with the goal of gaining access to generating capacities which can be regulated and flexibly deployed, and in this way make a contribution to grid stability.
- In **Lucera**, construction begins on a 26 MW wind farm from Repower which is scheduled to be connected to the grid as early as 2012.
- After establishing a cooperation agreement with Mitsubishi, Repower enters into a partnership with Oxygen (a motor-scooter manufacturer) to promote e-mobility.

HIGHLIGHTS: ROMANIA

- In Romania, our company now also operates under the Repower name and corporate design. Customers respond positively.
- Repower draws up a strategy for developing its own power generating facilities in Romania. The focus of the planned portfolio is on hydropower, while wind power is viewed as an entry technology.
- On account of the difficult market conditions, the sales team worked on optimising the customer portfolio. Repower achieves a market share of five per cent in Romania's small and medium-sized customer segment.
- The process of integration into the Repower Group was successfully completed in 2011. This involved the complete integration of the IT systems at the office in **Bucharest** and the adaptation of controlling, accounting and risk management processes in line with Group requirements.

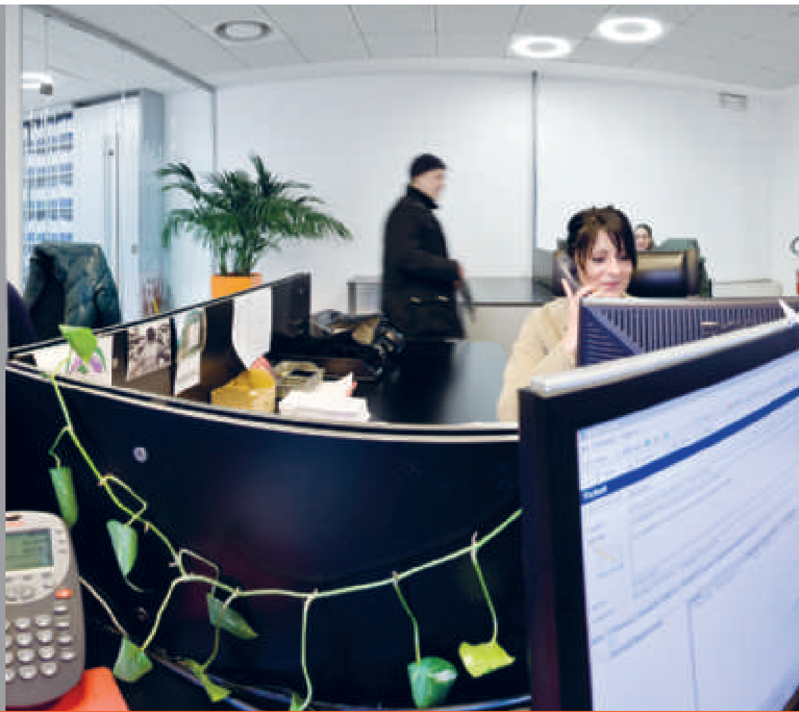
CUSTOMER FOCUS AND VISION

WHAT DISTINGUISHES REPOWER SALES IN ITALY FROM THE COMPETITION

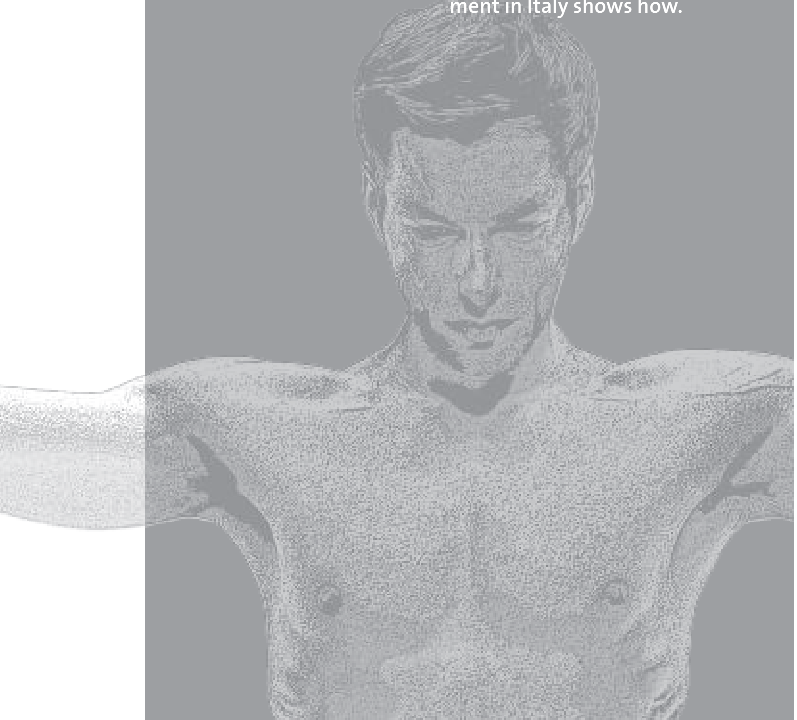


Ears open to our customers

Repower listens very carefully to the needs and concerns of its customers and other stakeholders. In our Call Centre in Milan, for example, where our staff answer customers' enquiries.



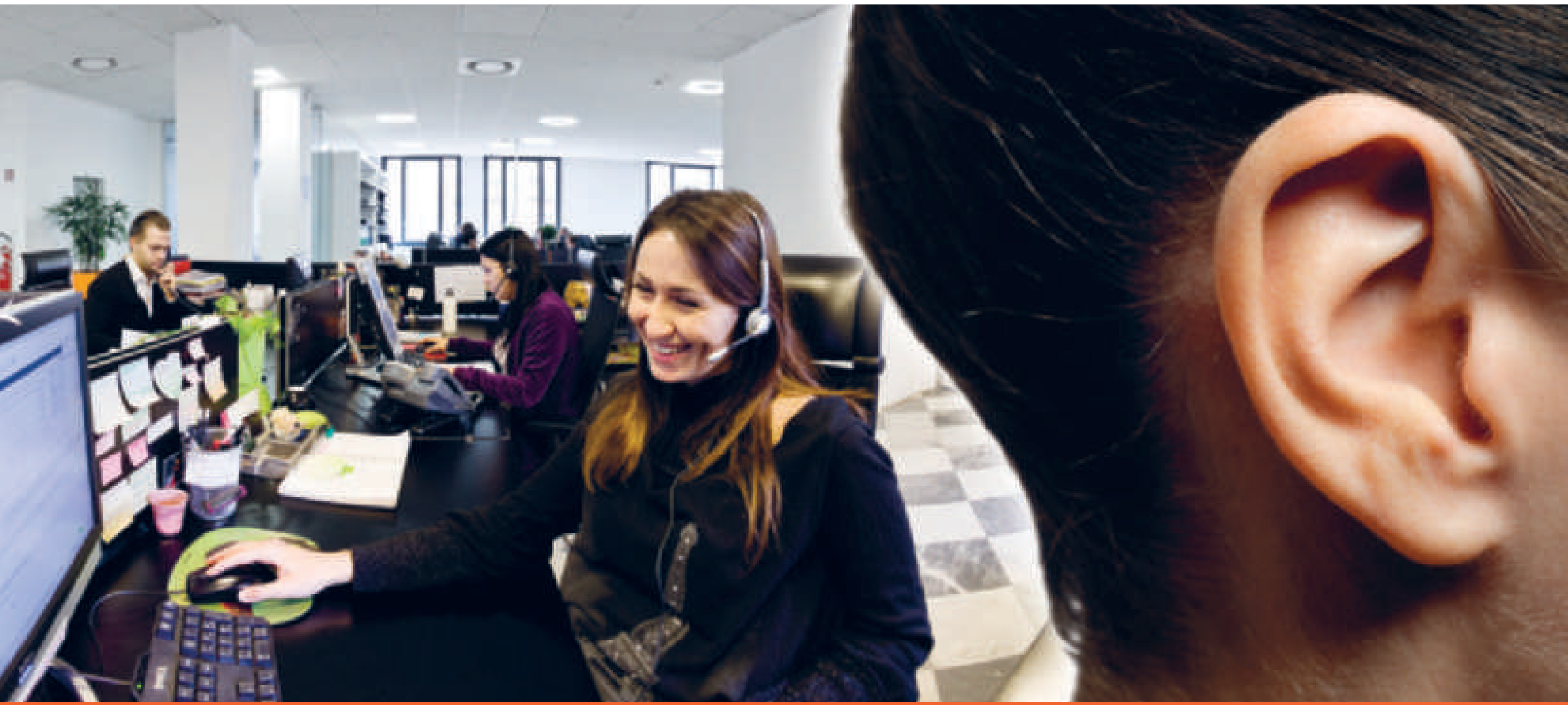
How can a company that sells relatively undifferentiated products such as electricity and gas stand out from the competition? By keeping one step ahead in terms of pricing and product development and according top priority to the quality of its customer service. A look at Repower's sales department in Italy shows how.



From the outset, one of the strengths of Repower Italy has been the ability to accurately monitor and even anticipate energy market trends. For example, sales managers were quick to recognise the untapped potential inherent in small and medium-sized companies ahead of electricity market liberalisation. Consequently they focused their attention on this customer segment, laying the foundations for a successful sales business which in recent years has undergone steady growth both in terms of volume and margins.

UNCHANGED PHILOSOPHY, NEW OFFERINGS

Over all these years, the fundamental maxim of according top priority to reliable service tailored to customers' needs has remained unchanged. Renzo Boschet, Head of Sales at Repower Italy, firmly believes that "Our strategy of targeting quality leadership among Italian energy companies has helped to cushion us from the tough pricing war waged by our competitors." Repower believes quality calls for attentive employees and agents who aim not just to acquire customers but also retain them and consistently deliver satisfaction. In the five years up to 2011 the number of sales agents has doubled to around 450, creating a closely-knit network that covers the entire country. And the number of customers has increased commensurately: today, Repower delivers electricity and natural gas to some 40,000 end consumers. Customers include industrial concerns, retailers, manufacturers and service providers throughout Italy. Agents can rely on sophisticated IT systems and draw on the support provided by sales staff at the office in Milan. Customers can access a protected zone on the website to obtain information on their electricity consumption and bills. If they need further



advice or assistance, they can contact the call centre at office in Milan. Naturally, only companies that anticipate market trends and deliver compelling, forward-looking products can compete effectively on the liberalised electricity market. Repower was one of the first companies to offer customers a fixed-price tariff as a hedge against major price fluctuations. Today, dynamic price models are more advantageous in most cases: the "Puntuale" model, for instance, which is based on the Italian power exchange index (IPEX). Furthermore, tariffs are offered which are tailored to the consumption profile and select the lowest of three possible prices each month. In 2009 Repower launched the "Nobile pro sisma 09" electricity product, which gave customers the opportunity to support a charitable cause through their electricity consumption: electricity deliveries were linked to a donation of two euros per megawatt hour in favour of the earthquake victims in Abruzzo, with Repower contributing half of the amount.

HOW IDEAS ARE TURNED INTO PRODUCTS

At Repower, new offerings are not created at a desk, but on the basis of concrete market observations. As a rule, a product starts with an idea inspired by feedback from the sales network, whose members operate on the market on a daily basis and have first-hand knowledge of customer needs. A comprehensive team process then refines the idea and brings it to market in the form of a concrete product. The same procedure was followed for the latest Repower product, "Verde Dentro". In addition to delivering renewable energy with a TÜV guarantee of origin, "Verde Dentro" provides a detailed analysis of the electricity consumption and energy efficiency levels of customers' appliances. As an additional element, Repower is the first company in Italy to provide a comprehensive electric mobility (e-mobility) concept, which was made possible thanks to collaboration with market leaders such as Mitsubishi and Leaseplan. The additional elements are delivered to the customers in the electricity supply package and included in the kWh price. "We designed this product package for companies whose efforts to innovate revolve around the environment, and who consciously seek to differentiate themselves from the competition," says Fabio Bocchiola, Head of Repower Italy. "Verde Dentro" attracted major interest among hotel and spa operators as well as municipalities after its launch in the autumn of 2011.

THINKING AHEAD REMAINS MUCH IN DEMAND

Given the increasingly competitive market, the sales team at Repower Italy will need to continue deploying its comprehensive expertise in a bid to stay one step ahead and grow further. What has proved successful in the past will remain a key success factor also in the future: and that includes, in particular, carefully managing customer relations.

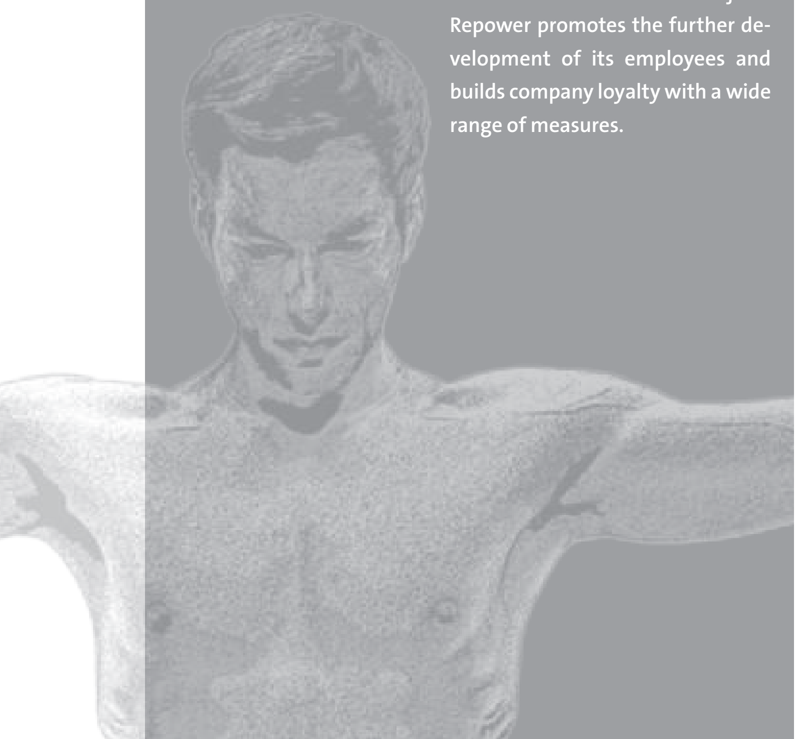
REPOWER AS AN ATTRACTIVE EMPLOYER

HOW THE COMPANY DEVELOPS ITS EMPLOYEES

Listening to our employees

If you want to speak someone's language, you have to be a good listener. No matter what country they're in or what language they speak, our employees share information and opinions.

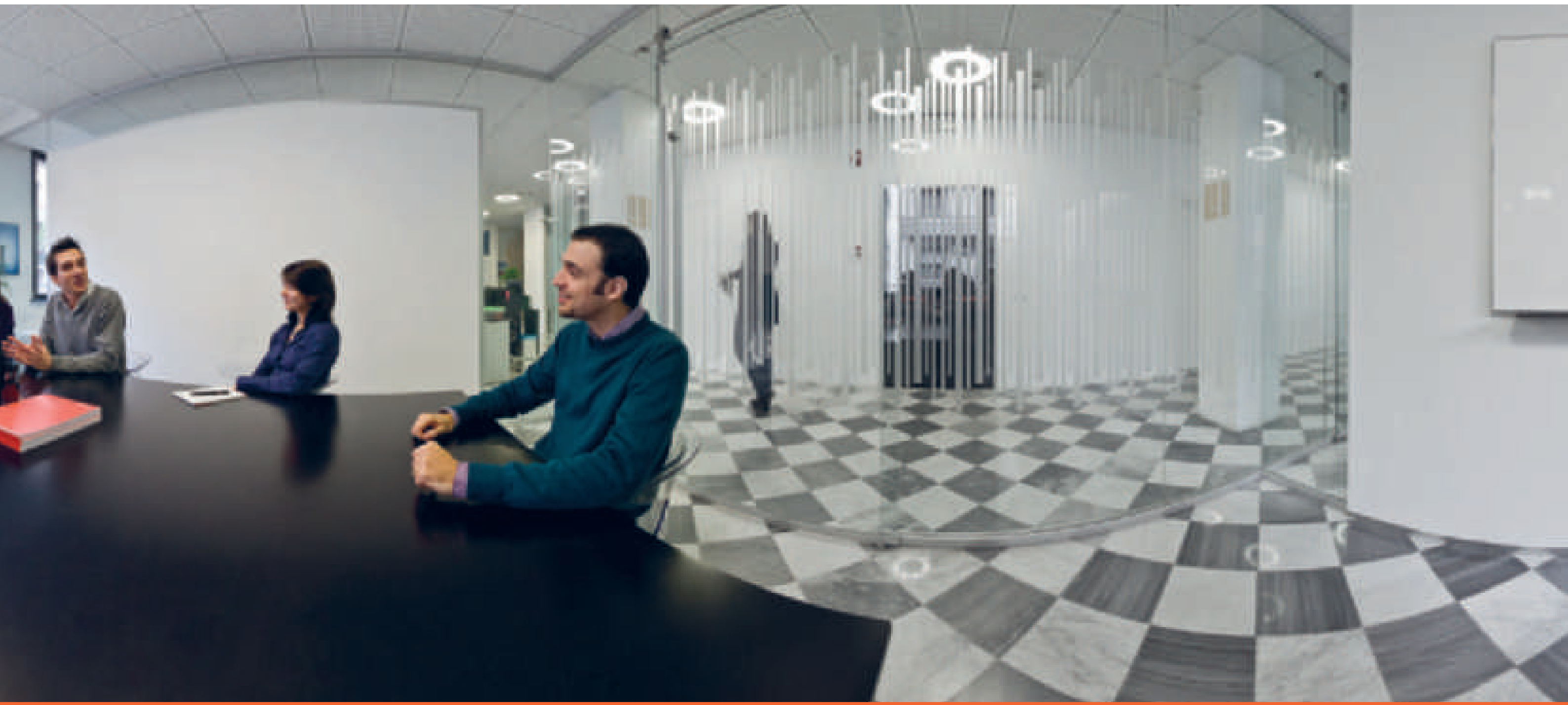
As a vertically integrated energy company, Repower offers a broad spectrum of jobs that require widely varying qualifications and skills: from grid electrician to trader, controller to electricity vendor. But it takes more than interesting tasks to ensure that employees derive satisfaction from their jobs. Repower promotes the further development of its employees and builds company loyalty with a wide range of measures.



"We build trust, take personal initiative and produce effect." The main aim of the new Repower corporate identity launched in April 2010 was to establish a cohesive, clearly identifiable profile in our key markets. The renaming was also used as an opportunity to reflect on our corporate values and define them in explicit terms. A broad-based process resulted in the creation of a corporate profile to which we align our daily activities and which is exemplified by efforts in the area of human resources development.

IN-HOUSE ACADEMY FOR THE ADVANCEMENT OF SKILLS

Since 2011 Repower has been offering a comprehensive range of development programmes for employees and management. Employees can benefit from the training modules and career development programmes provided by the Repower Academy, where the focus is on the fundamental skills required for successful collaboration: for instance, effective communication, efficient moderation of meetings, management skills and dealing with stressful situations. During the annual personal development interview, an employee's training needs are determined based on the individual's current function and performance assessment. Since being launched in the summer of 2011, the courses have proved highly popular and are greatly appreciated by employees, not least due to the team components. One participant describes her experience as follows: "During the 'Meeting Culture' course I was given practical instruction on how to make meetings stimulating, and on effective ways of dealing with different personality types. One positive side-effect was that, in the course of the exercises and discussions, I got to know colleagues from other areas with whom I would otherwise probably never come into contact." Besides



internal training programmes, employees have the opportunity to attend language courses, technical courses or courses for specific skills.

STANDARD GROUP-WIDE SALARY SYSTEM

In the year under review a standardised salary system was implemented to address the company's changed requirements. Similar job profiles were assigned to a so-called "job family" which is subdivided into various levels. The resultant structure provides the basis not only for the new salary system and performance assessment process, but also for personal development issues. The model ensures that employees with similar tasks and skills receive similar compensation and that the achievement of objectives is measured and honoured according to standardised criteria.

A SINGLE CORPORATE LANGUAGE

Internal communication measures were supplemented with concrete instruments to meet the need for an active exchange of experience and knowledge. For example, once a month a member of the Executive Board sends out a newsletter containing a summary and a personal assessment of current events and projects from the entire Group. Via the intranet, employees have the opportunity to engage in dialogue with the Executive Board or provide feedback. However, such dialogue is encouraged not only between management and employees but also between units which perform related functions in different countries. For example, the country and Group marketing departments meet at regular intervals in order to consolidate and further develop their common brand.

VOCATIONAL TRAINING FOR TOMORROW'S WORKFORCE

In Switzerland, Repower offers thirty trainees vocational training in nine different areas. The choice is wide, ranging from administrative assistant to construction draughtsman to grid electrician. Thanks to the size of Repower's operations, the young professionals not only gain an insight into a single department but are assigned to various areas in their three-to-four-year apprenticeship. Employees view the presence of apprentices as a positive benefit: apprentices not only add their own impetus to a team, but are always at the forefront of knowledge thanks to their schooling. Apprentices are also encouraged to exchange views and experiences at various events – the apprentice camp, for example, where young students of various professions work together on mini-projects which translate into concrete products such as a brochure or a company rap. Past experience shows that vocational training provides mutual benefits: apprentices often find a permanent job at Repower after completing their training. Former apprentices as well as the company profit alike from the repository of knowledge and familiarity with the company.

ON TRACK FOR THE ENERGY FUTURE

WORK ON THE LAGOBIANCO PROJECT IS MOVING AHEAD AT ALL LEVELS

An eye for the topography

When planning power stations, you need to see how the land lies. That's how Repower could see that the area between Lago Bianco and Lago di Poschiavo was the right place to build a pumped storage power plant.

Development of the Lagobianco project is in full swing: submission of the request for concession approval to the Graubünden cantonal government in November 2011 marked an important milestone in the project. A number of preliminary studies are also being carried out. For one of these studies, an exploratory tunnel has been built in Camp Martin on the south-west shore of Lago di Poschiavo, where the feasibility of an underground control centre is being examined.

SWISS PROJECT IN A EUROPEAN CONTEXT

The Lagobianco project is highly significant for Repower. But the project and its core element – a 1,000 megawatt pumped storage power plant in Upper Poschiavo – also play an important role in the European energy context. Throughout Europe, the number of photovoltaic systems and wind farms is steadily growing, a trend that will continue to intensify with the planned energy turnaround. Wind and solar power, however, is irregular and not always generated when customers need it, but when the sun shines or the wind blows. Batteries that store the electricity when there is a surplus and then supply it again when demand increases thus play a crucial role. It is precisely this function that can be assumed by pumped storage plants. In the case of Lagobianco, when there is excess power, water is pumped from Lago di Poschiavo, which is located at about 1,000 metres above sea level at the base of the valley, about 1,200 metres higher up to Lago Bianco on the Bernina Pass. When power demand increases, water flows in the opposite direction into a turbine so that power can be generated and fed into the grid. This way, the pumped storage plant adapts generation to demand, thus making a significant contribution to grid stability. This in turn strengthens Switzerland's pivotal role in Europe's energy market.

A COMPREHENSIVE PROJECT

In addition to the construction of the pumped storage power plant between Lago Bianco and Lago di Poschiavo, the project also affects continuing operation of existing plants in Poschiavo. With Lagobianco, Repower is maintaining the more than 100-year tradition of hydropower generation in the valley and taking it to the next level – with a project that extends from the Bernina Pass to the Italian border.

Lagobianco, however, is not only extensive from a geographic point of view: the project is also giving important economic stimulus to both Poschiavo and the entire canton of Graubünden. Strict environmental oversight during all project phases and carefully developed compensation measures also guarantee a good overall environmental footprint. The comprehensive nature of the project also encompasses cooperation with various interest groups which has characterised work on the project since the very outset. Repower worked together, for example, with representatives of environmental organisations, the Fisheries Association and local and cantonal authorities to develop the project. At the same time, the people living in the concession municipalities Poschiavo, Pontresina and Brusio were regularly kept up to date on the status of the project at informational events.

AN IMPORTANT MILESTONE

Collaboration with various interest groups continued successfully on the project in 2011. After the concessions were approved by the three municipalities in the autumn and winter of 2010/11 and the respective contracts were signed, the request for approval was drafted along with the relevant project documentation over the course of 2011. Environmental aspects were of central importance in this process. Therefore, one of the most important elements of the request is the Environmental Impact Statement (EIS) Level 1. This examines the situation after construction is complete and investigates how plant operations will affect the environment. Besides the actual application and the EIS, the documentation also includes other expert opinions that analyse various environmental aspects in detail. The high level of detail is also reflected in the scope of the application documents: these span a total of more than 2,000 pages. After the documentation was completed, the request for concession approval was submitted by Repower, together with the municipalities Poschiavo, Pontresina and Brusio, to the Canton of Graubünden government at the end of November. An important milestone in the Lagobianco project was thus reached.

EXPLORATION INSIDE THE MOUNTAIN

Developing a large-scale project is a dynamic process in which different variations are constantly being tested and evaluated. The resulting findings are incorporated into ongoing planning and thus contribute to continuous project optimisation. Also in the case of Lagobianco, the goal is to identify the best possible solution for every element by carefully weighing different criteria. To this end, various kinds of preliminary work is being carried out in the project phase described here. This includes the exploratory tunnel in Camp Martin on the south-west shore of Lago di Poschiavo. Since July 2011, a team has been working to blast a tunnel approximately 250 metres long with a diameter of more than five metres. At the very back of this main tunnel, blasting work continued approximately eighty metres into a narrower, cross-tunnel until the end of the year. The idea behind the tunnel and other exploratory boreholes is to investigate whether the core element of the future pumped storage plant, the control centre, can be constructed as an underground control centre inside the mountain. The findings will also be used to define the exact route of the pressure duct through which the water will be directed with high pressure to the control centre. It was still too early to make any final conclusions on the results of the boreholes at the end of the year. Following a break to usher in the new year, work on the exploratory tunnel got underway again in the second

Keeping an eye on the landscape and environment

Even while projects are at the development and realisation stages, Repower doesn’t lose sight of their effect on the landscape and the environment. The project team on site, getting impressions of the area around Lago Bianco.

half of January. The aim is to collect further findings on the composition of the rock so that a decision can ultimately be reached on a solid basis.

OTHER KEY DECISIONS

Not only will the exact position of the control centre and the route of the pressure duct be determined in 2012; there are also other important activities that need to be carried out in connection with the Lagobianco project. For instance, the profitability of the project will be calculated on the basis of various models and price scenarios. These studies are particularly complex because plant operations have to be modelled over the entire 80-year duration of the concession – in an energy environment that is undergoing major change. The results of the profitability assessment are crucial to the future development of the Lagobianco project. Another important step will be the upcoming selection of suitable partners for the Lagobianco SA project company. At the same time, a decision on the request for concession approval is expected from the Canton of Graubünden government. While this request is being evaluated, Repower is preparing the documentation for the request for project approval. A team is working together with various specialists to develop solutions which will then be coordinated with the various interest groups. The request for project approval focuses on the construction phase, which is why the technical aspects will take up more room compared with the request for concession approval. An important component of the application documents, however, is also the environmental aspects with EIS Level 2. Work on project approval is moving ahead quickly so that the respective request can be submitted to the canton immediately after the concession is approved.

INTERVIEW WITH ROBERTO FERRARI,
HEAD OF THE LAGOBIANCO PROJECT
"TOGETHER WE WILL FIND 360° SOLUTIONS"

2011 was an important year for the Lagobianco project. What were the key events concerning this project?
There were three particularly significant moments. Following the public votes, the concession contracts were signed with the three municipalities at the turn of the year. Another important event – both audible and visible – followed in the summer as the first blast was carried out for the exploratory tunnel in Camp Martin. And finally, the submission of the request for concession approval in November was another important step forward in the Lagobianco project.

The request for concession approval is a very extensive document that took a long time to draft. How did work progress on its submission?
As with all previous work on the Lagobianco project, the documentation for the request for concession approval was drafted in close cooperation with the representatives of all interest groups involved. The entire documentation, for example, was reviewed by the various stakeholders prior to submission. This enabled their comments and suggestions to be incorporated into the documentation at an early stage.

Why is collaboration so important for the Lagobianco project?
Collaboration allows 360° solutions to be found that are ultimately backed and accepted by all parties. The focus is not on problems but rather on the search for common solutions. This collaborative and solution-oriented approach contributes a lot to positive and efficient progress.

UPTRADE: TRADING GETS AN UPGRADE

A GROUP-WIDE TRADING SYSTEM FOR THE NEEDS OF TOMORROW

A nose for good business

For Repower's trading experts, having a "good nose" is all about making use of the knowledge of the market gained from analysis and experience in order to do a winning deal at just the right time.

Repower's trading unit is being equipped to meet the needs of the future: as part of the UpTrade project, trading employees receive a Group-wide platform for handling all trading activities. But UpTrade is much more than just a new software application. The project also creates a common language and facilitates information-sharing and knowledge transfer between the various locations and divisions.

Be it electricity, gas or CO_2, throughout the entire process starting from when a deal is finalised all the way to invoicing and reporting, thanks to a new trading platform, the activities in the trading process will be handled by one and the same system at all Repower trading sites in the future. As what is known as an ETRM (Energy Trading and Risk Management), the UpTrade platform plays a key role in registering and handling trades, in risk management and the availability of market data, and has been synchronised with interfaces to other internal processes such as reporting and accounting.

A PLATFORM THAT SATISFIES A WIDE RANGE OF REQUIREMENTS

The core of the new system consists of a software application for managing trading activities and an already existing internal market database. For Sergio Pini, project manager of UpTrade, the strengths of the Allegro software can be summarised as follows: "Allegro meets the highest requirements in terms of flexibility and scalability: on the one hand, it makes interfaces possible to the local systems and requirements of the trading markets and, on the other hand, it has the capability to expand trading activities over the long term."

CLOSELY ALIGNED TO USER NEEDS

The new software provides a consolidated view of all trading activities, which is essential for the appropriate handling of portfolio risks. Monitoring and tracking capabilities have been enhanced following the sub-division of markets and commodities into books and sub-books. Giovanni Jochum, Head of Market and member of the Group Executive Board, underlines the importance of the project: "By introducing a company-wide ETRM platform, we are orienting ourselves

around the growing requirements, for example in controlling and risk assessment. It will also allow us to expand our activities to new markets and products." The new trading platform is supported by a knowledge management system: information can be shared and updated on an ongoing basis via an in-house Wiki and a document platform. Thanks to these instruments, all information is available centrally and can be accessed by all employees who work in trading.

INTERNAL EXPERTISE LEVERAGED

After the platform was introduced at the Milan and Poschiavo sites for trading with CO_2 certificates in 2010, the electricity business has also been handled by the new software at the Poschiavo site since the autumn of 2011. In the next project phases, the platform is being readied for electricity trading in Milan and Prague as well as for gas trading in Milan. Since project management is being handled internally, the system is maintained and updated by the company's own specialists, thereby guaranteeing the best possible transition from the project phase to the operational phase.

FROM PROJECT TO OPERATIONAL PHASE

Implementation is scheduled for completion at the three trade sites by 2014. At the same time, the processes are being documented, experience gained and analysed and the necessary changes made. The challenge is to ensure continuity of operations as the old software is phased out and the new software phased in. Sergio Pini, however, is confident: "Our experience to date will help us to minimise the impact on staff and at the same time prepare users for the new functionalities."

3 QUESTIONS TO TIZIANO GIULIANI, HEAD OF ASSET TRADING, POSCHIAVO

"USERS WERE EXTENSIVELY INVOLVED"

What steps were taken to ensure that the system will meet the user needs as best as possible?

The processes were analysed in great detail and adapted to the implemented book structure of the new software. New functions were developed in close cooperation between the external project managers, the application management team and the users.

What has your initial experience been with the new trading platform?

The procedure that we followed allowed us to find solutions to limit the amount of work it takes to handle day-to-day processes. After a certain amount of initial scepticism that goes along with the introduction of new systems, the platform was well-received by the employees.

Where do you think the challenges lie for the next project phases and for operations?

The biggest challenge is to further develop the software in line with future needs. Of course speed is one of the main factors here because a system can never be fast enough for its users!

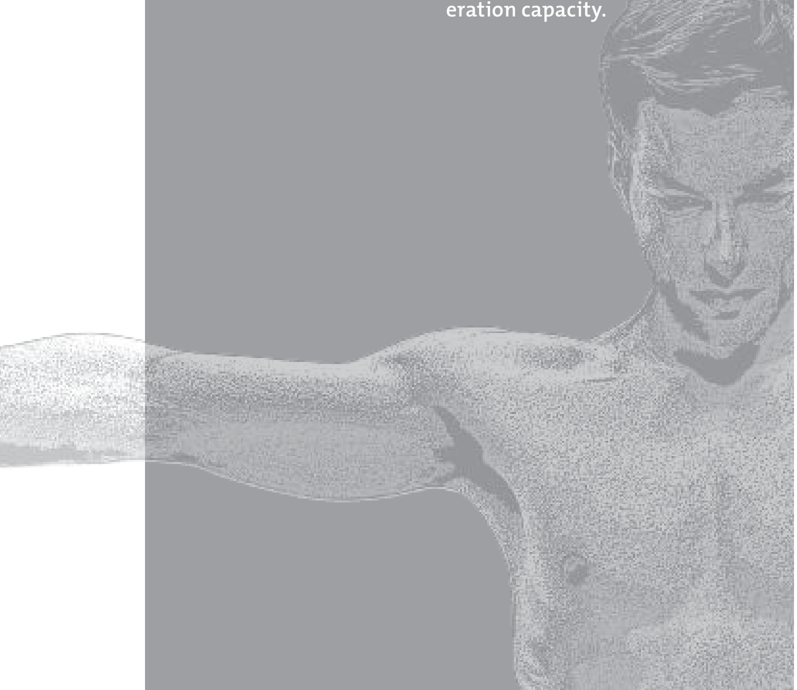
ADDITIONAL SECURITY IN THE TURBULENT ELECTRICITY MARKET

“REPARTNER” — A NEW REPOWER OFFERING FOR SWISS ELECTRICITY SUPPLIERS

Recognising needs

Our sales staff need to have a feel for what customers need now or will need in future, and they get that by closely monitoring the market. They devise offerings that benefit both parties.

Expiring electricity supply contracts, a changing power mix, increasing internationalisation of electricity procurement: some energy utilities are having to confront previously unknown challenges. Repartner from Repower offers new solutions and gives small and medium-sized Swiss utilities access to diversified generation capacity.



Major energy suppliers secure their electricity needs by engaging in international electricity trading, building their own power plants in their home countries or abroad and making use of various technologies, which allows them to secure their electricity needs over the long term at calculable costs. However, many smaller and medium-sized companies are deterred by the expense this entails. They either decide to concentrate exclusively on their core business of being a reliable supplier to their end customers, or, because of their size or focus, they have no interest in internationalising their business or involving themselves in project development. Nevertheless, many of them want to ensure that their future energy sources are more diversified for risk management reasons.

PROGRESSIVE EXPANSION

Repower, itself active in electricity trading and in diversified international project development, has taken on this challenge and, together with Liechtensteinische Kraftwerke AG, IBAarau and Wasserwerke Zug AG, has developed a new partnership model designed to tackle the challenges described above. The result of this joint development is Repartner Produktions AG, which was established in 2011 as a generation investment company that will progressively acquire generating capacities over the next few years, giving participants access to their own electricity without the need to establish additional activities of their own. In the interim, additional partners have come onboard, including Energie Wasser Luzern, Elektrizitätswerk Nidwalden, IBC Energie Wasser Chur and Rhiienergie. They benefit from their investments in the form of additional security in the turbulent environment of the electricity market.

FOCUS ON CUSTOMER REQUIREMENTS

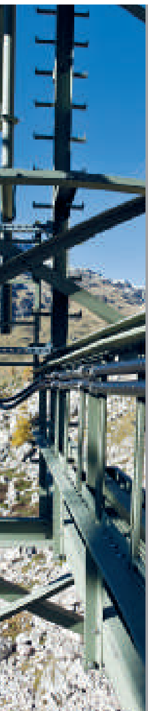
Repartner Produktions AG is to be progressively equipped with a capacity of 400 megawatts over the coming years, which represents a generating volume of some 1.800 gigawatt hours - almost as much the annual electricity consumption of the Canton of Graubünden. Repartner Produktions AG's power generation and project portfolio is concentrated in Switzerland, Germany, Italy and France. The mix includes electricity generated by hydropower plants, wind farms and gas-fired power plants. In line with the requirements of our partners, it will cover base, medium and peak loads. Slightly under 25 per cent are being invested in new renewables. Repartner Produktions AG kicked off in early 2012 with electricity from the Taschinas hydropower plant in Switzerland and two wind farms in Germany. The coming years will see further expansion, with full capacity expected to be reached in around eight years' time. Repower will retain a 51 per cent stake in Repartner Produktions AG, while 49 per cent will be available to its partners.

Repartner AG's offering has proven extremely attractive, with the majority of the shares available already subscribed by the end of 2011. Repower therefore considers there to be potential for further expansion of the concept.

REPOWER AS AN INNOVATIVE PARTNER

"The Repartner concept illustrates how Repower positions itself on the market - as a partner that takes on and develops innovative projects in tandem with its customers." This is how Gian Andri Diem, Head of Market Development, explains the approach to which Repower is committed. In contrast to comparable offerings, Repower works with the initial partners from the outset. The result is a broad-based offering that is aligned to the requirements of the participants and that will continue to develop in the coming years. Repower considers that this approach recommends it as an innovative partner in the regulated, only partially liberalised Swiss market.

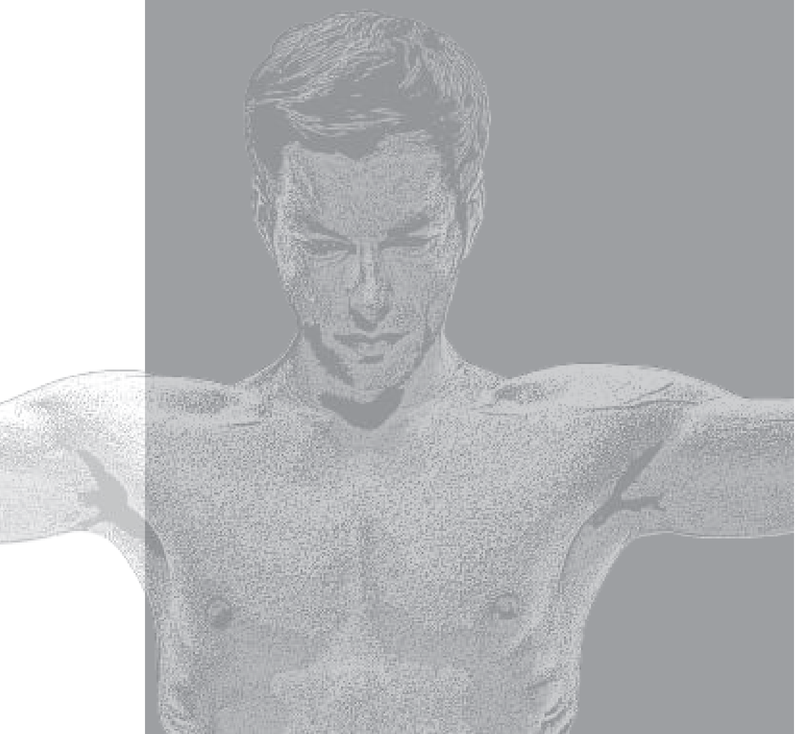
CORPORATE GOVERNANCE



Sensitive intuition

If you want to get to the top, you need not just determination, but also a sure touch. That means our technical staff sometimes need a firm grip, but also sensitive fingers at other times.

This section complies with the structure of the SIX Corporate Governance Directive and contains key information on corporate governance in the Repower Group. The information is also available at www.repower.com/governance.



BASIC PRINCIPLES

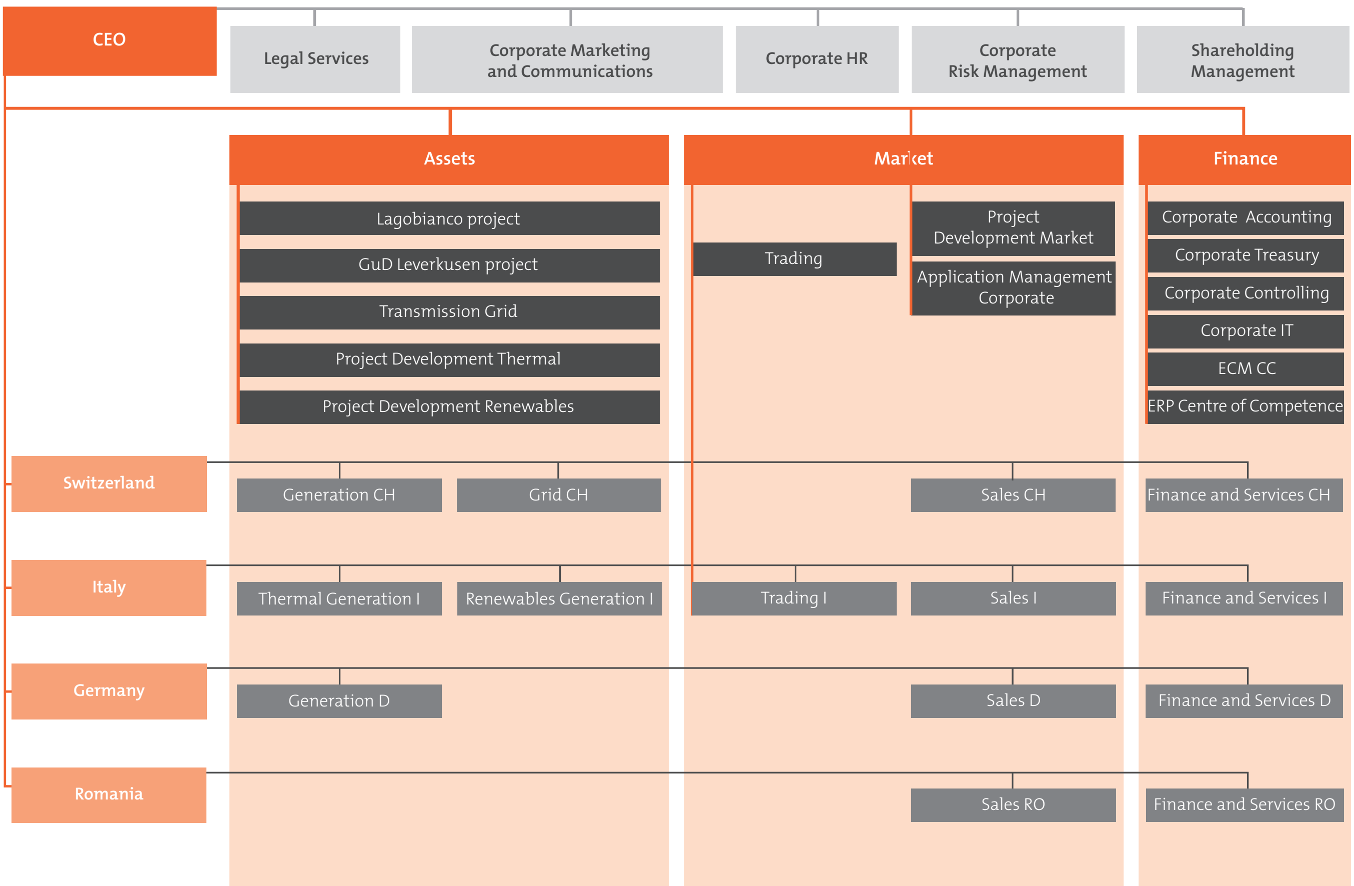
The principles of corporate governance are laid down in the Articles of Association (available at www.repower.com/governance) and in the Organisational Regulations and related Assignment of Authority and Responsibility. The Board of Directors and Executive Board regularly review these principles and revise them as and when required.

GROUP STRUCTURE AND SHAREHOLDERS

The Repower Group consists of Repower AG and its holdings. The registered office of Repower AG is in Brusio in the canton of Graubünden, and its mailing address is in Poschiavo. Repower Group is a vertically integrated energy company with activities along the entire electricity value chain (generation, trading, transmission, sales and distribution) as well as in the gas and certificates business. The business operations of the Repower Group are carried out in divisions and country organisations which operate as a unit in accordance with the business model. There are three divisions and four country organisations.

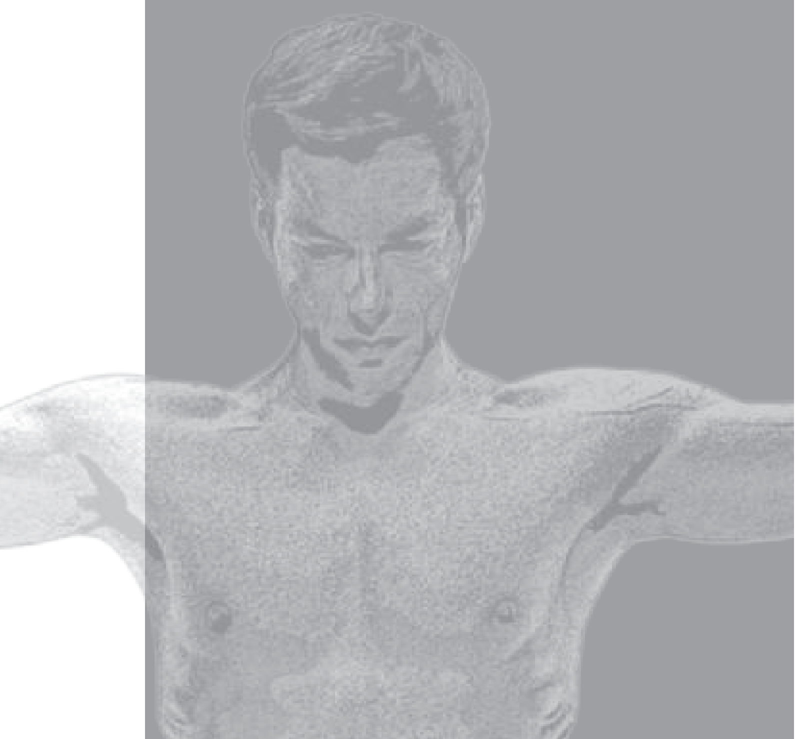
The Assets Division coordinates the management of plants and systems relating to the generation, transmission and distribution of electricity in the individual country organisations, implements and evaluates new assets relating to the generation of electricity, operates and develops merchant lines, manages the transmission system up to the transfer to swissgrid and devotes its activities to the general development and expansion of generation facilities for the Repower Group. The Market Division manages energy trading (electricity, natural gas and emissions certificates), trading with renewable energies, and conducts market analyses. The Market Division is also responsible for

Repower organisation



Tangible results

Painstaking work produces satisfying results: reliably functioning electricity supply, for example. That means the people who live in this mountain lodge don't have to grope around in the dark.



expanding energy trading in Switzerland, Italy and selected European markets as well as setting up sales operations in selected European country organisations and managing the projects that go along with this. This division also coordinates the sales activities in the markets. The Finance Division manages Group Accounting, Corporate Treasury, Controlling, Corporate IT, Enterprise Content Management (ECM) and Group-wide Enterprise Resource Planning (ERP).
Reporting directly to the CEO are the units Legal Services, Corporate Marketing and Communications, Corporate Human Resources, Corporate Risk Management and Shareholding Management.

In Switzerland, Italy, Germany and Romania there are also country organisations responsible for operating business as follows:
- Country organisation Switzerland: sale of electricity and green electricity certificates to end customers, operation and maintenance of distribution grids and generating facilities in Switzerland
- Country organisation Italy: sale of electricity, natural gas and green electricity certificates to end customers, operation and maintenance of generating facilities in Italy
- Country organisation Germany: sale of electricity to end customers, operation and maintenance of generating facilities in Germany
- Country organisation Romania: sale of electricity to end customers

The country organisations in Romania and Germany are in the process of being set up.

The individual activities are managed centrally by Repower AG and are not organised into separate legal structures. However, if management

by Repower AG is deemed impossible or inefficient for legal, fiscal or regulatory reasons, or if new legal entities are acquired (for example through acquisition), management is handled by legally independent subsidiaries. An overview of holdings is given on pages 70 to 72.

Repower AG shares and participation certificates are listed on the SIX Swiss Exchange. There are no restrictions on the transfer of shares, except as relates to the mandatory offer requirement under Swiss securities law in the event of a public takeover. The canton of Graubünden holds 46.0 per cent of the shares and voting rights, while Alpiq Holding AG (Alpiq) and EGL AG (EGL) hold 24.6 per cent and 21.4 per cent respectively. The principal shareholders are committed to one another through a shareholders' agreement. No cross-shareholdings exist. The remaining eight per cent of the shares are in free float. The participation certificates can also be freely traded.

CAPITAL STRUCTURE

The share capital of Repower AG (information on the share capital is given on pages 7 and 87 of the Annual Report) consists of 2,783,115 shares (Securities No. 1640583) and 625,000 participation certificates (Securities No. 1640584) with a par value of CHF 1 each. Each share entitles the holder to one vote at the Annual General Meeting. Each share has a dividend entitlement of equal value. There are no preferential rights or restrictions on voting rights. No authorised or conditional capital exists. Repower AG has no outstanding participation certificates. Repower AG has issued no convertible bonds, options or other securities that entitle the holders to shares or participation certificates in Repower AG. Based on the stock exchange prices for shares and participation certificates, the company had a market capitalisation of CHF 1.03 billion at the end of 2011.

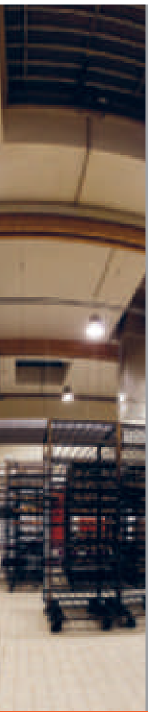
BOARD OF DIRECTORS

MEMBERS

The members of the Board of Directors are listed on pages 42 to 45 of the Annual Report. No member of the Board of Directors of Repower AG performs operational management tasks for the company. Members of the Board of Directors do not sit on the Executive Board of Repower AG or on that of any other Group company. In the three financial years preceding the year under review, no member of the Board of Directors was entrusted with any executive functions within the Repower Group. Some members of the Board of Directors perform executive functions for the principal shareholders Alpiq Holding AG and Elektrizitäts-Gesellschaft Laufenburg AG or their affiliated companies. Normal business relations exist with these companies.

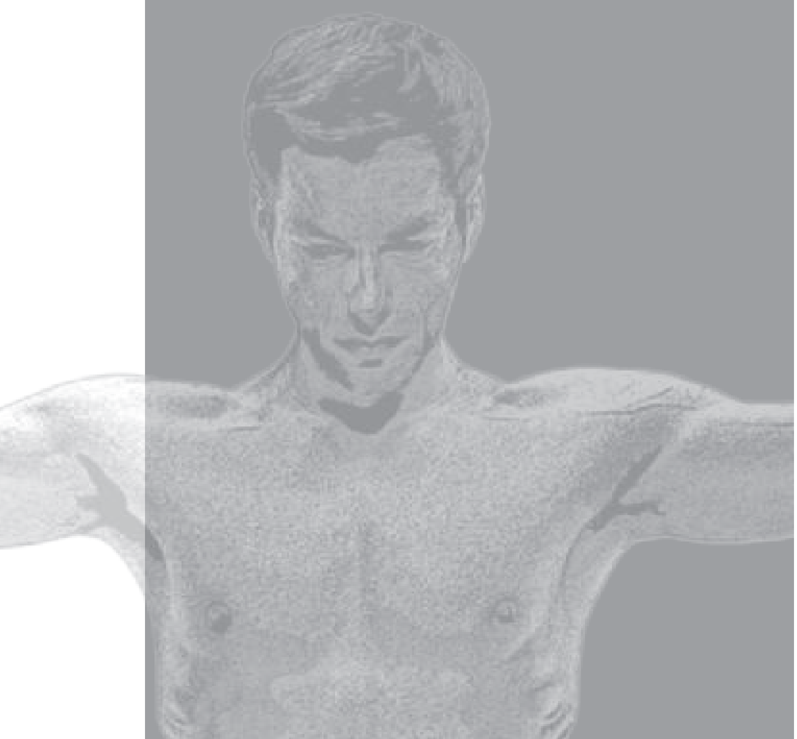
ELECTION AND TERM OF OFFICE

The members of the Board of Directors are elected by the Annual General Meeting for a three-year term. The election procedure is based on the principle of total renewal whereby the members are generally elected collectively as a group in a single ballot. Newly elected members assume the term of office of their respective predecessor. As the last regular election was held at the 2011 Annual General Meeting, the term of office of all members of the Board of Directors will expire at the 2014 Annual General Meeting. The Board of Directors currently



Savouring specialities

Every country in which Repower operates has its own culture and its own taste. We savour the things that make countries special – like this bread, fresh from the oven in a German bakery – and the way we work reflects that.



comprises twelve members, the maximum permissible number under the Articles of Association. Re-election is possible. According to the Organisational Regulations, members of the Board of Directors must give up their seats on the board as a rule at the Annual General Meeting following the end of the year in which they reach 70 years of age. The Board of Directors may make exceptions to this rule.

INTERNAL ORGANISATION

The Board of Directors is self-constituting and elects its Chairman, Vice Chairman and Secretary. The Secretary need not be a member of the Board of Directors. There is also a Board Committee that performs the duties of a Nomination, Compensation and Audit Committee, in addition to other responsibilities. The Board of Directors appoints the Board Committee from among its own members. The Chairman and Vice Chairman automatically serve on the Board Committee by virtue of their office. Members of the Board Committee are elected for the same term of office as the Board of Directors. The four members of the Board Committee are listed on pages 42 to 44 of the Annual Report. In addition to its duties as Nomination, Compensation and Audit Committee, the Board Committee advises the Board of Directors on business that comes before it, and issues recommendations. It also has the authority to make final decisions on certain types of business (see Assignment of Authority and Responsibility for the Board of Directors and Executive Board).

BOARD COMMITTEE AS AUDIT COMMITTEE

The Board Committee, in its capacity as Audit Committee, evaluates

the efficacy of the external audit and the functional effectiveness of the risk management processes. It may commission the external auditors or other external consultants to carry out special audits for the purpose of internal control. The Board Committee also reviews the status of company compliance with various standards (annual compliance report). The Committee critically reviews the individual and consolidated financial statements, and the interim financial statements intended for publication. It discusses the financial statements with the CFO and, if the Committee deems it necessary, with the external auditor-in-charge. Finally, the Committee decides whether to recommend to the Board of Directors that the individual and consolidated financial statements be presented to the Annual General Meeting for approval. It evaluates the services and fees of the external auditors and verifies their independence. It also determines whether the auditing activity is compatible with any existing consulting mandates.

BOARD COMMITTEE AS COMPENSATION COMMITTEE

The Board Committee, in its capacity as Compensation Committee, deals with compensation policies, primarily concerning compensation at senior management level. It has the authority to define the terms and conditions of contracts of employment for Executive Board members. It ensures that the company offers competitive, performance-based total compensation packages in order to attract and retain individuals with the necessary skills and attributes.

BOARD COMMITTEE AS NOMINATION COMMITTEE

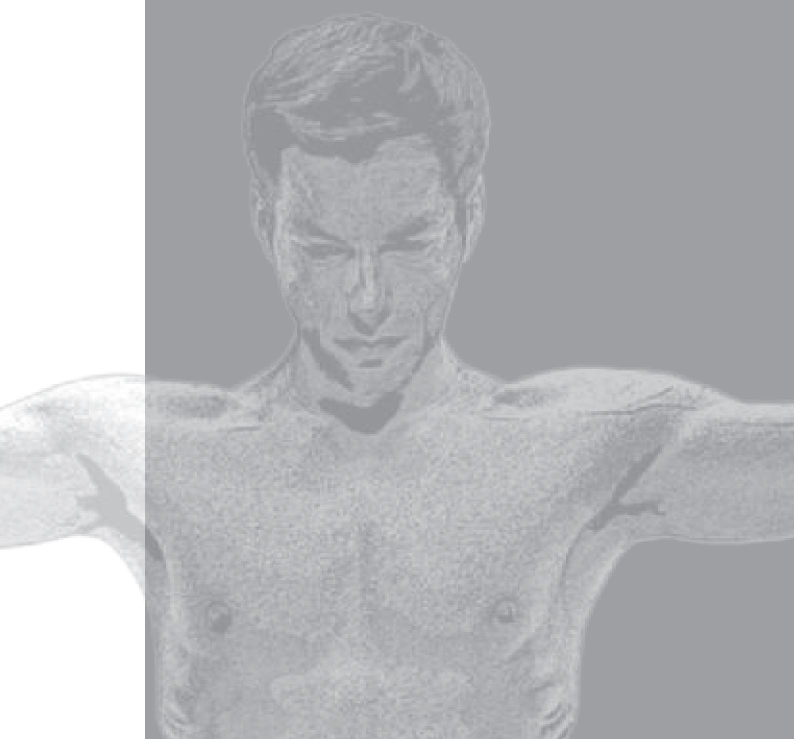
The Nomination Committee handles the preparations for electing and re-electing individuals to the Board of Directors based on the shareholder structure and for electing the Chief Executive Officer of the Repower Group (CEO), the CEO's deputy and the other members of the Executive Board.

Together with the Secretary and the CEO, the Chairman of the Board of Directors draws up the agenda for meetings of the Board of Directors and Board Committee. Members of these two boards generally receive proposals relating to each agenda item eight days in advance of meetings; these proposals include background documentation as well as an evaluation and a motion by the Executive Board and – for meetings of the Board of Directors – by the Board Committee. The Board of Directors meets as often as business requires, but at least twice a year; meetings are called by the Chairman or by the Vice Chairman if the Chairman is prevented from doing so. The Board of Directors generally meets at least once a quarter. The Board of Directors must be convened whenever one of its members or the CEO requests a meeting in writing, specifying the reason. In the year under review the Board of Directors met five times and the Board Committee six times. The Board Committee convened four times as Audit Committee and twice as Nomination Committee. The normal meeting duration for both bodies is half a day.

The CEO and CFO generally attend every meeting of the Board of Directors and the Board Committee; the other members of the Executive Board attend the meetings when required in order to explain the proposals. The Board of Directors is deemed to have a quorum if the majority of its members are present. The Board of Directors passes resolutions

Delicious bread, powered by us

Outside, day is dawning, while here in the bakery, everyone's already busy. The electricity for the lighting and the oven comes from Repower.



by a majority vote. The Chairman does not have a casting vote. Minutes are taken of the business and resolutions of the Board of Directors and are submitted to the Board for approval at its next meeting. The Board Committee and Board of Directors follow the same procedures.

ASSIGNMENT OF AUTHORITY AND RESPONSIBILITY TO THE BOARD OF DIRECTORS AND EXECUTIVE BOARD

Types of authority granted to the Board of Directors and the Executive Board are defined in the Organisational Regulations and the related Assignment of Authority and Responsibility. The Board of Directors is responsible for the overall direction and strategic orientation of the Repower Group and for supervising the Executive Board. It reviews and determines on an annual basis the objectives and strategy of the Repower Group as well as the corporate policy in all sectors, and makes decisions regarding short- and long-term business planning. It also deals with the organisational structure, accounting structure, internal control system and financial planning, the appointment and discharge of the persons entrusted with management and representation (namely the CEO, deputy CEO and the other members of the Executive Board), preparation of the Annual Report, preparations for the Annual General Meeting and implementation of its resolutions. The Board of Directors has delegated overall operational management of the Repower Group to the CEO. The CEO has delegated certain management functions to the members of the Executive Board. Some types of business or transactions must be presented to the Board of Directors and/or the Board Committee for a decision in accordance with the Assignment of Authority and Responsibility (Annex to the Organisational Regulations). The Assignment of Authority and Responsibility can be viewed at www.repower.com/governance.

INFORMATION AND CONTROL INSTRUMENTS VIS-À-VIS THE EXECUTIVE BOARD

At each meeting of the Board of Directors and the Board Committee, the CEO and the members of the Executive Board report on current business developments, important business transactions and the status of major projects. Aside from these meetings, any member of the Board of Directors may ask the CEO to provide information about the course of business and also, if the Chairman agrees, about individual transactions. Supervision and control of the Executive Board is handled by approving the annual planning and on the basis of detailed quarterly reporting comparing actual and target figures. Quarterly reporting includes data on energy sales and procurement, the income statement and balance sheet (including expected values for the most important key figures, namely energy sales, total operating revenue, operating income, profit, capital expenditure, property, plant and equipment, balance sheet total, equity, return on equity), risks in energy trading (market risks and counterparty risks) and key projects. The Board of Directors also receives quarterly progress reports and final performance reports on key projects, as well as – if specifically requested – status reports on individual business activities. Annual and long-term planning covers corporate objectives, key projects and financial planning. In addition, risk management and auditors' reports support the assessment of business management and the risk situation. Repower has a risk management system which is described in detail in a concept issued by the Board of Directors. The Board of Directors establishes the risk strategy during the first six months of each year. Significant risks must be brought to the attention of the Board of Directors at least once a year, with quarterly updates to advise the Board of Directors of any changes in these risks. A detailed description of the risk and financial risk management policies of the Repower Group can be found on pages 64 to 67. The auditors draw up a comprehensive report once a year documenting the key findings of their audit.

EXECUTIVE BOARD OF THE REPOWER GROUP

Kurt Bobst
CEO (Chairman of the Executive Board of the Repower Group)

Felix Vontobel
Head of Assets / Deputy CEO

Stefan Kessler
CFO (Head of Finance)

Giovanni Jochum
Head of Market

Fabio Bocchiola
Country head for Repower Italy

Rino Caduff (until 31 December 2011)
Country head for Repower Switzerland

Alfred Janka (starting 1 January 2012)
Country head for Repower Switzerland

The list on pages 46 and 47 provides detailed information on members of the Executive Board (name, age, position, nationality, date of joining the company, educational and professional background, and other activities and interests).

COMPENSATION, SHAREHOLDINGS AND LOANS

NATURE AND METHOD OF DETERMINING COMPENSATION

Under the Articles of Association and Organisational Regulations, incumbent members of the Board of Directors receive compensation based on their workload and responsibilities. This consists of a fixed compensation plus meeting expenses. The compensation is not dependent on company performance and is set by the Board of Directors. The Board of Directors last adjusted the fixed compensation and the meeting expenses in 2006 based on comparisons with compensation received by members of Boards of Directors in Swiss companies in the energy sector of a comparable size. The compensation is reviewed at unspecified intervals and redefined if necessary.

Compensation for members of the Executive Board comprises a fixed basic salary plus a variable bonus, which can amount to up to forty per cent of the annual basic salary if operating targets are met, as well as a profit-based bonus which is set at the end of a three-year assessment period. The fixed basic salary and the variable bonus are defined annually by the Board Committee in its role as Compensation Committee. A proposal from the CEO oriented around the development of the group serves as the basis for the fixed basic salary. In its capacity as Compensation Committee, the Board Committee uses its discretion to weight this reference standard to define the fixed basic salary. The bonus depends on whether the financial targets of the Repower Group and personal performance objectives are met. EBIT, EVA (economic value added) and the net debt/EBITDA figures of the Repower Group serve as common goals and are weighted to account for fifty per cent of the bonus determined. Between three and five personal performance goals are set for each member of the Executive Board and also account for fifty per cent of the bonus determined.

The aim of the profit-based bonus, which was implemented for the 2007 financial year, is to drive the company's medium-term strategic direction and sustainably enhance corporate value. It is paid out at the end of a three-year period (the first time from 2007 to 2009; new period 2010 to 2012) and can account for thirty per cent of the fixed basic salary in the third year of the assessment period if targets are met in full. The performance targets are based on the cumulative strategic key figures (EVA) of the Repower Group and were determined at the beginning of the assessment period.

The CEO submits to the Board Committee, in its capacity as Compensation Committee, a proposal as to how the individual compensation components are to be determined. In its role as Compensation Committee, the Board Committee makes the final decision. Individual performance is evaluated at the end of the reporting period in a meeting with the individual’s line manager, based on the objectives agreed upon at the beginning of the fiscal year. All compensation components take the form of compensation in cash. The Board Committee must brief the Board of Directors on the progress of the bonus-setting and compensation process. This is done by means of minutes to be submitted immediately following meetings on such matters, as well as a verbal briefing by the Chairman of the Board of Directors at the next meeting of the Board of Directors. During the financial year, one meeting was held by the Board Committee in its capacity as Compensation Committee for the purpose of setting compensation. Members of the Executive Board and the remaining members of the Board of Directors may neither attend nor participate in any meetings of the Board Committee in its capacity as Compensation Committee. The CEO, however, is called on in an advisory capacity for certain parts of these meetings.

SHAREHOLDERS’ RIGHTS OF PARTICIPATION

Shareholders' rights to assets and participation are in accordance with the law and the Articles of Association. None of the provisions of the Articles of Association deviate from statutory provisions, with the exception of the placement of an item of business on the agenda of the Annual General Meeting. In order to do so, a shareholder or several shareholders must hold at least CHF 100,000 of share capital and submit a written request at least fifty days prior to the Annual General Meeting.
One shareholder or several shareholders who together hold at least ten per cent of the share capital may request in writing that an Extraordinary General Meeting be convened, provided that the request states the proposals and the item of business. An ordinary General Meeting of Shareholders takes place every year, no more than six months after the end of the financial year.

Each shareholder may be represented at the Annual General Meeting by another shareholder by proxy. Each share entitles the holder to one vote at the Annual General Meeting.

CHANGES OF CONTROL AND DEFENSIVE MEASURES

The mandatory offer requirement under Swiss securities law applies, since the Articles of Association do not include any provision in this regard. Contracts of employment for members of the Executive Board do not contain any clauses pertaining to change of control. Repower does not provide a "golden parachute" for senior management. There are no long-term contractual commitments with members of the Board of Directors or the Executive Board. No severance payments have been agreed.

AUDITORS

Since 1996, PricewaterhouseCoopers based in Chur, Switzerland, has been appointed annually by the Annual General Meeting as the statutory auditors and Group auditors. The auditor-in-charge, Beat Inauen, has been responsible for the mandate since 2010. PricewaterhouseCoopers was paid a total fee of TCHF 1,340 for their auditing services for the Group and TCHF 839 for other consulting services. The fees for other consulting services comprise the following: TCHF 470 for tax consulting, TCHF 229 for project-related consulting and TCHF 140 for other consulting services such as transfer pricing.

SUPERVISION AND CONTROL INSTRUMENTS VIS-À-VIS THE AUDITORS

The Board Committee, in its capacity as Audit Committee and on behalf of the Board of Directors, supervises the credentials, independence and performance of the auditors and their audit experts. It obtains information at least once a year from the audit managers and the Executive Board concerning planning, implementation and results of the audit work. The Board Committee asks the auditors to provide the audit plans and any proposals for improving the internal control systems. The auditors draw up for the Board of Directors a comprehensive report with findings on accounting practices, internal controls, the performance and results of the audit. The items discussed in the report and improvements are reviewed by the auditors in an interim audit and the results presented to the Board Committee. Representatives of the external auditors participated in three meetings of the Board Committee in its capacity as Audit Committee in 2011.

INFORMATION POLICY

Repower provides its shareholders, potential investors and other stakeholder groups with comprehensive, timely and regular information in the form of annual and semi-annual reports, at the annual press conference and the Annual General Meeting of Shareholders. Important developments are communicated via media releases (link to request media releases by e-mail: www.repower.com/investornews). The website www.repower.com, which is regularly updated, serves as an additional source of information.

EVENTS AFTER THE BALANCE SHEET DATE

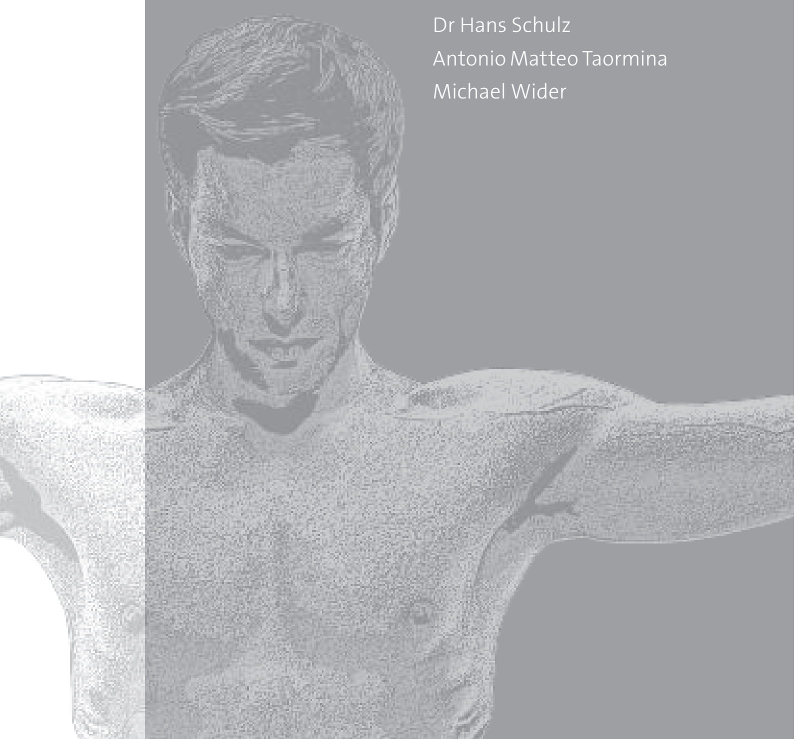
Effective as of 1 January 2012, Rino Caduff, country head for Repower Switzerland, stepped down from the Executive Board. As of the same date, Alfred Janka became the country head for Repower Switzerland as a member of the Executive Board.

Dr Guy Bühler became a member of the Executive Board of Axpo AG and Head of the Asset Optimisation Division on 1 March 2012. Dr Martin Schmid was elected Chairman of the Board of Directors of Engadiner Kraftwerke AG on 24 February 2012.

BOARD OF DIRECTORS

THE BOARD OF DIRECTORS ARE ELECTED TO SERVE UNTIL THE 2014 ANNUAL GENERAL MEETING

Dr Eduard Rikli
Kurt Baumgartner
Dr Guy Bühler
Dr Martin Schmid
Placi Berther
Christoffel Brändli
Rudolf Hübscher
Claudio Lardi
Rolf W. Mathis
Dr Hans Schulz
Antonio Matteo Taormina
Michael Wider



DR EDUARD RIKLI (1951)

Swiss citizen; Dr.sc.techn., Dipl.Masch.-Ing.ETH
Member of the Board since 2010
Chairman of the Board of Directors and the Board Committee

PROFESSIONAL CAREER

Previous

- Head of Sulzer Turbo Division (1990 – 1995)
- Member of the Sulzer Executive Committee (1996 – 2003)
- Head of Corporate Development, Sulzer Group (1996 – 1998)
- Head of Sulzer Roteq Division (1998 – 2000)
- Head of Sulzer Services and Equipment Division (2000 – 2001)
- Head of Sulzer Metco Division (2001 – 2003)
- Chief Executive Officer, Mikron Group (2004 – 2009)

Current

- Self-employed

OTHER ACTIVITIES AND FUNCTIONS

Positions on boards of major corporations, organisations and foundations

- Chairman of the Board of Directors of Brütsch / Rüegger AG, Urdorf
- Member of the Boards of Delta JS AG, Zurich (Technopark), Hatebur Umformmaschinen AG, Reinach, and Mikron Holding AG, Biel
- Member of the Board of Trustees of the University of Applied Sciences, Zurich, the Technopark Foundation, Zurich, and the Technorama Foundation, Winterthur
- Chairman of the Industrial Advisory Board of the Federal Institute of

Technology, Zurich, Department of Mechanical Engineering
- Member of the Executive Board of Swissmem Zurich

Permanent positions with important interest groups
- Member of the SBB Infrastructure Technology Council

KURT BAUMGARTNER (1949)
Swiss citizen, lic. rer. pol.
Member of the Board since 1993
Vice Chairman of the Board and the Board Committee

PROFESSIONAL CAREER

Previous
- Various positions, primarily in strategic and operational planning and in controlling
- Sales and business development for Aare-Tessin AG für Elektrizität (Atel) (1975 – 1991)

Current
- Member of the Executive Board of Alpiq Holding AG and Head of Financial Services (CFO) since 1992

OTHER ACTIVITIES AND FUNCTIONS

Positions on boards of major corporations, organisations and foundations
- Chairman of the Board of Pensionskasse Energie (pension fund)
- Member of the Board of AEK Energie AG, Kernkraftwerk Gösgen-Däniken AG, Kernkraftwerk Leibstadt AG and other companies in the Alpiq Group

DR GUY BÜHLER (1964)
Swiss citizen, Dr. ès sciences économiques
Member of the Board since 2008
Member of the Board Committee

PROFESSIONAL CAREER

Previous
- Head of Spot Trading, Elektrizitäts-Gesellschaft Laufenburg AG (EGL) (1994 – 2002)
- Head of Trading, Deriwatt (2003 – 2004)
- Head of Strategy, Asset Management and Tolling, EGL (2005 – 2007)
- Member of the Executive Board of EGL AG and Head of Assets (2007 – 2012)

Current
- Member of the Executive Board of Axpo AG and Head of the Asset Optimisation Division since March 2012

OTHER ACTIVITIES AND FUNCTIONS

Positions on boards of major corporations, organisations and foundations
- Chairman of the Boards of AKEB Aktiengesellschaft für Kernenergie-Beteiligungen, ENAG Energiefinanzierungs AG and Forces Motrices de Mauvoisin SA
- Member of the Boards of Kernkraftwerk Leibstadt AG and Lizerne et Morge SA

DR MARTIN SCHMID (1969)

Swiss citizen; Dr. iur. HSG, lawyer
Member of the Board since 2008
Member of the Board Committee

PROFESSIONAL CAREER

Previous
- Assistant at the Institute for Financial Science and Financial Law/IFF, University of St. Gallen, part-time positions with PricewaterhouseCoopers and part-time freelance lawyer (1997 – 2002)
- Member of the Cantonal Executive Council, Head of the Department for Justice, Security and Health (2003 – 2008)
- Head of the Department for Finance and Communities (2008 – 2011)

Current
- Lawyer since 2011

OTHER ACTIVITIES AND FUNCTIONS

Positions on boards of major corporations, organisations and foundations
- Chairman of the Board of Engadiner Kraftwerke AG
- Vice Chairman of the Boards of Kraftwerke Hinterrhein AG, Kraftwerke Hinterrhein Netz AG, Repower Holding Surselva AG and Repower Klosters AG
- Member of the Board of Schweizer Rheinsalinen AG

Official functions and political offices
- Member of the Council of States for the canton of Graubünden

PLACI BERTHER (1959)

Swiss citizen; lic. iur., lawyer
Member of the Board since 2011

PROFESSIONAL CAREER

Previous
- Mayor of Tujetsch (Sedrun) (1993 – 2005)
- Freelance lawyer in Chur / Sedrun (1990 – 2002)
- Member of the Vorderrhein District Court (1991 – 1994)
- President of the Vorderrhein District Court (1995 – 2000)

Current
- Freelance lawyer in Sedrun since 2001

OTHER ACTIVITIES AND FUNCTIONS

Positions on boards of major corporations, organisations and foundations
- Vice-president of the Administrative Commission of the Catholic Regional Church Graubünden
- Member of the Board of Repower Holding Surselva AG

Official functions and political offices
- Member of the Parliament of the Canton of Graubünden

CHRISTOFFEL BRÄNDLI (1943)

Swiss citizen, mag. oec. HSG
Member of the Board since 1996

PROFESSIONAL CAREER

Previous
- Member of Executive Council of Canton of Graubünden (1983 – 1994)
- Member of the Council of States for canton of Graubünden (1995 – 2011)

Current
- Business consultant since 1994

OTHER ACTIVITIES AND FUNCTIONS

Positions on boards of major corporations, organisations and foundations
- President of santésuisse

RUDOLF HÜBSCHER (1947)

Swiss citizen; secondary school teacher
Member of the Board since 2000

PROFESSIONAL CAREER

Previous
- Mayor of Klosters-Serneus (1994 – 2008)

Current
- Secondary school teacher since 1971

CLAUDIO LARDI (1955)

Swiss citizen; lic. iur., lawyer
Member of the Board since 2011

PROFESSIONAL CAREER

Previous
- Lawyer until 1998
- Member of Executive Council of Canton of Graubünden (1999 – 2010)
- General Secretary of an international hotel and restaurant holding company (1986 – 1996)

Current
- Lawyer since 2011

OTHER ACTIVITIES AND FUNCTIONS

Positions on boards of major corporations, organisations and foundations
- Member of the Board of Directors of educa.ch
- Member of various foundations and associations
- Chairman of Caritas Graubünden
- Chairman of the Board of Education of the Education Centre for Health and Social Affairs, Chur

ROLF W. MATHIS (1956)

Swiss citizen; dipl. Masch. Ing. ETH, Wirtsch.-Ing. STV

Member of the Board since 2003

PROFESSIONAL CAREER

Previous

- BBC (ABB), design engineer (1979 – 1982)
- Defence Services Group, project engineer and section head (1982 – 1987)
- Various positions at Von Roll Betec AG, latterly as Head of Business Unit (1990 – 1998)

Current

- Member of the Executive Board of Axpo AG and Head of Hydroenergy Division since 1998

OTHER ACTIVITIES AND FUNCTIONS

Positions on boards of major corporations, organisations and foundations

- Chairman of the Boards of Kraftwerke Hinterrhein AG, Kraftwerke Vorderrhein AG (KVR), Maggia Kraftwerke AG, Kraftwerke Sarganserland AG (KSL), Kraftwerke Linth-Limmern AG (KLL), Albula-Landwasser Kraftwerke AG, Misoxer Kraftwerke AG and Kraftwerke Mattmark AG
- Member of the Boards of Repower Holding Surselva AG, Blenio Kraftwerke AG, Grande Dixence SA and Force Motrice de Mauvoisin SA

Permanent positions with important interest groups

- Member of the Executive Board of Schweizerischer Wasserwirtschaftsverband (Swiss Water Management Association) and VGB PowerTech

DR HANS SCHULZ (1959)

German citizen; Dr. Ing. Mechanical Engineering, Certified Industrial Engineer

Member of the Board since 2008

PROFESSIONAL CAREER

Previous

- Head of Coating Division of Balzers and Leybold (subsequently renamed Coating Services Division Balzers of Unaxis), Head of Balzers Thin Films Division, from 1999 member of the extended Executive Board of Unaxis (1996 – 2005)
- Member of the Executive Board of Nordostschweizerische Kraftwerke, Head of NOK Grids, Head of NOK Trading and Sales (2006 – 2007)

Current

- CEO of EGL AG

OTHER ACTIVITIES AND FUNCTIONS

Positions on boards of major corporations, organisations and foundations

- Member of the Boards of EGL Italia, Trans Adriatic Pipeline AG and Repower Klosters AG
- Member of the Executive Board of Axpo Holding AG

Permanent positions with important interest groups

- Member of the Executive Board of Swisselectric

ANTONIO MATTEO TAORMINA (1948)

Swiss and Italian citizen; dipl. Math. ETHZ

Member of the Board since 1999

PROFESSIONAL CAREER

Previous

- Project manager at EIR Würenlingen (1973 – 1978)
- Managing Director of Nuclear Assurance Corporation (1978 – 1987)
- Managing Director of KBF Zürich (1987 – 1998)
- Director of Maggia Kraftwerke AG and Blenio Kraftwerke AG (1998 – 1999)
- Member of the Executive Board of Alpiq Holding AG and Head of Energy Western Europe (1999 – 2011)

Current

- Senior Consultant Alpiq Holding AG since 2011

OTHER ACTIVITIES AND FUNCTIONS

Permanent positions with important interest groups

- Vice Chairman of the Board of Società Elettrica Sopracenerina SA (SES)
- Member of the Boards of A2A S.p.A., Edipower S.p.A., Repower Holding Surselva AG and Repower Klosters AG

MICHAEL WIDER (1961)

Swiss citizen; lic. iur. MBA

Member of the Board since 2010

PROFESSIONAL CAREER

Previous

- Various positions at Entreprises Electriques Fribourgeoises (EEF) (1987 – 1995)
- EEF secretary general, member of the Executive Board (1995 – 1997)
- Head of Finance and Management Services, member of the Executive Board (1997 – 2001)
- Head of the EEF / ENSA merger to form Groupe E, member of the Executive Board (2001 – 2002)
- COO EOS Holding + Erzeugung (2003 – 2007)

Current

- Deputy CEO Alpiq Holding AG and Head of Energy Switzerland since 2009

OTHER ACTIVITIES AND FUNCTIONS

Positions on boards of major corporations, organisations and foundations

- Member of the Boards of Kernkraftwerk Gösgen-Däniken AG, swissgrid ag, Grande Dixence SA, Electricité d'Emosson SA, Società Elettrica Sopracenerina SA (SES), HYDRO Exploitation SA and Nant de Drance AG
- Member of the Executive Board, Association of Swiss Electricity Suppliers (VSE)

EXECUTIVE BOARD

The Repower Executive Board

(from left to right):

Felix Vontobel, Giovanni Jochum,

Alfred Janka, Kurt Bobst,

Stefan Kessler, Fabio Bocchiola.

KURT BOBST (1965)

Swiss citizen; federally certified controller

CEO since 2008

PREVIOUS SENIOR POSITIONS

- Head of Administration at SABAG Hägendorf (1985 – 1992)
- Head of Financial Accounting at Atel (1992 – 1995)
- Business consultant at PwC and A.T. Kearney (1995 – 2001)
- Head of Management Consulting at Pöyry, CEO of Pöyry Switzerland (2002 – 2008)

POSITIONS ON BOARDS OF MAJOR CORPORATIONS, ORGANISATIONS AND FOUNDATIONS

- Vice Chairman of the Board of Grischelectra AG
- Member of the Board of Directors of AKEB Aktiengesellschaft für Kernenergie-Beteiligungen
- Chairman of the Boards of Repower Holding Surselva AG and Repower Klosters AG

PERMANENT POSITIONS WITH IMPORTANT INTEREST GROUPS

- Member of the Executive Board, Association of Swiss Electricity Suppliers (VSE)

FELIX VONTOBEL (1958)

Swiss citizen; dipl. Elektroingenieur FH

Since 1987: Kraftwerke Brusio (today's Repower AG)

Since 1992: Deputy Director of Kraftwerke Brusio

Since 2000: Deputy CEO

Head of Assets

PREVIOUS SENIOR POSITIONS

- Commissioning engineer at BBC (ABB) (1982 – 1985)
- Project manager and commissioning engineer for biotechnology research and production installations at Bioengineering AG (1985 – 1987)

POSITIONS ON BOARDS OF MAJOR CORPORATIONS, ORGANISATIONS AND FOUNDATIONS

- Member of the Board of Directors of EL.IT.E S.p.A.
- Member of the Board of Directors of Kraftwerke Hinterrhein AG

STEFAN KESSLER (1973)

Swiss citizen; lic.iur. HSG, lawyer, LL.M.

Since 2005: Rätia Energie (today's Repower AG)

Since 2011: Member of the Executive Board

CFO (Head of Finance)

PREVIOUS SENIOR POSITIONS

- Legal counsel at LGT Group (2001 – 2004)
- Lawyer at Baker & McKenzie (2004 – 2005)

GIOVANNI JOCHUM (1964)

Swiss citizen; lic. oec. HSG

Since 1993: Kraftwerke Brusio (today's Repower AG)

Since 1998: Deputy Director of Kraftwerke Brusio

Since 2000: Member of the Executive Board

Head of Market

PREVIOUS SENIOR POSITIONS

- Auditor with Revisuisse Price Waterhouse (1990 – 1992)

POSITIONS ON BOARDS OF MAJOR CORPORATIONS, ORGANISATIONS AND FOUNDATIONS

- Member of the Board of Directors of Repower Holding Surselva AG and Repower Klosters AG

FABIO BOCCHIOLA (1964)

Italian citizen; diploma in business administration, piano diploma from the Conservatorium in Brescia

Since 2002: Rezia Energia Italia S.p.A. (today's Repower Italia S.p.A.)
Since 2010: Member of the Executive Board
Head of the country organisation Italy

PREVIOUS SENIOR POSITIONS

- DALKIA, Regional Manager, Central and Southern Italy, with one-year experience in France (1990 – 1995)
- ASTER , Assistant Operations Manager (1995 – 1996)
- EDISON , Key Account Manager (1996 – 1999)
- EnBW, Sales Manager (2000 – 2002)

PERMANENT POSITIONS WITH IMPORTANT INTEREST GROUPS

- Member of the ASSOELETTRICA Committee
- Member of the Advisory Committee of the Swiss Chamber of Commerce in Italy

RINO CADUFF (1949)

Swiss citizen; dipl. Elektroingenieur HTL

Since 2004: Rätia Energie (today's Repower AG)
From 2010 to 2011: Member of the Executive Board
Head of the country organisation Switzerland

PREVIOUS SENIOR POSITIONS

- EWBO / aurax, since 1978
- Member of the Executive Board of EWBO / aurax, since 1991
- Member of City Council, Ilanz (1990 – 2002)
- Mayor of Ilanz (2002 – 2005)
- Mayor of Ilanz since 2011

POSITIONS ON BOARDS OF MAJOR CORPORATIONS, ORGANISATIONS AND FOUNDATIONS

- Vice Chairman of the Board of Directors of Kraftwerke Ferrera AG
- Member of the Board of Directors of Rhiienergie AG (Tamins)

PERMANENT POSITIONS WITH IMPORTANT INTEREST GROUPS

- Member of the Executive Board of the Association of Graubünden Electrical Utilities (Vereinigung Bündnerischer Elektrizitätswerke) and the Corporation of Concession Communities KW Zervreila (KWZ)

ALFRED JANKA (1957)

Swiss citizen; diploma in engineering (Dipl. Ing. HTL)

Since 1.1.2012: Member of the Executive Board
Head of the country organisation Switzerland

PREVIOUS SENIOR POSITIONS

- Various management positions at Swisscom (1986 – 2001)
- Director of IBC Energie Wasser Chur (2001 – 2011)

POSITIONS ON BOARDS OF MAJOR CORPORATIONS, ORGANISATIONS AND FOUNDATIONS

- Member of the Supervisory Board of Electrosuisse

FINANCIAL REPORT

Consolidated Financial Statements of the Repower Group

Financial Statements of Repower AG

CONSOLIDATED FINANCIAL STATEMENTS REPOWER GROUP

COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

CORPORATE OBJECTIVES MET – SOLID GROUP RESULT

The Repower Group's business performance in 2011 can be described as good given the extremely challenging overall economic conditions in the national and international energy environment. The Group successfully achieved the set objectives by vigorously pursuing its strategy. Group profit including minority interests of CHF 54 million is a good result in the current economic environment. Several special effects were reported in the last period but they virtually cancelled each other out and thus only had a minor impact on the overall Group result. Due to a regulatory requirement arising from the Electricity Supply Act, the figures for Repower Transportnetz AG are reported separately under "Assets held for sale" and "Liabilities held for sale". It was not necessary to adjust the carrying amounts. Repower was affected by two financial offences in 2011. The previous year's figures had to be corrected (restatement) as a result. The corrected values are used for year-on-year comparison. EBIT stands at CHF 130 million, which is CHF 30 million lower than the corrected prior-year figure and in line with expectations. In light of the difficult conditions, this result can be seen as a good performance.

While energy sales rose by 12 per cent to CHF 2.5 billion (previous year: CHF 2.2 billion) despite the weak economic situation, an increase in the gross result generated by the energy business (net sales less energy procurement) of CHF 22 million to CHF 381 million was reported (previous year: CHF 359 million). This result contains the positive effect brought about by the reversal of transport rights in the amount of CHF 54 million. Repower's trading transactions at the sites in Milan and Poschiavo made a key contribution to the good result.

Operating expenses (without energy procurement) saw a rise from the same period last year by 6 per cent to CHF 216 million (previous year: CHF 204 million). This figure contains the total operating expenses for one year of Repower Furnizare Romania S.r.l. (formerly Elcomex EN S.r.l.) which was acquired in the middle of November 2010. It also contains the costs for an entire year of operation of the Prettin and Lübbenau wind power plants that were purchased the previous year and the expenses for the financial offences mentioned above which are reflected in the year under review.

In addition to ordinary depreciation and amortisation, the values of Repower Furnizare Romania S.r.l. were fully adjusted by CHF 27 million. Narrow margins in Romania's extremely difficult market and the resulting downturn in the company's earnings led to this value adjustment in the half-year financial statements. An impairment of around CHF 7 million was also made for a trading system.

Financial expenses in the first half of the year were lower thanks to effective precautions in currency hedging. It was not possible to carry this positive effect into the second half of the year due to the interventions by the Swiss National Bank. The value adjustment of approximately CHF 7 million for the Brunsbüttel project is linked to the economic and energy policy situation in Germany which will prevent any investment decisions in favour of coal-fired power plants in the foreseeable future.

The tax rate for income taxes rose by 6 per cent to 31 per cent year-on-year (25 %). The reason for this increase is Italy's substantial contribution to the result. The maximum tax burden in Italy is around 42 per cent.

SOLID BALANCE SHEET

Non-current assets fell from the same period last year by CHF 79 million to CHF 1.2 billion. This decrease is mainly because Repower Transportnetz AG is reported under "Assets held for sale" and due to the value adjustments for Repower Furnizare Romania S.r.l. and the Brunsbüttel project.

Current assets rose by CHF 96 million. This increase can be primarily attributed to the higher sales volume and the increased number of receivables as a result. Other items have not changed significantly.

Non-current financial liabilities were lower by CHF 99 million and reached a level of CHF 653 million. Repayment of part of the SET bank loan of around CHF 26 million and the reversal of the residual purchase obligation for Repower Furnizare amounting to approximately CHF 13 million led to the decrease in non-current financial liabilities. Other non-current liabilities declined by CHF 54 million, which can mainly be attributed to the reversal of the transport rights which can no longer be justified.

The balance sheet total rose by 4 per cent to CHF 2.4 billion. Equity amounted to CHF 965 million, which represents an equity ratio of 41 per cent. This ratio serves as a solid basis for upcoming investment projects.

CONSOLIDATED FINANCIAL STATEMENTS
REPOWER GROUP

Consolidated statement of comprehensive income

CHF thousands	Note	2010 Restated*	2011
Net sales		2,207,655	2,467,091
Own costs capitalised		14,787	16,791
Other operating income		44,850	39,531
Total operating revenue	1	**2,267,292**	**2,523,413**
Energy procurement		-1,848,255	-2,085,867
Concession fees		-16,955	-17,442
Personnel expenses	2	-83,425	-86,077
Material and third-party services		-27,109	-24,139
Other operating expenses		-76,258	-88,628
Income before interest, income taxes, depreciation and amortisation		**215,290**	**221,260**
Depreciation/amortisation and impairment	3	-56,217	-91,708
Income before interest and income taxes		**159,073**	**129,552**
Financial income	4	2,996	4,667
Financial expenses	5	-62,399	-46,492
Share of results of associates and partner plants	6	2,190	-9,652
Income before income taxes		**101,860**	**78,075**
Income taxes	7	-25,162	-23,897
Group profit including minority interests		**76,698**	**54,178**
Group profit including minority interest		76,698	54,178
Effect of currency translation		-40,921	-8,256
Fair value adjustment of financial instruments		789	1,316
Income taxes		-268	-358
Comprehensive income		**36,298**	**46,880**
Share of Group profit attributable to Repower shareholders and participants		76,359	54,116
Share of Group profit attributable to minority interests		339	62
Share of comprehensive income attributable to Repower shareholders and participants		42,992	47,488
Share of comprehensive income attributable to minority interests		-6,694	-608
Earnings per share (undiluted)	8	CHF 22.51	CHF 15.95

There are no factors resulting in a dilution of earnings per share.

The Notes are an integral part of these consolidated financial statements.

* See Note 30

CONSOLIDATED FINANCIAL STATEMENTS REPOWER GROUP

Consolidated balance sheet

Assets CHF thousands	Note	01.01.2010	31.12.2010	31.12.2011
		Restated*	Restated*	
Property, plant and equipment	9	1,071,766	1,091,090	1,041,145
Intangible assets	10	11,612	44,410	15,853
Investments in associates and partner plants	6	41,071	51,784	40,004
Other financial assets	11/25	70,848	63,400	67,054
Deferred tax assets	7	17,374	15,455	25,430
Non-current assets		**1,212,671**	**1,266,139**	**1,189,486**
Inventories	12	34,293	30,154	37,794
Receivables	13/25	468,382	475,188	606,728
Prepaid expenses and accrued income	24	12,825	16,340	5,414
Securities and other financial instruments	14	2,239	5,889	1,491
Positive replacement values held-for-trading positions	15/25	180,114	125,140	107,204
Cash and cash equivalents	16	334,382	349,975	339,873
Current assets		**1,032,235**	**1,002,686**	**1,098,504**
Non-current assets held for sale	28	-	-	79,067
Total assets		**2,244,906**	**2,268,825**	**2,367,057**

The Notes are an integral part of these consolidated financial statements.

* See Note 30

Liabilities and shareholders' equity CHF thousands	Note	01.01.2010	31.12.2010	31.12.2011
		Restated*	Restated*	
Share capital	17	2,783	2,783	2,783
Participation capital	17	625	625	625
Treasury shares		-16	-16	-16
Capital reserves		17,732	17,732	17,732
Fair value adjustment of financial instruments		-2,116	-1,798	-1,214
Retained earnings (including Group profit)		837,528	886,781	915,367
Accumulated translation differences		-5,453	-39,138	-45,379
Shareholders' equity excluding minority interests		**851,083**	**866,969**	**889,898**
Minority interests		57,135	48,647	74,602
Shareholders' equity		**908,218**	**915,616**	**964,500**
Non-current provisions	19/20	63,778	28,159	26,619
Deferred tax liabilities	7	71,192	67,854	58,875
Non-current financial liabilities	18	533,238	599,495	565,652
Other non-current liabilities	21/25	56,538	56,782	2,237
Non-current liabilities		**724,746**	**752,290**	**653,383**
Current income tax liabilities		28,053	32,717	28,388
Current financial liabilities	23	62,557	66,120	48,548
Negative replacement values held-for-trading positions	15/25	160,821	99,361	85,076
Current provisions	19/20	614	37,801	21,484
Other current liabilities	22/25	339,936	334,584	524,706
Deferred income and accrued expenses	24	19,961	30,336	30,741
Current liabilities		**611,942**	**600,919**	**738,943**
Liabilities		**1,336,688**	**1,353,209**	**1,392,326**
Liabilities held for sale		-	-	10,231
Total liabilities and shareholders' equity		**2,244,906**	**2,268,825**	**2,367,057**

The Notes are an integral part of these consolidated financial statements.

* See Note 30

CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

Changes in consolidated equity

CHF thousands	Share capital	Participa-tion capital	Treasury shares	Capital reserves	Fair value adj. for fin. instr.	Retained earnings	Accu-mulated translation differences	Total Group equity	Minority interests	Total share-holders' equity
Equity at 1 January 2010	**2,783**	**625**	**-16**	**17,732**	**-2,116**	**841,266**	**-5,596**	**854,678**	**57,135**	**911,813**
Comprehensive income for the period					**318**	**79,777**	**-34,392**	**45,703**	**-6,694**	**39,009**
Dividends (excl. treasury shares)						-27,136		-27,136	-68	-27,204
Purchase/sale of treasury shares						-223		-223		-223
Changes in consolidation								-	-1,138	-1,138
Purchase/sale of minority interests						253		253	-657	-404
Capital increase, minority interests								-	69	69
Equity at 31 December 2010	**2,783**	**625**	**-16**	**17,732**	**-1,798**	**893,937**	**-39,988**	**873,275**	**48,647**	**921,922**
Restated*										
Equity at 1 January 2010	**2,783**	**625**	**-16**	**17,732**	**-2,116**	**837,528**	**-5,453**	**851,083**	**57,135**	**908,218**
Comprehensive income for the period					**318**	**76,359**	**-33,685**	**42,992**	**-6,694**	**36,298**
Dividends (excl. treasury shares)						-27,136		-27,136	-68	-27,204
Purchase/sale of treasury shares						-223		-223		-223
Changes in consolidation									-1,138	-1,138
Purchase/sale of minority interests						253		253	-657	-404
Capital increase, minority interests									69	69
Equity at 31 December 2010	**2,783**	**625**	**-16**	**17,732**	**-1,798**	**886,781**	**-39,138**	**866,969**	**48,647**	**915,616**
Comprehensive income for the period					**584**	**54,116**	**-7,212**	**47,488**	**-608**	**46,880**
Dividends (excl. treasury shares)						-27,135		-27,135	-90	-27,225
Purchase/sale of treasury shares						140		140		140
Changes in consolidation								-		-
Purchase/sale of minority interests						1,465	971	2,436	18,532	20,968
Capital increase, minority interests								-	8,121	8,121
Equity at 31 December 2011	**2,783**	**625**	**-16**	**17,732**	**-1,214**	**915,367**	**-45,379**	**889,898**	**74,602**	**964,500**

The Notes are an integral part of these consolidated financial statements.

* See Note 30

Consolidated cash flow statement

CHF thousands		Note	2010 Restated*	2011
Group profit including minority interests			76,698	54,178
Depreciation/amortisation and impairment		9/10	56,217	91,708
Own costs capitalised		9/10	-14,787	-16,791
Change in provisions		20	-561	-17,948
Change in deferred taxes		7	-5,302	-9,775
Share of results of associates and partner plants		6	-2,190	9,652
Compound interest from non-current liabilities			869	855
Dividends from associates and partner plants		6	315	337
Reversal of prepayment received for transport rights			-1,520	-54,291
Other income and expenses not affecting cash			13,791	18,184
Change in inventories		12	-192	-8,371
Change in receivables		13	-36,338	-145,971
Change in prepaid expenses and accrued income		24	-3,241	10,700
Change in liabilities			32,793	197,511
Change in deferred income and accrued expenses		24	11,619	825
Change in replacement values, held-for-trading positions		15	-9,626	3,087
Change in securities and other financial instruments		14	-3,593	4,398
Cash flow from operating activities			**114,952**	**138,288**
Property, plant and equipment	- Investments	9	-72,701	-85,773
	- Disposals		19,903	5,136
Intangible assets	- Investments	10	-6,353	-6,659
	- Disposals		-	-
Group companies	- Investments	27	-83,500	-
	- Disposals	27	2,798	-
Investments in associates and partner plants	- Investments	6	-12,656	-1,550
	- Disposals		-	3,739
Non-current financial assets	- Investments	11	-492	-6,552
	- Disposals		-	100
Cash flow from investing activities			**-153,001**	**-91,559**
Additions to financial liabilities		18	134,437	10,640
Repayment of financial liabilities		18/23	-47,168	-50,168
Dividend payments			-27,204	-27,225
Purchase of treasury shares			-1,293	28
Sale of treasury shares			1,254	-30
Purchase/Sale of minority interest			-404	20,968
Capital increase through minority interests			69	8,121
Cash flow from financing activities			**59,691**	**-37,666**
Translation differences			**-11,757**	**-7,988**
Change in cash and cash equivalents			**9,885**	**1,075**
Cash and cash equivalents at 1 January			334,382	344,267
Cash and cash equivalents at 31 December			**344,267**	**345,342**
Cash flow from operating activities covers:				
Interest received			1,994	3,111
Interest paid			-15,277	-18,586
Income taxes paid			-29,013	-42,316

The Notes are an integral part of these consolidated financial statements.

* See Note 30

CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

Notes to the consolidated financial statements

CONSOLIDATED ACCOUNTING PRINCIPLES

Company information

Repower AG, Poschiavo, is a listed stock corporation with its registered office in Switzerland. Repower is a vertically integrated group active in Switzerland and abroad in the fields of electricity generation, management, trading, sales, transmission and distribution. The company also trades and sells gas, emissions and green electricity certificates in selected European markets. The business activities and main operations are described in detail in this annual report.

The 2011 consolidated financial statements of the Repower Group were authorised by the Board of Directors on 26 March 2012 and are subject to the approval of the Annual General Meeting on 9 May 2012.

PRINCIPLES OF CONSOLIDATION

Basis

The consolidated financial statements of the Repower Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB). They provide a true and fair view of the financial position, results of operations and cash flows of the Repower Group. All current standards and interpretations were applied in preparing the consolidated financial statements, which comply with Swiss law.

The consolidated financial statements are drawn up in Swiss francs (CHF). With the exception of items designated otherwise, all figures are rounded in thousands of francs (CHF thousands).

The consolidated financial statements were prepared on the basis of historical acquisition costs. Exceptions include replacement values in respect of held-for-trading positions, inventories as well as securities and other financial instruments for which IFRS requires other valuation methods. These are explained in the following accounting and valuation principles.

New and revised accounting and valuation principles

The accounting and valuation principles used correspond to the principles applied in the previous year, with the following exceptions: The Repower Group reviewed the new or changed standards and interpretations listed below and implemented them where necessary during the year under review. This had no significant impact on the Group financial statements.

IAS/IFRS Amendments 2008 - 2010
IAS 24 Related Party Disclosures
IAS 32 Finance Instruments: Presentation for Issuing Subscription Rights
IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The IASB and IFRIC have also issued other revised or new standards and interpretations, but these will only be adopted in subsequent financial years.

IAS/IFRS Amendments 2011 (applicable to financial years beginning on or after 1 January 2012)
IAS 1 Presentation of OCI – Components in the Financial Statements (applicable to financial years beginning on or after 1 July 2012)
IAS 12 Amendments to Deferred Taxes: Recovery of Underlying Assets (applicable to financial years beginning on or after 1 January 2012)
IAS 19 Employee Benefits: Changes in Disclosing and Recognising Defined Benefit Plans (applicable to financial years beginning on or after 1 January 2013)
IAS 32 Changes in the Presentation of Offsetting Financial Assets and Liabilities (applicable to financial years beginning on or after 1 January 2014)
IFRS 7 Changes to Financial Instruments: Disclosures (applicable to financial years beginning on or after 1 July 2011)
IFRS 7 Changes in the Presentation of Offsetting Receivables and Liabilities (applicable to financial years beginning on or after 1 January 2013)
IFRS 9 Financial Instruments (applicable to financial years beginning on or after 1 January 2015)
IFRS 10 Consolidated Financial Statements (applicable to financial years beginning on or after 1 January 2013)
IFRS 11 Joint Arrangements (applicable to financial years beginning on or after 1 January 2013)
IFRS 12 Disclosure of Interests in Other Entities (applicable to financial years beginning on or after 1 January 2013)
IFRS 13 Fair Value Measurement (applicable to financial years beginning on or after 1 January 2013)

The Repower Group is currently analysing implementation and impact of the new or changed standards.

Scope of consolidation

The consolidated financial statements cover Repower AG and all

Swiss and foreign companies over which Repower is able to exercise operational and financial control. These companies are fully consolidated and designated as Group companies. Their financial year ends on 31 December.

Minority holdings in associates whose financial and business policies Repower Group is unable to control, but over which it is able to exert significant influence, are accounted for in the consolidated financial statements using the equity method. Jointly-managed partner plants (joint ventures) are also accounted for in the consolidated financial statements using the equity method.

Consolidation method
Fully consolidated companies are included in the consolidated financial statements in their entirety (assets, liabilities, income and expenses). Investments in associates and partner plants are accounted for using the equity method on the basis of the share of equity. If these companies and partner plants apply accounting and valuation principles that deviate from those adopted by the Repower Group, appropriate adjustments are made in the consolidated financial statements.

Business combinations are accounted for using the purchase method. The acquisition costs are calculated by measuring the purchased net assets at fair value on the date of acquisition. A positive difference is capitalised as goodwill and subject to an annual impairment test. A negative difference is recognised in the income statement as negative goodwill on the date of acquisition. Group companies are deconsolidated from the date on which they are sold or no longer controlled by the Repower Group.

Intragroup transactions
All intragroup transactions (receivables and payables, income and expenses) are eliminated and the proportion of equity attributable to minority shareholders as well as their share in the results of consolidated companies, are recognised separately. Income arising from intragroup transactions and holdings is eliminated and charged to income.

For internal billing between Group companies the agreed billing prices, which are based on market prices, apply. Electricity purchased by partner plants is billed to the Repower Group on the basis of existing partner contracts – irrespective of market prices – at actual cost.

Currency translations
The consolidated financial statements are drawn up and presented in Swiss francs. Each Group company defines its own functional currency in which the financial statements are drawn up. Foreign currency transactions are converted using the Group company's functional currency at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted to the functional currency at the closing rate on the balance sheet date. Currency translation differences are charged to income. Non-monetary foreign currency positions measured at fair value are converted at the rate on the balance sheet date in order to determine the fair value.

The functional currency for the main foreign Group companies is the euro. Assets and liabilities of Group companies are translated into Swiss francs at the closing rate on the balance sheet date. Income statement items are translated using the average exchange rate for the year. When translating foreign currencies, euros were translated at the closing rate of CHF/EUR 1.2156 (previous year: 1.2500) and an average rate of CHF/EUR 1.2320 (previous year: 1.3774). Positions in other currencies are insignificant and were converted using the rates published by the European Central Bank (ECB Fixings). The translation differences between the closing exchange rate and the average exchange rate are recognised as an effect of currency translation under other income in the statement of comprehensive income. If Group companies are disposed of, the corresponding accumulated translation differences are derecognised in the income statement.

ACCOUNTING AND VALUATION PRINCIPLES

Basis
Within the context of preparing the consolidated financial statements, the Board of Directors and Executive Board of Repower make estimates and valuations which have an impact on the recognised assets and liabilities as well as on income and expenses. This concerns the valuation of assets and liabilities for which no other sources (e.g. market prices) are available. Estimates and valuations are based on past experience and the best possible assumptions on future developments. Actual developments may differ from the assumptions made. The estimates and valuations are periodically reviewed. Any changes result in a revised valuation of the relevant assets and liabilities, and revisions are made and disclosed in the period in which they occur. The significant estimation uncertainties are explained on pages 68 -69.

Property, plant and equipment
Property, plant and equipment are recorded at acquisition or production cost less accumulated depreciation and any impairment losses recognised. The acquisition or production cost of property, plant and

CONSOLIDATED FINANCIAL STATEMENTS REPOWER GROUP

Notes to the consolidated financial statements

equipment covers the purchase price including any costs directly attributable to bringing the asset to the location and condition necessary for the intended use. Significant individual components are recorded and depreciated separately.
Depreciation is calculated using the straight-line method based on the estimated technical and economic life of an asset or, at most, over the concession period in the case of energy generation facilities.

Any residual values are taken into account when determining useful lives. The useful lives and residual values are reviewed annually. If an asset is sold or is no longer able to provide future economic benefits, it is derecognised from property, plant and equipment. The resulting gain or loss (difference between the net selling price and the net carrying amount of the derecognised asset) is recognised in the income statement in the period in which the asset is derecognised.

The estimated useful lives are calculated in accordance with the recommendations of the Association of Swiss Electricity Companies and are within the following ranges for each category:

CATEGORY	USEFUL LIFE
Power plants	20 – 80 years depending on the type of facility and concession period
Grids	15 – 40 years
Land	Indefinite; any impairments are recognised immediately
Buildings	30 –60 years
Plant and business equipment	3 – 20 years
Assets under construction	Reclassification to the corresponding category when available for use; any impairments are recognised immediately

Investments in upgrades or improvements to plant and equipment are capitalised if they significantly extend the useful life, increase the original capacity or substantially enhance the quality of generation. Repairs, maintenance and regular servicing of buildings and operating installations are recognised directly in the income statement. Costs for regular major overhauls are capitalised and depreciated.

Assets under construction cover property, plant and equipment not yet completed. During the construction phase these items are not depreciated unless impairment is recognised immediately. Interest on borrowings related to construction is capitalised along with other acquisition and production costs.

Property, plant and equipment are tested on each balance sheet date for indications of impairment. If indications of impairment are identified, the recoverable amount is measured and an impairment test is performed. If the recoverable amount (the higher of the value less costs to sell and the value in use) is below the carrying amount, the asset's carrying amount is reduced to the recoverable amount. The value in use is calculated based on the estimated future cash flows over a five-year period and extrapolated projections for subsequent years, discounted using an appropriate rate of interest before tax. If the reasons for a previously recognised impairment no longer exist, the impairment is reversed, at most, to what the carrying amount would have been had the impairment not been recognised.

Goodwill from business combinations

Business combinations are included in the Group financial statements using the purchase method. Goodwill corresponds to the difference between the acquisition costs and the fair value of the acquired company's identifiable assets, liabilities and contingent liabilities on the date of acquisition. The acquisition costs cover all payments used to acquire the company including any deferred and contingent purchase prices measured at fair value. If the acquisition costs are lower than the fair value, goodwill is negative and is recognised in the income statement at the time of acquisition.

Goodwill is allocated in order to determine the intrinsic value of a cash-generating unit on the date of acquisition. A cash-generating unit corresponds to the lowest level of the company whose goodwill is monitored for internal management purposes. Goodwill is tested for impairment at least once a year. If the carrying amount of the unit is higher than the recoverable amount in accordance with IAS 36, an impairment is recognised in the income statement in the reporting period.

For investments acquired in associates and partner plants, the difference between the acquisition cost of the holding and the fair value of the identifiable net assets is calculated. The difference is disclosed together with the investments under investments in associates and partner plants.

Assets and liabilities held for sale

Assets or groups of assets as well as directly attributable liabilities (disposal groups) are classified as held for sale if the benefit embodied in the remaining carrying amount is not realised through the continued use but primarily from the sale. The prerequisite is that the value of the asset can be sold directly and the sale is sufficiently probable. The value is reported separately under current assets and current liabilities as "Assets held for sale" and as "Liabilities held for sale". The comparison figures from the previous period are not adjusted. The planned depreciations are based on the classification as available-for-sale. Non-current assets (or disposal groups) are recognised at the lower of the carrying amount and the fair value less costs to sell.

A discontinued operation is a part of the company that was sold or held for sale and a separate major business line or geographic branch of business. The results of discontinued operations are shown separately from the ongoing business activities. The comparison figures from the previous period are adjusted.

Intangible assets

Intangible assets are recognised at acquisition cost and have either a definite or an indefinite useful life. Intangible assets with a limited useful life are amortised using the straight-line method over their useful lives. Anticipated residual values are included when determining the amount of amortisation. They are tested for indications of impairment on each balance sheet date. If indications of impairment are identified, the recoverable amount of the intangible asset is determined in the same way as for property, plant and equipment, and an impairment test is performed.

The estimated useful lives for the individual categories are within the following ranges:

Customer relations	13 – 15 years
Brands (Note 10)	15 years
Other intangible assets	3 – 5 years

Intangible assets with an indefinite useful life are not amortised but tested annually for indications of impairment. If there are indications of impairment, the recoverable amount is determined in the same way as for property, plant and equipment. Any impairments are recognised in the income statement. The assumption of indefinite useful life is also reviewed annually. If events or circumstances indicate that a definite or indefinite useful life needs to be revised, this revised estimate is carried out in the current period.

Investments in associates and partner plants (joint ventures)

Companies over which Repower exerts a significant influence but not control are measured using the equity method. Jointly managed partner plants (joint ventures) are measured according to the same method and included in the consolidated financial statements. Partner plants constitute investments in power plants in which the shareholders are obliged to purchase electricity at cost in proportion to their investment.

The inclusion of major associates and partner plants requires the annual financial statements to be drawn up in accordance with IFRS. Where such financial statements are not available, transitional statements must be drawn up. The closing date for partner plants is usually 30 September and may differ therefore from the closing date for Repower. Important events occurring between the closing date for these partner plants and the closing date for Repower are accounted for in the consolidated financial statements.

Financial assets

Financial assets cover cash and cash equivalents, securities and other financial instruments, receivables, prepaid expenses and accrued income (anticipatory positions only), and other financial assets. All financial assets are recognised for the first time at fair value. This includes the transaction costs that can be directly allocated to the acquisition of the asset. Purchases are recorded on the settlement date. For subsequent valuation, financial assets are classified according to IAS 39.

Cash and cash equivalents, receivables as well as prepaid expenses and accrued income (anticipatory) are allocated to the category “loans and receivables” and carried at amortised cost. Due to their short-term nature, the carrying amounts are assumed to be the fair values less any necessary impairments.

Securities and other financial instruments disclosed in current assets fall into the category “held for trading”. These are measured at fair value, whereby corresponding gains or losses are recognised in the income statement.

Non-marketable interest-bearing investments are allocated to the category “loans and receivables” and carried at amortised cost. Long-term prepayments for the purchase of green electricity certificates are allocated to the category “designated at fair value through profit and loss” in order to avoid measurement inconsistencies. The position is measured using a valuation model based on observable market data. All other financial assets are classified as “available for sale” and recognised at fair value. Marketable fixed-income securities are measured at market value on the balance sheet date. Marketable shares and other equity securities for which an active market exists are measured at market value on the balance sheet date. The unrealised value adjustments of financial assets available for sale are recognised under other income. In the event of disposal or other derecognition, the value adjustments accumulated in equity since such assets were purchased are transferred to financial income in the current reporting period. In the event of a significant or prolonged decline in the fair

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value of an equity instrument held as available for sale below its acquisition cost, this is recognised as an impairment.

Financial assets not recognised at market values are tested for impairment on each balance sheet date. If there is objective evidence that an impairment loss has occurred, such as insolvency, payment default or other significant financial difficulties on the part of the issuer or debtor, an impairment calculation is performed. For interest-bearing assets carried at amortised cost, the impairment is measured as the difference between the carrying amount and the lower present value of estimated future cash inflows, discounted at the asset's original effective interest rate. For other assets carried at amortised cost, the impairment is measured as the difference between the carrying amount and the lower present value of estimated future cash inflows, discounted at the current market rate of return for a similar financial asset. Unlike the value adjustment above, an impairment is always recognised in the income statement immediately after it is identified.

Trade accounts receivable from customers who are also suppliers are offset against trade accounts payable if the contract terms provide for this and the intention to offset exists and is legally permitted.

Financial assets are no longer recognised if the rights, obligations, opportunities and risks associated with the ownership of an asset are transferred in full.

Held-for-trading positions / replacement values

Contracts in the form of forward transactions (forwards and futures) conducted with the intention of achieving a trading profit or margin (held for trading) are treated as derivative financial instruments in accordance with IAS 39 and recognised as held-for-trading positions or replacement values. On the balance sheet date, all open derivative financial instruments from energy trading transactions are measured at fair value and the positive and negative replacement values are recognised under assets and liabilities. The open contracts are measured on the basis of market data from electricity exchanges (e.g. EEX, Leipzig). For the contracts for which no liquid market exists, measurement is based on a valuation model.

Current transactions are offset at positive and negative replacement value if the respective contract terms provide for this and the intention to offset exists and is legally permitted. Realised and unrealised income from held-for-trading positions is recognised net as "Profit from held-for-trading positions".

To reduce the currency risk, forward exchange transactions open at the end of the year can be reported in euros. Interest rate swaps can also be employed to reduce the interest rate risk of variable loans. If these types of financial instruments exist at the end of the year, they are measured at fair value . For accounting purposes, these and similar financial transactions are treated as derivative financial instruments in accordance with IAS 39, and if the values are positive they are reported as "replacement values" under "Securities and other financial instruments" and "Other financial assets". If the values are negative, they are reported under "Current financial liabilities" and "Non-current financial liabilities". All open receivables and liabilities arising from forward exchange transactions are measured at fair value on the balance sheet date. The value adjustment is contained in financial income or expense and thus recognised in the income statement.

Inventories

Inventories comprise materials used for operating purposes (e.g. operating materials, replacement parts and consumables) as well as CO_2 or electricity quality certificates (origin, generation type). As long as these assets are not held for trading they are measured at the lower of acquisition/production cost and net realisable value. Acquisition/production costs are measured at the weighted average. The net realisable value corresponds to the estimated selling price less the estimated costs necessary to make the sale. Inventories for trading purposes are measured at fair value less costs to sell.

Treasury shares and participation certificates

Treasury shares and participation certificates are deducted from equity. Under IFRS, no gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of an entity's own equity instruments.

Provisions

Provisions are recognised for obligations (legal or constructive) resulting from a past event, when it is probable that an outflow of resources will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation. If some or all of the expenditure required to settle a provision is expected to be reimbursed by another party (e.g. due to an insurance policy), the reimbursement is recognised when it is virtually certain that reimbursement will be received. If the interest effect is a significant influencing factor, estimated future cash flows are discounted to determine the provision amount.

Provisions are reviewed annually and revised in line with current developments. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Financial liabilities

Financial liabilities consist of current and non-current financial liabilities, other current liabilities as well as deferred income and accrued expenses (anticipatory positions only). Financial liabilities are initially recognised in the balance sheet at their fair value including the transaction costs that can be allocated directly to the entry of the liability. The subsequent measurement is conducted based on the rules of the "Other liabilities" category; this does not include the negative replacement values of held-for-trading positions. These negative replacement values are treated the same way as positive replacement values.

With the exception of interest rate swaps, non-current financial liabilities are recognised at amortised cost using the effective interest method. Interest rate swaps exist to hedge a portion of the company's interest rate risk (hedge accounting) relating to the variable-rate loan in respect of the construction of the gas-fired combined-cycle power plant in Teverola. These interest rate swaps are used to hedge cash flows, and the change in value is recognised under other income as a fair market adjustment of financial instruments.

Other current liabilities as well as deferred income and accrued expenses are recognised at amortised cost. Current financial liabilities are also recognised at amortised cost. Liabilities from current forward exchange transactions are excepted. These are measured at fair value. The value adjustment is contained in financial income or expense and therefore recognised in the income statement.

Trade accounts payable to suppliers who are also customers are offset against trade accounts receivable if the respective contract terms provide for this and the intention to offset exists and is legally permitted.

Other non-current liabilities

Other non-current liabilities include installation usage rights granted to third parties. Granted usage rights are contractual obligations which are fulfilled exclusively by permitting a third party to use installations. These are non-financial liabilities. The liabilities are amortised over the period of use of the corresponding installations using the straight-line method.

Pension plans

On the balance sheet date, employees of Repower in Switzerland were members of the PKE Pensionskasse Energie (PKE), which is a legally independent pension fund based on defined benefits or defined contributions.

The costs and obligations of the Group arising from defined benefit pension plans are calculated using the projected unit credit method. In line with actuarial calculations made on the balance sheet date, the total cost of a pension plan is based on the years of service rendered by the respective employees and their projected salaries until retirement, and is recognised annually in the income statement. Pension obligations are measured according to the fair value of estimated future pension benefits, using the interest rates on government bonds with a similar residual term to maturity. Actuarial gains and losses are recognised as income and expenses over the expected average remaining working lives of the insured, provided they exceed the greater of 10 per cent of the present value of the pension obligations and 10 per cent of the fair value of any plan assets (corridor approach).

Employees in foreign Group companies are insured under state pension plans, which are independent of the Group. Apart from the above pension plans, there are no significant long-term employee benefits provided by the Group.

Contingent liabilities

Potential or existing liabilities for which the probability of an outflow of funds is considered possible but not probable are not recognised in the balance sheet. Existing contingent liabilities and guarantee obligations are disclosed on the balance sheet date in the Notes to the consolidated financial statements.

Share-based payments

No employee share participation programmes or other forms of share-based payments exist.

Finance and operating leases

In the reporting period and the previous period there were no finance leases. IT outsourcing includes an operating lease for IT hardware. There continue to be leases with third-parties. The related future minimum leasing payments are disclosed in the Notes to the consolidated financial statements. Payments for operating lease transactions are recognised as expenses on a straight-line basis over the lease term.

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Income taxes
Income taxes cover current and deferred income taxes. Current income taxes are calculated based on the current tax rates on the earnings of individual Group companies.

Deferred taxes are recognised in the Group financial statements based on the differences between the taxable value of the assets and liabilities and their carrying amounts. Deferred income taxes are calculated under IFRS using the balance sheet liability method based on temporary differences, i.e. differences between the taxable value of an asset or liability and its carrying amount in the balance sheet. The taxable value of an asset or liability is the value of this asset or liability for tax purposes.

Deferred tax assets related to loss carryforwards are recognised only to the extent that it is probable that temporary differences or taxable profit will be available against which the tax loss carryforward can be utilised.

Revenue
Revenue covers sales and services to third parties after deducting price discounts and value added tax. Revenue is recognised in the income statement when delivery or service fulfilment has been performed.

Energy transactions conducted for the purpose of managing the Group's own energy generating plants, as well as energy procurement contracts for the physical procurement of energy to customers, are treated as "own use" transactions in accordance with IAS 39 and settled gross under "Revenue from energy sales" and "Energy procurement".

Energy transactions conducted with the intention of achieving a trading margin are treated as held-for-trading transactions in accordance with IAS 39 and recognised net under "Profit from held-for-trading positions".

On the balance sheet date, all open derivative financial instruments from energy trading transactions are measured at fair value and the positive and negative replacement values are recognised under assets and liabilities. Realised and unrealised income from these transactions is disclosed net as «Net result with held-for-trading positions» under net sales.

Interest on borrowings
Interest on borrowings that can be allocated directly or indirectly to the purchase, construction or production of a qualifying asset are considered part of the acquisition/production costs of this asset and are capitalised. Other borrowing costs are recognised as expenses in accordance with IAS 23.8.

SEGMENT REPORTING
Repower AG is a vertically integrated energy company with activities along the entire value chain (power generation, trading, transmission, sales and distribution). As the primary decision-makers, the Board of Directors and the Executive Board have considered the results as a single unit in line with the integrated business model in order to be able to conduct evaluations and assessments and make decisions about resource deployment. Accordingly, the standardised management information has not been broken down by segment. There is thus no segment reporting as defined by IFRS 8.

Management instruments and reporting are currently being revised. According to IFRS 8 segment reporting must be disclosed in line with internal reporting.

CAPITAL MANAGEMENT
Capital management practices are based on the Repower Group's overall strategic goals. The most important goals of capital management are:

- **Optimised use of capital, taking returns and risk into account**
- **Timely availability of sufficient liquidity**

Strategic parameters (total operating revenue, return on equity and the equity ratio) are calculated and monitored for the purpose of measuring these goals. Targets for the strategic parameters are determined by the Board of Directors. The Board of Directors also specifies the risk targets to be monitored by the Executive Board. Only minor changes have been made to Repower's strategic direction since the previous year.

Repower's capital is managed while taking the Group's financial development and risk structure into account. To manage this capital, the Group can, for instance, borrow or repay capital, carry out capital increases or reductions, or change its dividend policy. Repower Group is not subject to any prescribed regulatory minimum capital requirements.

The most important key figures for capital management are return on equity and the equity ratio. When calculating return on equity (excluding minority interests), Group profit excluding minority interests is measured against equity without minority interests. The equity ratio (including minority interests) describes the relationship between equity including minority interests and total assets.

The target figure for return on equity (without minority interests) is ≥ 10 per cent and the equity ratio must be kept within the 35-45 per cent range. In principle, these key figures also have an impact on Repower's credit rating and thus its borrowing costs.

► ***Return on equity / Equity ratio table on page 64.***

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Returns on equity and equity ratios at 31 December 2010 and 31 December 2011 were calculated as follows:

	2010	2010 Restated	2011
Group profit including minority interests in CHF thousands	80,116	76,698	54,178
Group profit excluding minority interests in CHF thousands	79,777	76,359	54,116
Equity including minority interests in CHF thousands	921,922	915,616	964,500
Equity excluding minority interests in CHF thousands	873,275	866,969	889,898
Total assets in CHF thousands	2,273,958	2,268,825	2,367,057
Return on equity (excluding minority interests) in %	9.1	8.8	6.1
Equity ratio (including minority interests) in %	40.5	40.4	40.7

The target figure for the equity ratio was met, while the strategic parameter, return on equity, fell short of target in the year under review and the previous year.

RISK MANAGEMENT AND FINANCIAL RISK MANAGEMENT

Basis

The operating activities of Repower are exposed to market, counterparty and transaction risks arising from the energy business as well as liquidity risks. Risk management aims to limit the risks specified through operational and financial measures. Financial risks are managed by the Executive Board within the framework of the strategic parameters and risk targets determined by the Board of Directors. The guidelines issued by the Board of Directors on «Risk Management in the Energy Sector» set down the principles governing the Repower Group's risk policy. They cover directives on the entry into, assessment, management and limitation of business risks in the energy sector, which were fine-tuned in 2011, and define the organisation and responsibilities. The aim is to ensure a reasonable balance between business risks entered into, earnings and risk-bearing equity. The Board of Directors and the Executive Board define risk limits in accordance with the company's risk capability. These limits are regularly reviewed for each risk category. Special measures are taken to manage risks related to personal safety, information technology and energy business (transaction, market and counterparty risks). Risk management was further developed during the year under review but there were no changes in terms of content.

Market risks

Repower is exposed to various market risks within the scope of its business activities. The most important of these are energy price risk, interest rate risk and currency risk.

Energy price risks:

Energy transactions are conducted for the main purpose of covering physical delivery contracts, energy procurement, and selling and optimising the company's own generation volumes. Energy price risks include risks arising from price volatility, changes in the price level, and changing correlations between markets and generation times. Compliance with trading limits and the risk situation of the portfolio are monitored by Risk Management and reported to the Risk Management Committee. The Risk Management Committee assesses the risk situation in the energy sector at least once a month. The Board of Directors and the Executive Board are kept informed about the risk situation by reports submitted by the Risk Management Committee on a quarterly basis and in the case of extraordinary events.

Interest rate risks:

Interest rate risks primarily concern changes in interest rates on non-current interest-bearing liabilities. In the event that the agreed interest rate is variable, changes in interest rates represent an interest rate risk. Due to the long investment horizon for capital-intensive power plants and grids, Repower primarily obtains long-term financial loans with phased terms to maturity. The interest situation and hedging options are continuously reviewed. Derivative financial instruments – in particular interest rate swaps – are used and under certain conditions recognised as hedging relationships (hedge accounting). Another interest rate risk exists with regard to variable-rate positions of current assets, in particular in the case of sight deposits. This risk is minimised by pursuing an active cash management policy.

Currency risks:

Energy goods and services are paid for and sold by Repower mainly in euros and partly in Swiss francs. The foreign Group companies conduct nearly all of their other transactions in their functional currency. These transactions are not subject to currency risks. There is, however, a risk of currency fluctuation on those positions denominated in euros for Repower AG and their Group companies with a functional currency other than the euro. Intragroup loans are particularly subject to currency risks. The currency risk is largely eliminated by netting receivables and liabilities in the foreign currency as agreed. Forward exchange transactions are conducted to reduce the currency risk. Net investments in foreign Group companies are also exposed to exchange rate fluctuations. However, these long-term commitments are not hedged since the differences in inflation rates and exchange rate fluctuations should offset each other over the long term.

Counterparty risks

Credit risks:

Credit risks arise if customers cannot meet their obligations as agreed, or the intrinsic value of financial assets is endangered in some other way. The credit risk is continuously monitored by checking outstanding payments of counterparties and by carrying out credit checks on contractual parties. Repower enters into significant business relationships only with counterparties who are creditworthy and whose solvency has been verified by a credit check.

The maximum credit risk exposure on the closing date is equal to the carrying amounts of the recognised financial assets. As the agreed offsetting of receivables and liabilities with the same counterparty has already been recognised, no other major agreements which would lessen the maximum default risk exist on the balance sheet date.

Supplier default risks:

Supplier default risks arise if suppliers cannot meet their supply obligations as agreed and a replacement can only be purchased at less favourable terms. Limits are set on purchase volumes to avoid risk concentration and to minimise supplier default risks. Observance of these limits is continuously monitored. Repower enters into significant business relationships only with counterparties who can guarantee supply readiness.

Transaction risks

During the course of business activities, operational risks arise. These transaction risks are mitigated by the skill and professionalism of the employees, and where necessary by providing them with training and further training. Other transaction risks arise as a result of political decisions and regulatory changes. Repower pays close attention to these developments at all times.

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Liquidity risks

Liquidity risks arise if Repower cannot meet its obligations as agreed or is unable to do so under economically feasible conditions. Repower continuously monitors the risk of liquidity shortfalls. Cash flow forecasts are used to anticipate future liquidity performance in order to respond in good time in the event of over- or under-liquidity, taking into account the maturity terms of financial liabilities as well as the financial assets. At the balance sheet date, financial liabilities exist with the following due dates (amounts represent the contractual, undiscounted cash flows):

CHF thousands	31.12.2010	31.12.2010 Restated	31.12.2011
Up to 3 months	352,314	353,018	507,064
From 3 to 12 months	214,071	214,356	231,878
From 1 to 5 years	174,114	174,114	364,422
Over 5 years	520,369	520,369	288,962

These financial liabilities are expected to be offset by financial assets (carrying values of balance sheet items) which are expected to become available or which can be liquidated during the following periods:

CHF thousands	31.12.2010	31.12.2010 Restated	31.12.2011
Up to 3 months	926,324	922,788	1,055,296
Over 3 months	63,400	63,400	67,055

Cash and cash equivalents are available for the purpose of liquidity. At the balance sheet date, Repower also has the following bank credit lines which have been secured but remain unused:

CHF thousands	31.12.2010	31.12.2011
Unused general credit lines	115,000	155,000
Additional unused credit lines for the purpose of issuing guarantees	13,844	4,134

Sensitivity analyses of market risks

On the balance sheet date, Repower performs a sensitivity analysis for each market risk category to determine the potential impact of various scenarios on net income and equity. During this analysis, the impact of individual factors is investigated, meaning that mutual interdependencies of individual risk variables are not taken into consideration. The following scenarios were analysed for each of the individual market risk categories:

Energy price risks

When establishing energy price risks in accordance with IAS 39, a distinction is made between positions held for own use and those held for trading. In the case of positions held for own use, a potential price change on the balance sheet date will not have an impact on net income or equity since these positions are not measured at fair value. When considering positions held for trading, scenarios are assumed in which energy prices are 10 euros higher and lower per MWh.

CHF thousands	31.12.2010	31.12.2011
Impact on net income and equity at a higher energy rate	-4,636	-10,632
Impact on net income and equity at a lower energy rate	4,636	10,632

Interest rate risks

Valuation effects may occur in the case of financial instruments for which an interest rate has been agreed and which are measured at fair value. The impact of the interest swaps held to which the valuation principle of hedge accounting does not apply are shown. The analysis was performed in 2010 and 2011 for interest rates which were 50 bp higher and lower.

CHF thousands	31.12.2010	31.12.2011
Impact on net income and equity at a higher interest rate	2,916	4,779
Impact on net income and equity at a lower interest rate	-3,165	-5,260

Currency risks

Currency risks exist mainly in connection with euro positions for trade accounts receivable and payable, cash and cash equivalents, internal loans granted within the Group, open financial instruments from energy trading transactions as well as non-current financial liabilities. The analysis was performed using euro exchange rates which were 10 per cent higher and lower than the closing rate. The closing rate of the year under review was CHF/EUR 1.2156 (previous year: CHF/EUR 1.2500).

	31.12.2010		31.12.2011	
	CHF/EUR	TCHF	CHF/EUR	TCHF
Impact on net income and equity at a higher exchange rate	1.3750	13,331	1.3372	48,795
Impact on net income and equity at a lower exchange rate	1.1250	-13,331	1.0940	-48,795

The reason for the increase in risk in 2011 is that no forward exchange transactions existed to hedge currency risks at 31.12.2011 because the Swiss National Bank fixed the CHF to EUR exchange rate at a minimum of CHF 1.20.

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ESTIMATION UNCERTAINTIES

Assumptions and sources

Management makes estimations and assumptions in line with the IFRS accounting rules that affect the assets, liabilities, income and expenses of the reported figures and how they are presented. The estimations and assumptions are made taking into account past findings and various factors that exist at the time the financial statements are drawn up. These are used as the basis for all of the assets and liabilities in the balance sheet that cannot be directly measured or have other sources. The actual values may deviate from the estimated values. The estimates and assumptions are periodically reviewed. Changes to the estimates are necessary if the circumstances on which the assumptions are based change or have changed and are recognised in the respective period. The following section describes the most important estimates and assumptions in the assets and liabilities in the balance sheet that could make important changes necessary:

Property, plant and equipment

The Repower Group reported property, plant and equipment at a total carrying amount of CHF 1,041 million at 31 December 2011 (Note 9). These values are tested for indications of impairment on each balance sheet date. If indications of impairment are identified, the recoverable amount of the asset is calculated in accordance with the provisions of IAS 36 and, if necessary, an impairment is recognised. Estimates of the useful life and residual value of the asset are reviewed annually based on technical and economic developments, and revised as necessary. Changes to laws or ordinances, particularly relating to the environment and energy, could lead to significant changes in useful lives and thus depreciation periods or value adjustments to parts of assets.

Grids

The Electricity Supply Act (StromVG) and the Electricity Supply Ordinance (StromVV) came into force on 1 January 2008. Under the terms of the Electricity Supply Act, the high-voltage grid (220/380kV) must be transferred to the national grid company (Swissgrid) within five years, i.e. no later than 1 January 2013. The high-voltage grids of Repower AG have been fully integrated into Repower Transportnetz AG. The net carrying amount of the company that will be transferred is CHF 68.8 million. The transfer value is defined as the value which, according to the most recent ElCom ruling, was applied to calculate the chargeable costs prior to the transfer to Swissgrid AG. This value, however, is only a provisional transfer value and not definitive. It is management's view that the carrying amount is not higher than the expected definitive transfer value. The way Repower Transportnetz AG is treated in the consolidated financial statements is described in Note 28. A regulatory uncertainty exists for distribution grids because ElCom proceedings are still currently underway. The figure estimated for the assets is thus uncertain as are the earnings they can potentially generate in the future. Possible negative factors cannot be forecast at this point in time.

Receivables and liabilities

Trade accounts receivable amounting to CHF 607 million (previous year: CHF 475 million) were measured by applying individual and lump-sum value adjustments based on their maturity structure and historical experience. Effective losses on receivables may deviate from these estimates.

In individual countries, invoicing and payment of the national grid operator and any rulings of the regulator sometimes involve a delay of more than a year. The best possible estimates have been made in the cases where indicated. Definitive invoicing, payments and rulings may vary from these estimates and affect the overall results. Deviations of this kind are recognised in the income statement for the following year.

Provisions

Provisions are recognised taking into account the best possible estimate of the amount and date of the probable cash outflow.

Repower is currently being investigated by the anti-trust authorities in Italy. Their investigation is looking at issues involving the use of gas-fired combined-cycle power plants. Repower is supporting the authorities as best it can to clarify the situation as quickly as possible. Repower has no reason to create provisions linked to this investigation on the basis of the current assessment.

Pension fund obligation

Most employees of the Repower Group are insured by PKE Vorsorgestiftung Energie. The calculations of the balances and liabilities reported for this fund are based on statistical and actuarial assumptions made by the actuaries. The pension fund obligation in the balance sheet in particular, which totalled CHF 8 million on 31 December 2011, is dependent on assumptions such as the discount rate, future wage and salary rises and expected increases in pension benefits. Factors such as the rate of employee turnover and the life expectancy of the insured are defined by independent actuaries. The assumptions made by the actuaries can deviate considerably from the actual results due to changes in market conditions and economic environment, higher or lower rates of turnover, longer or shorter life expectancy of the insured or as a result of other estimated factors.

Planned projects

The Repower Group invests in various projects involving property, plant and equipment according to clearly defined rules. The various projects are in different phases of project development. The earlier the project development phase, the more difficult it is to estimate whether a project will be realised. The feasibility of projects and the subsequent profit-generating operation or a possible sale depend on various factors such as, for example, the legal framework and how the market environment develops in the future. As a result, the figure reported for assets under construction on the balance sheet date and the value of the project companies that Repower Group has invested in and are recognised in accordance with the equity method may deviate from the future realisable value. In addition to other projects, the key projects in the Repower Group are the Lagobianco project, Saline Joniche and the GuD Leverkusen combined cycle plant project. The carrying amount of these three projects on the reporting date is CHF 45 million (previous year: CHF 37 million).

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Repower Group companies

Lagobianco SA and Repartner Produktions AG were founded in the financial year. In addition, the project companies Prodomo d.o.o., Energia Eolica Pontremoli S.r.l., 3M Progetti S.r.l. and the service company REV S.r.l. were acquired.

Fully consolidated companies at 31 December 2011

Company	Head office	Currency	Issued capital	Holding	Closing date	Purpose
Repower AG	Poschiavo	CHF	3,408,115	-	31.12.	H/G/E
Repower Klosters AG	Klosters	CHF	16,000,000	99.88%	31.12.	C/G
Repower Ilanz AG	Ilanz	CHF	250,000	95.63%	31.12.	C/G
aurax connecta ag	Ilanz	CHF	100,000	95.63%	31.12.	S
Repower Holding Surselva AG	Waltensburg	CHF	5,000,000	95.63%	31.12.	H
Ovra electrica Ferrera SA[1)]	Trun	CHF	3,000,000	46.86%	31.12.	G
Vulcanus Projekt AG	Poschiavo	CHF	100,000	60.00%	31.12.	PC
Repower Transportnetz AG	Poschiavo	CHF	100,000	100.00%	31.12.	GC
SWIBI AG	Landquart	CHF	500,000	99.18%	31.12.	S
Repower Immobilien AG	Poschiavo	CHF	50,000	100.00%	31.12.	RE
Repower Consulta AG	Ilanz	CHF	700,000	95.63%	31.12.	RE
Alvezza SA in liquidation	Disentis	CHF	500,000	59.29%	31.12.	RE
Elbe Beteiligungs AG	Poschiavo	CHF	1,000,000	100.00%	31.12.	H
Lagobianco SA	Poschiavo	CHF	1,000,000	100.00%	31.12.	PC
Repartner Produktions AG	Poschiavo	CHF	20,000,000	65.00%	31.12.	G/PC
Elbe Finance Holding GmbH & Co KG	Dortmund	EUR	25,000	100.00%	31.12.	H
Elbe Finance Holding Verwaltungs-GmbH	Dortmund	EUR	25,000	100.00%	31.12.	H
Repower Deutschland GmbH[2)]	Dortmund	EUR	25,000	100.00%	31.12.	C
Repower Wind Deutschland GmbH	Dortmund	EUR	25,000	65.00%	31.12.	H
Repower Wind Prettin GmbH	Dortmund	EUR	25,000	65.00%	31.12.	G
Repower Wind Lübbenau GmbH	Dortmund	EUR	25,000	65.00%	31.12.	G
Repower GuD CURE Verwaltungs GmbH	Dortmund	EUR	25,000	100.00%	31.12.	H
Repower GuD CURE GmbH & Co. KG	Dortmund	EUR	25,000	100.00%	31.12.	PC
Repower Holding Italia S.p.A.	Milan	EUR	10,000,000	100.00%	31.12.	H

Company	Head office	Currency	Issued capital	Holding	Closing date	Purpose
Repower Italia S.p.A.	Milan	EUR	2,000,000	100.00%	31.12.	E
Repower Vendita Italia S.p.A.	Milan	EUR	4,000,000	100.00%	31.12.	C
Repower Produzione Italia S.p.A.	Milan	EUR	120,000	100.00%	31.12.	H
SET S.p.A.	Milan	EUR	120,000	61.00%	31.12.	G
Energia Sud S.r.l..	Milan	EUR	1,500,000	100.00%	31.12.	G
RES S.p.A.	Milan	EUR	120,000	51.00%	31.12.	PC
Prodomo d.o.o.	Rijeka	HRK	70,000	51.00%	31.12.	PC
SEA S.p.A.	Milan	EUR	120,000	100.00%	31.12.	PC
REC S.r.l.	Milan	EUR	10,000	100.00%	31.12.	PC
REN S.r.l.	Milan	EUR	100,000	100.00%	31.12.	PC
SEI S.p.A.	Milan	EUR	120,000	57.50%	31.12.	PC
Immobiliare Saline S.r.l.	Milan	EUR	10,000	100.00%	31.12.	RE
REV S.r.l.	Milan	EUR	10,000	100.00%	31.12.	S
3M Progetti S.r.l.	Milan	EUR	10,000	100.00%	31.12.	H
Energia Eolica Pontremoli S.r.l.	Milan	EUR	10,000	100.00%	31.12.	PC
Repower Trading Česká republika s.r.o.	Prague	CZK	3,000,000	100.00%	31.12.	E
S.C. Repower Vanzari Romania S.R.L.	Bucharest	RON	165,000	100.00%	31.12.	E
Repower Magyarország Kft.	Budapest	HUF	50,000,000	100.00%	31.12.	E
Repower Serbia d.o.o. Beograd	Belgrade	EUR	20,000	100.00%	31.12.	E
Repower Macedonia DOOEL Skopje	Skopje	EUR	19,970	100.00%	31.12.	E
Repower Slovenskà republika s.r.o.	Bratislava	EUR	49,791	100.00%	31.12.	E
Repower Polska Sp. z.o.o.	Warsaw	PLN	75,000	100.00%	31.12.	E
Repower Adria d.o.o	Sarajevo	BAM	1,000,000	100.00%	31.12.	E
RE Energija d.o.o	Zagreb	HRK	366,000	100.00%	31.12.	E
Repower Furnizare România S.r.l. [3]	Bucharest	RON	510,000	100.00%	31.12.	E

[1] Ovra electrica Ferrera SA, Trun, is a power plant company in which the local community holds a 51 per cent stake. The Repower Group bears full operating responsibility for this company via Repower Holding Surselva AG, and sells 100 per cent of the generated energy on the market. The Repower Group therefore exercises overall control, hence Ovra electrica Ferrera SA is fully consolidated.
[2] Formerly Repower Wind Holding GmbH
[3] Formerly Elcomex EN S.r.l.

Key:

E Energy business
G Generation
C Customers (supply/sales)
H Holding or purchase rights
RE Real estate
S Services
GC Grid company
PC Project company

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Companies included according to the equity method at 31 December 2011

Company	Head office	Currency	Issued capital	Holding	Closing date	Purpose
EL.IT.E. S.p.A.	Milan	EUR	3,888,500	46.55%	31.12.	GC
Rhiienergie AG (formerly EW Tamins AG)	Tamins	CHF	915,000	21.73%	31.12.	C
Aerochetto S.r.l.	Catania	EUR	2,000,000	39.00%	31.12.	G

Partner plants	Head office	Currency	Issued capital/ liability capital	Holding	Closing date	Purpose
Grischelectra AG	Chur	CHF	1,000,000 (20 % paid in)	11.00%	30.09.	H
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen	Luzern	CHF	90,000,000	7.00%	30.09.	H
Kraftwerke Hinterrhein AG	Thusis	CHF	100,000,000	6.50%	30.09.	G
SüdWestStrom StadtKraftWerk Brunsbüttel GmbH & Co KG[1)]	Pinneberg	EUR	4,000,000	36.00%	31.12.	PC

1) As contractually agreed, Repower reduced its stake in the partner plant project company SüdWestStrom StadtKraftWerk Brunsbüttel GmbH & Co. KG from 51 per cent to 36 per cent in the 2011 financial year.

Key:

E Energy business
G Generation

C Customers (supply/sales)
H Holding or purchase rights

RE Real estate
S Services

GC Grid company
PC Project company

Notes

1 Total operating revenue

CHF thousands	2010	2011
Revenue from energy sales[1)]	2,162,400	2,448,552
Profit from held-for-trading positions[2)]	45,255	18,539
Total net revenue	**2,207,655**	**2,467,091**
Own costs capitalised	**14,787**	**16,791**
Income from the sale of associates and Group companies	2,520	808
Income from adjustment of the residual purchase obligation Repower Furnizare S.r.l.[3)]	-	13,054
Gain from the sale of property, plant and equipment	17,184	605
Revenue from other operating activities[4)]	25,146	25,064
Other operating income	**44,850**	**39,531**
Total	**2,267,292**	**2,523,413**

1) This value contains CHF 54 million arising from the reversal of liabilities from granting transport rights (Note 21).

	2010	2011
2) Income from held-for-trading positions	3,370,307	4,431,109
Expenses for held-for-trading positions	-3,325,052	-4,412,570
Profit from held-for-trading positions	**45,255**	**18,539**

3) See Note 29

4) Primarily income from services rendered not stemming from core business.

2 Personnel expenses

CHF thousands	2010	2011
Wages and salaries	66,163	67,629
Social insurance contributions	11,512	12,035
Pension costs	3,238	3,498
Other personnel costs	2,512	2,915
Total	**83,425**	**86,077**
Headcount	**31.12.2010**	**31.12.2011**
Full-time equivalent employees	682	709
Trainees	30	30
Average	**2010**	**2011**
Full-time equivalent employees	660	700
Trainees	33	31

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Notes to the consolidated financial statements

3 Depreciation/amortisation and impairment CHF thousands	2010	2011
Depreciation of property, plant and equipment	50,263	49,134
Impairment of property, plant and equipment	1,734	9,350
Amortisation of intangible assets	3,071	3,466
Impairment of intangible assets	1,149	29,758
Total	**56,217**	**91,708**

4 Financial income CHF thousands	2010	2011
Income from other financial assets	695	1,444
Income from current financial assets	2,301	3,223
Total	**2,996**	**4,667**

Exchange rate gains and losses are recognised net. As in the previous year, there was also an exchange rate loss in the year under review, which is recognised as a financial expense in the statement of comprehensive income.

Financial income applies to the following positions and measurement categories:

Balance sheet position	Detailed position	IAS 39 measurement category	2010	2011
Other financial assets	Prepaid green electricity certificates	Fair value through profit or loss	-	972
	Non-current securities	Available for sale	695	472
Liabilities	Trade accounts payable	Other financial liabilities	2	1
Securities and other financial instruments	Other securities and financial instruments	Held for trading	218	3
Cash and cash equivalents	Sight funds and cash invested for less than 90 days	Loans and receivables	2,081	3,219
Total			**2,996**	**4,667**

Interest income on recognised financial assets not measured at fair value amounts to TCHF 3,205 (previous year: TCHF 2,066).

5 Financial expenses CHF thousands	2010	2011
Expenses for current financial assets	3,998	1,701
Expenses paid on liabilities	28,525	29,530
Exchange rate losses	29,876	15,261
Total	**62,399**	**46,492**

Exchange rate gains and losses are recognised net. As in the previous year, there was also an exchange rate loss in the year under review, which is recognised as a financial expense in the statement of comprehensive income.

Financial expenses apply to the following positions and measurement categories:

Balance sheet position	Detailed position	IAS 39 measurement category	2010	2011
Securities and other financial instruments	Other securities and financial instruments	Held for trading	2,692	258
Receivables	Trade accounts receivables	Loans and receivables	209	347
Cash and cash equivalents	Sight funds and cash invested for less than 90 days	Loans and receivables	1,097	1,096
Current and non-current financial liabilities	Loans and other financial liabilities	Other financial liabilities	23,041	19,494
Current financial liabilities	Negative replacement values	Held for trading	3,454	7,402
Other current liabilities	Trade accounts payable	Other financial liabilities	1,678	2,366
Non-current provisions	Provisions for contract risks, reversions and other provisions	n/a	352	268
Exchange rate losses			29,876	15,261
Total			**62,399**	**46,492**

Interest expense for recognised financial liabilities which were not measured at fair value amounts to TCHF 19,494 (previous year: TCHF 23,041). Bank fees and commissions for recognised financial assets and liabilities which were not measured at fair value amount to TCHF 1,683 (previous year: TCHF 1,232).

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Notes to the consolidated financial statements

6 Investments in associates and partner plants CHF thousands	2010	2011
Carrying amounts at 1 January	**41,071**	**51,784**
Investments (equity increase / acquisition of holding)	12,656	1,550
Disposals	-	-2,940
Dividends	-315	-337
Effect of currency translations	-3,818	-401
Share of the results	2,190	-2,687
Impairment	-	-6,965
Carrying amounts at 31 December	**51,784**	**40,004**

The increase in the 2010 financial year was particularly a result of the acquisition of a 39 per cent stake in Aerochetto S.r.l.

The decrease this year is mainly linked to the project company SüdWestStrom StadtKraftWerk Brunsbüttel GmbH & Co. KG which is headquartered in Pinneberg. Repower owns a stake in this project company via Elbe Finance Holding GmbH & Co. KG which has its headquarters in Dortmund. Repower reduced its stake in the project company from 51 per cent to 36 per cent on 28 February 2011. The resultant income amounted to TCHF 808, which is recorded under “Other operating income”. The transaction resulted in a cash inflow of TCHF 3,739. Due to the lack of investment security and continued uncertainty about the overall energy policy conditions in Germany, management concluded in the course of the annual impairment tests that the Brunsbüttel project is not realisable in the foreseeable future and project participation thus needs to be subject to unscheduled depreciation to a value of zero. This represents an amount of TCHF 6,965 which is contained in the statement of comprehensive income in the share of results from associates and partner plants of TCHF 9,652.

Key figures for associates	2010 Gross values	2011 Gross values	2010 Repower share	2011 Repower share
Assets	147,867	142,514	54,529	52,377
Liabilities	-93,020	-93,050	-36,232	-36,035
Income	23,289	29,963	7,046	9,578
Expenses	-21,274	-35,488	-6,270	-11,424
Profit/loss	2,015	-5,525	776	-1,846

Key figures for partner plants	2010 Gross values	2011 Gross values	2010 Repower share	2011 Repower share
Non-current assets	854,058	843,336	65,913	55,304
Current assets	164,161	131,055	13,367	10,014
Non-current liabilities	-531,261	-518,062	-36,088	-35,241
Current liabilities	-110,985	-90,552	-9,705	-6,415
Income	344,882	374,163	25,095	27,294
Expenses	-312,491	-382,399	-23,681	-28,135
Profit/loss	32,391	-8,236	1,414	-841

7 Income taxes

CHF thousands	2010 Restated	2011
Income taxes charged to the income statement		
Current income taxes[1]	30,411	34,835
Deferred income taxes	-5,249	-10,938
Total	**25,162**	**23,897**
Income taxes charged to equity		
Income taxes on changes in equity	268	358
Total	**268**	**358**

The reconciliation between the actual tax burden and the expected tax charge for the years ending 31 December 2011 and 31 December 2010 is as follows:

	2010 Restated	2011
Transitional statement		
Profit before income taxes	101,860	78,075
Expected income tax rate	16.7 %	16.7%
Income taxes at expected tax rate	16,990	13,023
Tax effect from non-tax-deductible expenses	1,144	8,422
Tax effect from income taxed at other rates	9,363	8,667
Tax effect from tax-free income	-3,059	-5,910
Subsequent capitalisation of previously unrecognised deferred taxes on tax-loss carryforwards	-	-1,261
Tax due on tax-loss carryforwards for which deferred taxes were recognised	-	156
Tax losses in the current year for which no deferred tax assets were recognised	1,469	754
Tax losses charged for which no deferred tax assets were recognised	-2,609	-195
Tax rate revision Switzerland[2]	-450	-
Tax law revision Italy	2	-
Tax rate revision Italy[3]	-	-313
Regional production tax - Italy (IRAP)	3,786	3,307
Tax burden/relief subsequently recognised for previous years	-1,948	-2,770
Other	474	17
Income taxes charged to the income statement	**25,162**	**23,897**
Effective income tax rate	24.7%	30.6%

1) Tax income was rebooked from the statement of comprehensive income to shareholders' equity in the amount of TCHF 540 in connection with the adjustment to the previous year's figures (see Note 30).

2) The revised tax law that came into effect in the canton of Graubünden on 1 January 2010 provided for a reduction in the tax rate on earnings. This resulted in a recognised reversal of deferred tax obligations and a corresponding impact on the effective income tax rate.

3) In Italy the surcharge (IRES) was increased, limited to the years 2011, 2012 and 2013.

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Deferred income taxes by origin of difference CHF thousands	31.12.2010	31.12.2011
Assets		
Property, plant and equipment	3,123	4,380
Other non-current assets	13,731	13,915
Current assets	3,169	7,183
Provisions	1,344	3,453
Liabilities	30,974	15,918
Loss carryforwards / tax credits	1,478	5,235
Total	**53,819**	**50,084**
Liabilities		
Property, plant and equipment	63,815	52,550
Other non-current assets	5,199	1,834
Current assets	19,615	14,032
Provisions	17,079	14,025
Liabilities	1,050	1,088
Total	**106,758**	**83,529**
Of which the following are disclosed in the balance sheet as		
Deferred income taxes[1)]	-14,915	-25,430
Deferred tax liabilities	67,854	58,875
Net deferred tax liabilities	**52,939**	**33,445**

1) Deferred income taxes were increased by TCHF 540, from TCHF 14,915 to TCHF 15,455, in connection with the adjustment to the previous year's figures (see Note 30).

CHF thousands Change in deferred taxes 2011 by category	Property, plant and equipment	Other non-current assets	Current assets	Provisions	Liabilities	Loss carryforwards Tax credits	Total
Opening balance 2011	-60,692	8,532	-16,446	-15,735	29,924	1,478	-52,939
Change due to an acquisition	-	-	-	-	-	-	-
Change due to a sale	-	-	-	-	-	-	-
Change via the income statement	2,526	3,576	9,593	5,244	-14,483	4,482	10,938
Reported as "Liabilities held for sale"	10,076	-	-	-	-	-	10,076
Change recognised directly in shareholders' equity (OCI)	-	-	-	-	-358	-	-358
Translation differences	-80	-27	4	-81	-253	-119	-556
Other[2)]	-	-	-	-	-	-606	-606
Closing balance 2011	**-48,170**	**12,081**	**-6,849**	**-10,572**	**14,830**	**5,235**	**-33,445**

2) Transfer of loss carryforwards within the Italian tax group which were booked as a reduction in the current tax receivable in the head of the tax group.

Change in deferred taxes 2010 by category	Property, plant and equipment	Other non-current assets	Current assets	Provisions	Liabilities	Loss carryforwards Tax credits	Total
Opening balance 2010	-69,133	16,443	-18,214	-18,991	33,558	2,336	-54,001
Change due to an acquisition	-	-2,053	-	-	-625	-	-2,678
Change due to a sale	1,131	-	-	-	-	-	1,131
Change via the income statement	7,855	-5,019	1,048	3,392	-1,818	-594	4,864
Change recognised directly in shareholders' equity (OCI)	-	-	-	-	-268	-	-268
Translation differences	-545	-839	720	-136	-923	-264	-1,987
Other	-	-	-	-	-	-	-
Closing balance 2010	**-60,692**	**8,532**	**-16,446**	**-15,735**	**29,924**	**1,478**	**-52,939**

Tax loss carryforwards

On 31 December 2011 individual Group companies had tax loss carryforwards of TCHF 31,351 (previous year: TCHF 17,351), which they can charge in future periods as taxable profit. Deferred tax assets are recognised only to the extent that it is probable that the tax credits can be realised. On the balance sheet date the Group had unrecognised tax loss carryforwards of TCHF 6,726 (previous year: TCHF 12,280), since the future utilisation of these amounts for tax purposes is not probable. These are due on the following dates:

Unrecognised tax loss carryforwards CHF thousands	**31.12.2010**	**31.12.2011**
Due within 1 year	-	-
Due in 1-3 years	36	319
Due in 3-7 years	4,057	5,293
Due after 7 years or no due date	8,187	1,114
Total	**12,280**	**6,726**

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8 Earnings per share	2010 Restated	2011
Total shares issued at a par value of 1 CHF	2,783,115 units	2,783,115 units
Total participation certificates issued at par value of 1 CHF	625,000 units	625,000 units
Less treasury shares (annual average)	-12,156 units	-12,156 units
Less treasury participation certificates (annual average)	-4,032 units	-4,107 units
Average number of shares in circulation	**3,391,927 units**	**3,391,852 units**
Share of Group profit attributable to Repower shareholders and participants	TCHF 76,359	TCHF 54,116
Earnings per share (undiluted)	CHF 22.51	CHF 15.95
There are no factors resulting in a dilution of earnings per share.		
Dividend	TCHF 27 265	TCHF 17,041*)
Dividend per share	CHF 8.00	CHF 5.00*)

*) 2011 dividend subject to approval by the Annual General Meeting

9 Property, plant and equipment

CHF thousands

	Power plants	Grids	Assets under construction	Property and buildings	Other tangible assets	Total
Gross values at 1 January 2010	**759,540**	**799,092**	**96,602**	**105,290**	**56,442**	**1,816,966**
Own costs capitalised	72	5,462	7,632	-	-	13,166
Additions	612	12,215	50,921	6,688	2,265	72,701
Additions from change in consolidation	60,326	-	-	2,846	78	63,250
Disposals		-23,672	-2,330	-7,950	-8,395	-42,347
Disposals from change in consolidation	-	-	-5,907	-	-1,840	-7,747
Reclassification	2,934	14,299	-28,656	14,893	-3,470	-
Translation differences	-64,994	-	-2,894	-7,632	-2,941	-78,461
Gross values at 31 December 2010	**758,490**	**807,396**	**115,368**	**114,135**	**42,139**	**1,837,528**
Accumulated depreciation and impairments at 1 January 2010	**-280,791**	**-377,569**	**-21,794**	**-36,068**	**-28,978**	**-745,200**
Depreciation	-23,263	-19,276	-	-1,912	-5,812	-50,263
Impairments	-1,660	-	-74	-	-	-1,734
Disposals	-	22,658	-	4,968	8,291	35,917
Disposals from change in consolidation	-	-	2,207	-	1,340	3,547
Reclassification	-5	-7,396	-	-	7,401	-
Translation differences	9,383	-	583	442	887	11,295
Accumulated depreciation at 31 December 2010	**-296,336**	**-381,583**	**-19,078**	**-32,570**	**-16,871**	**-746,438**
Net values at 31 December 2010	**462,154**	**425,813**	**96,290**	**81,565**	**25,268**	**1,091,090**
Of which pledged as collateral for debts						4,050
Gross values at 1 January 2011	**758,490**	**807,396**	**115,368**	**114,135**	**42,139**	**1,837,528**
Own costs capitalised	2,069	3,103	8,465	4	436	14,077
Additions	19,098	9,011	44,581	1,680	11,403	85,773
Additions from change in consolidation	-	-	-	-	-	-
Disposals	-4,479	-5,726	-7,865	-2,064	-3,961	-24,095
Disposals from change in consolidation	-	-	-	-	-	-
Reclassification	60,427	5,815	-69,375	137	2,996	-
IFRS 5 reclassifications	-	-86,189	-	-	-	-86,189
Translation differences	-9,955	-	-638	-1,156	-503	-12,252
Gross values at 31 December 2011	**825,650**	**733,410**	**90,536**	**112,736**	**52,510**	**1,814,842**
Accumulated depreciation and impairments at 1 January 2011	**-296,336**	**-381,583**	**-19,078**	**-32,570**	**-16,871**	**-746,438**
Depreciation	-24,627	-18,610	-	-2,010	-3,887	-49,134
Impairments	-	-	-9,350	-	-	-9,350
Disposals	1,215	4,990	7,642	575	1,109	15,531
Disposals from change in consolidation	-	-	-	-	-	-
Reclassification	-989	-	-	-199	1,188	-
IFRS 5 reclassifications		13,577	-	-	-	13,577
Translation differences	1,788	-	74	85	170	2,117
Accumulated depreciation at 31 December 2011	**-318,949**	**-381,626**	**-20,712**	**-34,119**	**-18,291**	**-773,697**
Net values at 31 December 2011	**506,701**	**351,784**	**69,824**	**78,617**	**34,219**	**1,041,145**
Of which pledged as collateral for debts						4,050

The pledged fixed assets were put up as collateral for the investment loans and mortgages as listed in Notes 18 and 23. Insured value of property, plant and equipment: MCHF 1,380 (previous year: MCHF 1,380). In the year under review, TCHF 1,231 in interest on borrowings (previous year: TCHF 1,465) was capitalised for assets under construction. A financing cost rate of 3.14 per cent (previous year: 3.36 %) was used.

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Impairment of property, plant and equipment
There were two main impairments on assets under construction in 2011. These relate to an impairment for a trading system of around MCHF 7.2. In addition, a value adjustment was carried out for recognised costs relating to a power plant project in the amount of MCHF 1.7. Impairments totalling MCHF 1.7 were necessary in 2010. These mainly related to a wind power plant.

10 Intangible assets

CHF thousands	Goodwill	Customer relations	Brand	Misc. Intangible assets	Total
Gross values at 1 January 2010 - Restated	**-**	**9,107**	**3,519**	**7,775**	**20,401**
Own costs capitalised	-	-	-	1,621	1,621
Additions - restated	-	-	-	6,353	6,353
Additions from change in consolidation	20,131	9,554	2,572	9	32,266
Disposals	-	-	-2,822	-20	-2,842
Translation differences	-1,320	-1,894	-387	-590	-4,191
Gross values at 31 December 2010	**18,811**	**16,767**	**2,882**	**15,148**	**53,608**
Accumulated amortisation and impairments at 1 January 2010	**-**	**-2,431**	**-3,519**	**-2,839**	**-8,789**
Amortisation	-	-681	-221	-2,169	-3,071
Impairments	-	-1,149	-	-	-1,149
Disposals	-	-	2,822	7	2,829
Reversal of impairments	-	-	-	19	19
Translation differences	-	392	244	327	963
Accumulated amortisation at 31 December 2010	**-**	**-3,869**	**-674**	**-4,655**	**-9,198**
Net values at 31 December 2010	**18,811**	**12,898**	**2,208**	**10,493**	**44,410**
Gross values at 1 January 2011	**18,811**	**16,767**	**2,882**	**15,148**	**53,608**
Own costs capitalised	-	-	-	2,714	2,714
Additions	-	-	-	6,659	6,659
Additions from change in consolidation	-	-	-	-	-
Disposals	-17,891	-	-2,835	-8,055	-28,781
Translation differences	-374	-623	-47	-115	-1,159
Gross values at 31 December 2011	**546**	**16,144**	**-**	**16,351**	**33,041**
Accumulated amortisation and impairments at 1 January 2011	**-**	**-3,869**	**-674**	**-4,655**	**-9,198**
Amortisation	-	-732	-590	-2,144	-3,466
Impairments	-17,891	-8,319	-1,574	-1,974	-29,758
Disposals	17,891	-	2,835	4,091	24,817
Reversal of impairments	-	-	-	-	-
Translation differences	-	343	3	71	417
Accumulated amortisation at 31 December 2011	**-**	**-12,577**	**-**	**-4,611**	**-17,188**
Net values at 31 December 2011	**546**	**3,567**	**-**	**11,740**	**15,853**

The 2011 reporting year mainly contains the value adjustment of Repower Furnizare România S.r.l., Bucharest, which is described in Note 29. The disposal of the brand relates to the name change from Elcomex EN S.r.l. to Repower Furnizare România S.r.l.. The increase during the 2010 financial year primarily concerns new additions from acquisitions (Note 27) and acquired software. The customer relations of Repower Vendita Italia S.p.A. (formerly Dynameeting S.p.A.) were impaired in the amount of TCHF 1,149. The remaining period of use is 9 years.

11 Other financial assets CHF thousands	31.12.2010	31.12.2011
Prepaid green electricity certificates	5,768	6,164
Prepaid long-term electricity procurement agreements	50,040	46,910
Active loans to associates and partner plants	-	6,552
Other non-current securities	7,592	7,428
Total	**63,400**	**67,054**

Prepayments for green electricity certificates were initially recognised under "fair value through profit or loss". The fair value of prepaid green electricity certificates is determined using a valuation model which takes into account current third-party selling prices as well as expected future price developments. Prepayments for long-term electricity procurement agreements are amortised on the basis of the physical delivery of electricity and held solely for this purpose. The loan granted is allocated to the category "Loans and receivables" and carried at amortised cost. The interest rate is variable and market-compliant. All other financial securities in non-current assets are classified as "available for sale" and recognised at fair value. This does not affect listed shares or equity securities for which there is no active market and hence for which the fair value cannot be reliably determined. The fair value corresponds to the acquisition value less impairments.

12 Inventories CHF thousands	31.12.2010	31.12.2011
Green electricity certificates	5,704	12,038
Emissions certificates	4,786	4,138
Emissions certificates held for trading	4,520	3,158
Gas	6,950	9,451
Material inventories	8,194	9,009
Total	**30,154**	**37,794**

Inventories consist of material inventories, gas inventories and certificates, and are valued at the lower of acquisition costs and net realisable value. Certificates that are not necessary for own generation needs and which are held for trading purposes are valued at fair value less selling costs. In the year under review an impairment of TCHF 0 (previous year TCHF 600) was recognised.

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13 Receivables CHF thousands	01.01.2010 Restated	31.12.2010 Restated	31.12.2011
Trade accounts receivable	417,387	414,606	570,130
Allowances for doubtful accounts	-14,845	-14,769	-21,468
Other receivables	65,840	67,744	57,584
Other receivables from associates and partner plants	-	7,607	482
Total	**468,382**	**475,188**	**606,728**
Receivables are carried in the following currencies:			
Swiss francs	48,066	66,257	49,001
Euros (translated)	420,316	408,931	528,589
Other currencies (translated)	-	-	29,138

"Other currencies" primarily covers the RON and CZK.

All receivables fall into the category "Loans and receivables" and are measured at amortised cost. Receivables at 31 December 2011 (and 31 December 2010) are due within one year. Due to their short-term nature, the carrying amounts are assumed to be fair values. Trade accounts receivable include the following overdue and non-impaired amounts:

	01.01.2010 Restated	31.12.2010 Restated	31.12.2011
Less than 30 days overdue	11,713	6,967	28,230
31-60 days overdue	8,600	19,176	28,732
61-90 days overdue	6,983	4,727	12,453
91-180 days overdue	13,650	5,324	16,095
181-360 days overdue	16,365	7,929	12,032
More than 360 days overdue	34,012	32,654	40,722

The total amount of receivables which are neither impaired nor overdue is TCHF 423,388 (previous year: TCHF 322,632). There are no indications that would necessitate an allowance for these receivables.

Allowances for doubtful accounts amounted to:

	01.01.2010 Restated	31.12.2010 Restated	31.12.2011
At 1 January	12,360	14,845	14,769
Additions	8,433	10,301	16,519
Disposals	-6,037	-8,331	-9,432
Translation differences	89	-2,046	-388
Total	**14,845**	**14,769**	**21,468**
Of which			
Individual allowances	14,723	7,597	10,378
Collective allowances	122	7,172	11,090

In the case of single significant positions where receipt of payment is uncertain, individual allowances are determined based on internal and external credit rating information. In addition, collective allowances are calculated based on historical accounts receivable losses and current information. Neither collateral nor any other enhancements are available for doubtful receivables.

14 Securities and other financial instruments CHF thousands	31.12.2010	31.12.2011
Marketable equities	1,502	1,266
Other securities	205	205
Positive replacement values	4,182	20
Total	**5,889**	**1,491**

Securities and other financial instruments fall into the category “held for trading” and are measured at fair value. The replacement values consist solely of open forward exchange transactions and correspond to the market value.

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15 Positive/negative replacement values for held-for-trading positions CHF thousands	31.12.2010	31.12.2011
Positive replacement values	125,140	107,204
Negative replacement values	99,361	85,076

The figures for the replacement values correspond to all financial instruments from energy trading transactions open on the balance sheet date. The replacement value corresponds to the fair value of the open financial instruments. Positive replacement values represent receivables and therefore an asset. Negative replacement values represent obligations and therefore a liability.

Replacement values of held-for-trading positions relate to forward contracts measured at fair value. Forward contracts cover forwards and futures with flexible profiles. The replacement value is obtained from the difference in price compared to the closing price. Price fluctuations for forward contracts are recognised by adjusting the replacement values, since there is no daily financial settlement of fluctuations in value.

Held-for-trading positions are used to hedge credit and market risks. If the counterparty fails to fulfil its obligations arising from the contract, the counterparty risk for the company corresponds to the positive replacement value. An obligation by the company towards the counterparty exists in the event of a negative replacement value. In this case the counterparty bears the risk. These risks related to held-for-trading positions are limited by imposing high requirements on contract partners' creditworthiness.

16 Cash and cash equivalents CHF thousands	31.12.2010	31.12.2011
Sight funds	348,663	338,279
Cash invested for less than 90 days	1,312	1,594
Total	**349,975**	**339,873**

All cash and cash equivalents fall into the category "Loans and receivables" and are measured at amortised cost.

The average interest rate for credit in CHF was 0.3 per cent (previous year: 0.2%) and for credit in EUR 0.6 per cent (previous year: 0.6%).

Cash and cash equivalents are held in the following currencies:

	31.12.2010	31.12.2011
Swiss francs	156,739	75,603
Euros (translated)	191,186	261,139
Other currencies (translated)	2,050	3,131

All positions are freely disposable or are due within 90 days. The carrying amounts correspond approximately to the fair values.

Cash and cash equivalents for cash flow statement CHF thousands	31.12.2010	31.12.2011
Cash and cash equivalents	349,975	339,873
Cash and cash equivalents held for sale[1)]	-	6,455
Negative overdrafts[2)]	-5,708	-986
Total	**344,267**	**345,342**

1) Cash and cash equivalents held for sale are disclosed under "Assets held for sale" (Note 28). These must be added again to cash and cash equivalents for the cash flow statement.

2) The negative overdrafts are liabilities which are owed to banks and are integrated in the payment transactions of the Group companies. These are disclosed under current financial liabilities (Note 23).

17 Share capital CHF thousands		31.12.2010	31.12.2011
Share capital	2,783,115 at a par value of CHF 1	2,783	2,783
Participation certificates	625,000 at a par value of CHF 1	625	625
Share and participation capital		**3,408**	**3,408**
Existing shareholders and their direct share of voting rights:			
Canton of Graubünden		46.00%	46.00%
Alpiq Holding AG, Olten		24.60%	24.60%
Elektrizitäts-Gesellschaft Laufenburg AG, Laufenburg (EGL)		21.40%	21.40%
Other (free float)		8.00%	8.00%

Participation certificates carry no voting rights at the Annual General Meeting but are subject to the same provisions as shares. The number of share and participation certificates remained unchanged from the previous year.

Treasury shares	Number of shares	Average price in CHF	Number of participation certificates	Average price in CHF
At 31 December 2009	12,156		3,957	
Purchases	2,867	451	150	277
Disposals	-2,867	437		
At 31 December 2010	12,156		4,107	
Purchases	60	462		
Disposals	-60	501		
At 31 December 2011	**12,156**		**4,107**	

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18 Non-current financial liabilities CHF thousands	Currency	Due date	Interest	31.12.2010	31.12.2011
Note	CHF	10.04.2017	3.625%	15,000	15,000
Note	CHF	30.03.2018	3.660%	25,000	25,000
Note	CHF	20.03.2023	3.625%	10,000	10,000
Note	CHF	28.06.2030	2.500%	20,000	20,000
Bank loan	CHF	12.12.2020	3.100%	10,000	10,000
Bank loan	CHF	04.07.2016	3.360%	50,000	50,000
Bank loan (SET)[1)]	EUR	30.06.2014	variable	62,500	36,468
Bank loan (SET)[1)]	EUR	31.07.2015	5.020%	68,750	66,858
Interest rate swaps (SET)[1)]	EUR	30.06.2014		3,646	2,229
Loans				**264,896**	**235,555**
Debenture bond par value	CHF	18.11.2016	2.500%	200,000	200,000
Net expenditures	CHF			-2,195	-1,481
Debenture bond par value	CHF	20.07.2022	2.375%	115,000	115,000
Net expenditures	CHF			-2,775	-2,351
Bonds				**310,030**	**311,168**
Investment loan	CHF	31.12.2015	no interest	758	455
Investment loan[2)]	CHF	31.12.2020	no interest	2,125	1,700
Investment loan	CHF	31.12.2015	no interest	234	140
Loan (minority interest)[3)]	CHF	31.12.2070	2.700%	-	7,865
Loan (minority interest)	EUR	31.12.2014	variable	7,455	7,249
Residual purchase obligation 3M Progetti S.r.l.	EUR	31.12.2015	7.650%	-	1,124
Residual purchase obligation Repower Furnizare România S.r.l.	EUR	30.06.2015	7.500%	13,997	396
Other financial liabilities				**24,569**	**18,929**
Total				**599,495**	**565,652**
Financial liabilities are carried in the following currencies					
Swiss francs				443,147	451,328
Euros (translated)				156,348	114,324

With the exception of interest rate swaps, all non-current financial liabilities fall into the category "Other financial liabilities" and are recognised at amortised cost using the effective interest method.

The weighted average interest rate based on the nominal value on the balance sheet was 3.1 per cent (previous year: 3.4%). The fair value of non-current financial liabilities is TCHF 631,306 (previous year: TCHF 666,496).
Repower has complied with all credit and loan agreements in full.

1) Interest rate swaps are agreed and hedge accounting applied to hedge the variable-interest SET bank loan. The value adjustment of TCHF 1,316 (previous year: TCHF 789), of which TCH 513 apply to minority interests (previous year: TCHF 308), was recognised in the consolidated statement of comprehensive income (fair value adjustment of financial instruments) after taking into account deferred income taxes of TCHF -358 (previous year: TCHF -268), of which TCHF -140 apply to minority interests (previous year: TCHF -105). The maturity dates of the interest rate swaps are the same as the maturity dates for the SET loan interest and will generate cash flows, expenses and/or income in the coming years. Interest rate swaps are subject to hedge accounting and are recognised at fair value. The value adjustment is recorded under other income.

2) Mortgage assignments were pledged as security for the investment loan of TCHF 1,700 (previous year: TCHF 2,125). The fixed assets pledged in this connection are disclosed in Note 9.

3) The minority shareholders of Repartner Produktions AG granted an interest-free loan of TCHF 15,925 commensurate with their share to finance the expansion of Repower's Taschinas hydropower plant in Grüsch. The terms of the loan stipulate repayment on a straight-line basis over 59 years as well as pro-rata compensation based on EBIT generated by the Taschinas power plant. Financial liabilities must be recorded at fair value. Since no market price is available, this is determined on the basis of the present value of future cash flows. The interest rate applied is 2.7 per cent. The interest rate advantage for the interest-free shareholder loan amounts to TCHF 8,004 and was classified as a hidden contribution which was taken into account at Group level as a capital increase in minority interests. The liability component of the interest-free loan amounts to TCHF 7,921 and is recognised over the loan period using the effective interest method, with the short-term part (TCHF 56) recorded under current financial liabilities.

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19 Pension fund obligation CHF thousands	2010	2011
Development of plan liabilities and assets		
Present value of plan liabilities on 1 January	167,106	179,161
Service costs	7,115	7,981
Past service costs	200	2,061
Interest expense	5,215	4,874
Plan reduction / plan payment	-7,203	-2,158
Benefits paid	-7,686	-8,405
Gains / losses	14,703	7,753
Currency gains/losses	-289	-56
Present value of plan liabilities at 31 December	**179,161**	**191,211**
Fair value of plan assets on 1 January	143,929	146,543
Expected return on plan assets	6,243	5,806
Employer contributions	4,416	3,567
Employee contributions	2,247	2,038
Plan reduction / plan payment	-5,188	-
Benefits paid	-7,686	-8,405
Gains / losses	2,582	-9,571
Fair value of plan assets at 31 December	**146,543**	**139,978**
Recognised pension liabilities		
Fair value of plan assets	146,543	139,978
Present value of pension obligation excluding plan assets	-177,447	-188,805
Shortfall/surplus	**-30,904**	**-48,827**
Present value of pension obligation excluding plan assets	-1,714	-2,406
Unrecognised past service costs	-	1,889
Unrecognised actuarial gains/losses	24,859	41,704
Recognised pension liabilities	**-7,759**	**-7,640**
Pension expense recognised under personnel expenses		
Service costs	7,115	7,981
Interest expenses	5,215	4,874
Expected return on plan assets	-6,243	-5,806
Recognised actuarial gains/losses (outside the corridor)	16	473
Recognised past service costs	200	172
Plan reduction / plan payment gain (loss)	-818	-2,158
Employee contributions	-2,247	-2,038
Pension costs for the period	**3,238**	**3,498**

Change in defined benefit pension obligation	**2010**	**2011**
At 1 January	-9,196	-7,759
Translation differences from foreign plans	259	50
Pension costs for the period	-3,238	-3,498
Employer contributions paid	4,416	3,567
Recognised plan liabilities on 31 December	**-7,759**	**-7,640**
Effective return on plan assets	6.10%	2.60%
Effective income from plan assets	8.825	-3.765
Calculation principles:		
Discount rate	2.65%	2.35%
Expected return on separated assets	4.00%	3.75%
Expected rate of increase in future compensation levels	2.00%	2.00%
Expected rate of increase in future pension contribution	0.25%	0.25%
Breakdown of assets, other information		
Liquid assets	6.10%	1.60%
Time deposits	28.10%	30.00%
Investments	39.80%	39.50%
Real estate	16.90%	18.80%
Other	9.10%	10.10%
Total	**100.00%**	**100.00%**

Demographic factors

The most important demographic assumptions concern the mortality rate. Mortality rates are applied which take into account the historic trend and expected changes such as an increasing life expectancy. The mortality tables used for the largest Group staff pension fund, which covers all employees in Switzerland, are based on the technical principles of the 2010 Federal Law on Occupational Pensions for Old Age, Survivors and Disability (BVG).

Disclosures of current and prior periods:

	31.12.2007	**31.12.2008**	**31.12.2009**	**31.12.2010**	**31.12.2011**
Present value of pension obligation	164,255	166,871	167,106	179,161	191,211
Fair value of plan assets	167,905	147,083	143,929	146,543	139,978
Plan surplus/deficit	3,650	-19,788	-23,177	-32,618	-51,233
Experience adjustments					
of pension obligation	2,569	1,902	-2,304	3,844	496
of plan assets	10,569	-29 564	-6,700	2,582	-9,571
Adjustment to pension fund obligations based on changed assumptions	-7,376	-3,727	-	10,859	7,257

Employer contributions for 2012 are estimated at TCHF 3,820 (previous year: TCHF 3,480).

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20 Provisions CHF thousands	2010	2011	Contract risks	Reversion provisions	Pension provisions	Other provisions
At 1 January	**64,392**	**65,960**	**395**	**53,337**	**7,759**	**4,469**
Provisions recognised	2,330	2,530	-	-	1,108	1,422
Additions from change in consolidation	3,522	0	-	-	-	-
Provisions used	-265	-18,043	-381	-17,140	-	-522
Provisions reversed	-2,615	-2,450	-	-	-1,177	-1,273
Disposals from change in consolidation	-818	0	-	-	-	-
Interest	352	268	-	268	-	-
Translation differences	-938	-162	-6		-50	-106
At 31 December	**65,960**	**48,103**	**8**	**36,465**	**7,640**	**3,990**
Expected maturity up to 1 year	37,801	21,484	8	20,335	-	1,141
Current provisions	**37,801**	**21,484**	**8**	**20,335**	**-**	**1,141**
Expected maturity within 2 - 5 years	3,231	2,074	-	1,792	-	282
Expected maturity more than 5 years	24,928	24,545	-	14,338	7,640	2,567
Non-current provisions	**28,159**	**26,619**	**-**	**16,130**	**7,640**	**2,849**

Contract risks

Provisions for contract risks cover obligations and risks identified on the balance sheet date and relating to the energy business.

Reversion provisions

In 2011 the first instalment of the second part of the reversion waiver compensation for the Prättigau power plants was paid in the amount of MCHF 17. The remaining MCHF 20 will be paid in 2012. Other provisions exist for the extensive deliveries of free energy to the municipality of Poschiavo.

Pension provisions

Note 19 provides information on the measurement of the provision for pension fund obligations.

Other provisions

Other provisions cover various minor risks which are individually regarded as insignificant.

21 Other non-current liabilities CHF thousands	31.12.2010	31.12.2011
Prepayment received for transport rights	54,291	-
Other non-current liabilities	2,491	2,237
Total	**56,782**	**2,237**

The Bernina line was partly financed by third parties. In return, these third parties were granted rights of use for the Bernina line. This liability was amortised through the provision of energy transport services. Energy transport services were provided on a pro rata basis throughout the line's useful life and the liabilities were reduced accordingly and brought to income over the same period.

With the enactment of the Electricity Supply Act (StromVG) and the expiry of the exemption for the Bernina line in 2011, the granting of transport rights became invalid and no longer applicable. Repower is of the opinion that there is no longer an obligation to fulfil. The reported liability of CHF 54 million was fully reversed and taken to income via net revenue.

22 Other current liabilities CHF thousands	01.01.2010 Restated	31.12.2010 Restated	31.12.2011
Trade accounts payable	313,891	309,841	468,905
Other liabilities	26,045	24,743	55,801
Total	**339,936**	**334,584**	**524,706**
Other current liabilities are carried in the following currencies:			
Swiss francs	31,720	38,613	39,972
Euros (translated)	308,216	263,826	462,660
Other currencies (translated)	-	32,145	22,074

All positions fall into the category "Other liabilities" and are recognised at amortised cost. They are due within one year. The carrying amounts are assumed to be fair values. Other liabilities for 2010 must be restated due to the financial offence in Italy.

23 Current financial liabilities CHF thousands	31.12.2010	31.12.2011
Current financial liabilities	61,187	36,627
Negative replacement values	4,933	11,921
Total	**66,120**	**48,548**

All current financial liabilities owed to third parties and related parties fall into the category "Other financial liabilities" and are recognised at amortised cost. Due to their short-term nature, the carrying amounts are assumed to be fair values. The replacement values consist of forward exchange transactions and correspond to the market value.

Mortgage assignments were pledged as security for the mortgage of TCHF 1,445 (previous year: TCHF 1,445) reported under current financial liabilities. The fixed assets pledged in this connection are disclosed in Note 9.

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24 Prepaid expenses, accruals and deferred income CHF thousands	31.12.2010	31.12.2011
Prepaid expenses and accrued income		
Accrued network transmission income	7,038	-
Prepayment of energy and transport rights	4,296	871
Other accrued income	5,006	4,543
Total	**16,340**	**5,414**

All accrued positions fall into the category "Loans and receivables", are measured at amortised cost and are due within one year. The carrying amounts are assumed to be fair values.

Deferred income and accrued expenses	31.12.2010	31.12.2011
Accrued interest	4,600	4,262
Accrued annual leave and overtime	5,667	7,225
Accrued other personnel expenses	6,235	6,463
Accrued capital, other taxes, charges and levies	7,633	5,719
Other accrued expenses	6,201	7,072
Total	**30,336**	**30,741**

All positions are accruals and fall into the category "Other financial liabilities". They are measured at amortised cost and are due within one year. The carrying amounts are assumed to be fair values.

25 Transactions with related parties

CHF thousands

Scope of transactions between the Group and related parties	Energy sales[2]		Other income		Energy procurement[2]		Other expenses	
	2010	2011	2010	2011	2010	2011	2010	2011
Canton of Graubünden[1]	-	-	-	-	-	-	-	-
Alpiq Group	435,070	365,415	-	188	431,260	404,314	-	364
Axpo Group	395,238	312,245	-	64	396,964	426,071	-	430
Main shareholders	**830,308**	**677,660**	**-**	**252**	**828,224**	**830,385**	**-**	**794**
Kraftwerke Hinterrhein AG	705	405	-	-	4,459	3,982	-	38
Grischelectra AG	-	-	-	-	32,178	36,820	-	-
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen	-	-	-	-	16,948	16,545	-	-
Rhiienergie AG, Tamins	-	-	-	-	-	-	-	-
ELIT.E S.p.A.	-	-	-	-	2,688	2,354	-	-
SüdWestStrom StadtKraftWerk Brunsbüttel GmbH & Co. KG	-	-	-	-	-	-	-	-
Aerochetto S.r.l.	-	72	-	-	-	-	-	-
Associates and partner plants	**705**	**477**	**-**	**-**	**56,273**	**59,701**	**-**	**38**

Scope of transactions between the Group and related parties	Receivables at 31 December		Current liabilities at 31 December		Other non-current liabilities at 31 December		Active loans	
	2010	2011	2010	2011	2010	2011	2010	2011
Canton of Graubünden[1]	79	-	86	-	-	-	-	-
Alpiq Group	12,836	11,044	9,460	15,064	20,956	-	-	-
Axpo Group	6,588	7,402	2,074	8,625	12,650	-	-	-
Main shareholders	**19,503**	**18,446**	**11,620**	**23,689**	**33,606**	**-**	**-**	**-**
Kraftwerke Hinterrhein AG	324	389	1,668	3,506	-	-	-	-
Grischelectra AG	-	-	5,909	1,820	-	-	-	-
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen	-	-	-	-	-	-	-	-
Rhiienergie AG, Tamins	-	-	-	-	-	-	-	-
ELIT.E S.p.A.	7,706	372	-	-	-	-	-	6,552
SüdWestStrom StadtKraftWerk Brunsbüttel GmbH & Co. KG	269	-	-	-	-	-	-	-
Aerochetto S.r.l.	256	-	-	-	-	-	-	-
Associates and partner plants	**8,555**	**761**	**7,577**	**5,326**	**-**	**-**	**-**	**6,552**

On 31 December 2011 the positive replacement values totalled TCHF 4,549 for the Alpiq Group (previous year: TCHF 1,830) and TCHF 4,599 for the Axpo Group (previous year: TCHF 4,062). On 31 December 2011 the negative replacement values totalled TCHF 7,875 for the Alpiq Group (previous year: TCHF 12,851) and TCHF 6,111 for the Axpo Group (previous year: TCHF 654). Transactions with principal shareholders and associates are recorded at market prices. Energy deliveries of partner plants are recognised at annual costs.

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Notes to the consolidated financial statements

1) In its role as shareholder, the canton of Graubünden constitutes a related party. However, acts of jurisdiction (levying of taxes, licence fees, charges, etc.) are carried out on a legal basis and are therefore not recognised under transactions with related parties. Significant energy transactions with the canton of Graubünden are conducted via Grischelectra AG, which is listed above as a related party.

2) The figures stated for energy sales and energy procurement do not necessarily correlate to energy volumes.

Members of the Board of Directors and Executive Board

In 2010 and 2011 Repower paid the following compensation to members of the Board of Directors and Executive Board:

CHF thousands	2010	2011
Gross salaries (fixed) and compensation	2,950,537	2,843,959
Gross salaries (variable)	968,158	885,906
Expenses for retirement provision and other services	1,115,820	1,002,967
Total	**5,034,515**	**4,732,832**

Additional disclosures on compensation and shareholdings of Group governing bodies in accordance with the Swiss Code of Obligations are provided in the Notes to the financial statements of Repower AG.

26 Additional disclosures on financial instruments
CHF thousands

Balance sheet position	Measurem. category*)	Valuation**)	01.01.2010 Restated Carrying amount	01.01.2010 Restated Fair value	31.12.2010 Restated Carrying amount	31.12.2010 Restated Fair value	31.12.2011 Carrying amount	31.12.2011 Fair value
Assets								
Other financial assets								
Prepaid green electricity certificates	FVTPL	FVPL	10,402	10,402	5,768	5,768	6,164	6,164
Other non-current securities	AFS	AcC	7,276	7,276	7,592	7,592	7,428	7,428
Active loans	L&R	AC	-	-	-	-	6,552	6,552
Receivables								
Trade accounts receivable	L&R	AC	402,542	402,542	399,837	399,837	548,662	548,662
Other receivables	L&R	AC	65,840	65,840	75,351	75,351	58,066	58,066
Securities and other financial instruments								
Shares, bonds, other securities	HFT	FVPL	2,239	2,239	1,707	1,707	1,471	1,471
Derivative financial instruments	HFT	FVPL	-	-	4,182	4,182	20	20
Positive replacement values held-for-trading positions								
Derivative financial instruments	HFT	FVPL	180,114	180,114	125,140	125,140	107,204	107,204
Cash and cash equivalents								
Sight funds and cash invested	L&R	AC	334,382	334,382	349,975	349,975	339,873	339,873
Prepaid expenses and accrued income								
Accrued expenses	L&R	AC	7,490	7,490	7,038	7,038	-	-

CONSOLIDATED FINANCIAL STATEMENTS REPOWER GROUP

Notes to the consolidated financial statements

Balance sheet position	Measurm. category*)	Valuation**)	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities								
Non-current financial liabilities								
Bank loans and mortgages, other non-current financial liabilities	OL	AC	527,963	610,501	595,849	662,850	563,423	629,077
Derivative financial instruments	HA	FVs	5,275	5,275	3,646	3,646	2,229	2,229
Current financial liabilities								
Current financial liabilities	OL	AC	62,557	62,557	61,187	61,187	36,627	36,627
Derivative financial instruments	HFT	FVPL	-	-	4,933	4,933	11,921	11,921
Negative replacement values held-for-trading positions								
Derivative financial instruments	HFT	FVPL	160,821	160,821	99,361	99,361	85,076	85,076
Other current liabilities								
Trade accounts payable	OL	AC	313,891	313,891	309,841	309,841	468,905	468,905
Other liabilities	OL	AC	26,045	26,045	24,743	24,743	55,801	55,801
Deferred income and accrued expenses								
Accrued expenses	OL	AC	19,961	19,961	30,336	30,336	30,741	30,741

*) Measurement categories under IAS 39:
FVTPL: Fair value through profit or loss (designated)
HA: Hedge accounting
AFS: Available for sale
L&R: Loans and receivables
HFT: Held for trading
OL: Other financial liabilities
**) Valuations under IAS 39:
FVPL: Fair value through profit or loss
FVs: Fair value, other comprehensive income
AcC: Acquisition costs
AC: Amortised cost

Hierarchy of financial instruments measured at fair value

Assets	2010	Level 1	Level 2	Level 3	2011	Level 1	Level 2	Level 3
Fair value through profit or loss								
Prepaid green electricity certificates	5,768	-	5,768	-	6,164	-	6,164	-
Securities and other financial instruments	5,889	1,502	4,387	-	1,491	1,266	225	-
Positive replacement values held-for-trading positions	125,140	-	125,140	-	107,204	241	106,963	-
At 31 December	**136,797**	**1,502**	**135,295**	**-**	**114,859**	**1,507**	**113,352**	**-**
Liabilities								
Fair value through profit or loss								
Current financial liabilities								
Negative replacement values	4,933	-	4,933	-	11,921	-	11,921	-
Negative replacement values held-for-trading positions	99,361	-	99,361	-	85,076	305	84,771	-
In equity with no effect on profit and loss								
Interest rate swaps	3,646	-	3,646	-	2,229	-	2,229	-
At 31 December	**107,940**	**-**	**107,940**	**-**	**99,226**	**305**	**98,921**	**-**

Measurements at fair value in the balance sheet are classified using a three-level hierarchy based on the type and quality of the fair values (market prices). The following levels exist:

Level 1: Publicly quoted market prices for the financial instrument concerned (e.g. stock market prices).
Level 2: Market prices that are not generally accessible and possibly derived from prices for similar financial instruments or underlying goods.
Level 3: Prices that are not based on market data.

27 Business combinations and disposals

2010 financial year

Acquisition of wind farms, Germany

On 7 May 2010 PROASEGO Windpark Prettin Drei GmbH & Co. KG was acquired in full for CHF 18 million and on 28 May 2010 WKN Windkraftwerk Nord GmbH & Co. Windpark Lübbenau KG was acquired in full for CHF 44 million. Expansion of its own wind-power generating capacity is one of Repower Group's strategic targets. The wind farms have an installed capacity of 10 megawatts and 16 megawatts respectively, and both are located in Germany. Considered individually, these business combinations are insignificant. They are therefore described here in aggregate.

In 2010, revenue and income earned by the two wind farms since their acquisition by Repower totalled TCHF 3,207 and TCHF -913 respectively. Third-party costs arising in connection with these transactions came to TCHF 268 and were recognised in other operating expenses.

CONSOLIDATED FINANCIAL STATEMENTS
REPOWER GROUP

Notes to the consolidated financial statements

The acquisition costs and the fair value of the identifiable assets and liabilities on the date of acquisition are summarised below:

CHF thousands	Fair value
Cash consideration	61,762
Deferred consideration	440
Acquisition costs	**62,202**
Acquired assets and liabilities:	
Property, plant and equipment	63,098
Deferred tax assets	48
Receivables	3,106
Prepaid expenses and accrued income	1,215
Cash and cash equivalents	450
Identifiable assets	**67,917**
Non-current provisions	3,522
Deferred tax liabilities	644
Current income tax liabilities	143
Other current liabilities	2,034
Deferred income and accrued expenses	10
Identifiable liabilities	**6,353**
Net assets acquired	61,564
Goodwill	638
Acquisition costs	**62,202**
Cash flow related to the acquisition	
Acquired liquid assets	450
Cash consideration	-61,762
Net cash outflow related to the acquisitions	**-61,312**

The acquisition costs include a deferred purchase price balance of TCHF 440, which will be paid in 2011 and 2012 subject to the vendor's adherence to guarantee commitments. An asset value for compensation payments of TCHF 440 was estimated for the right of retaining the deferred purchase price. The provisions position includes contingent liabilities with a fair value of TCHF 787 for contract risks. The goodwill of TCHF 638 is related to expected synergies from the integration of the wind farms into the Repower Group. It is allocated entirely to Repower Wind Prettin GmbH and Repower Wind Lübbenau GmbH as cash generating units for the purpose of reviewing them for impairments.

At the end of 2010 the deferred purchase price balance and the fair value of the contingent liability totalled TCHF 388 and TCHF 694 respectively. Goodwill decreased to TCHF 562 due to currency reasons.
At the end of 2011 the deferred purchase price balance and the fair value of the contingent liability totalled TCHF 231 and TCHF 227 respectively. Goodwill decreased further to TCHF 546 for currency reasons.

Acquisition of Repower Furnizare România S.r.l. (formerly Elcomex EN S.r.l.)
On 19 November 2010 Repower AG acquired 80 per cent of the shares and hence control of Repower Furnizare România S.r.l., Bucharest. Based on a fixed price formula, the remaining shares in the company will be transferred on 30 June 2015. The commercial opportunities and risks associated with the remaining shares have already been transferred to Repower AG. Minority shares (non-controlling interests) are not to be recognised. The company will be fully incorporated into the consolidated financial statements. Romania, alongside Switzerland, Italy and Germany, ranks among Repower's defined key markets. Repower Furnizare România S.r.l. mainly supplies electricity to small and medium-sized enterprises that have a yearly electricity requirement of 0.5 to 20 gigawatt hours. The company merger is illustrated below.

As of 31 December 2010, revenue and income earned by Repower since the acquisition totalled TCHF 18,839 and TCHF -37 respectively. Third-party costs arising in connection with this transaction came to TCHF 450 and were recognised in other operating expenses.

CHF thousands	**Fair value**
Cash consideration	21,006
Deferred consideration	14,888
Acquisition costs	**35,894**
Acquired assets and liabilities:	
Intangible assets	12,135
Property, plant and equipment	152
Financial asstes	11
Deferred tax assets	92
Inventories	1
Receivables	14,761
Prepaid expenses and accrued income	3,361
Cash and cash equivalents	6,775
Identifiable assets	**37,288**
Deferred tax liabilities	1,940
Other current liabilities	10,990
Current financial liabilities	7,957
Identifiable liabilities	**20,887**
Net assets acquired	16,401
Goodwill	19,493
Acquisition costs	**35,894**
Cash flow related to the acquisition	
Assumed short-term negative overdraft	-7,957
Acquired liquid assets	6,775
Cash consideration	-21,006
Net cash outflow related to the acquisitions	**-22,188**

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The acquisition costs include a deferred purchase price, estimated using an EBITDA-multiple price formula for the years 2010 to 2014. The lower limit of the non-discounted payments is TCHF 0. There is no higher limit to the price formula. The fair value on the acquisition date is TCHF 14,888, and is based on the company's probability-weighted business plan values discounted at 7.5 per cent. The receivables valued at fair values of TCHF 14,761 consist of the gross value of the contractually-due receivables (TCHF 15,330) and a del credere for items considered uncollectable bad debts (TCHF 569). Goodwill related to the acquisition mainly reflects the value of expected buyer-specific synergies and the workforce taken over. For the purpose of impairment testing it is assigned in full to Repower Furnizare România S.r.l. as a cash-generating unit. At 31 December 2010 the valuation of the deferred contingent purchase price was unchanged apart from exchange rate fluctuations, and on the reporting date totalled TCHF 13,791. For currency reasons, goodwill decreased to TCHF 18,249 at the end of the previous year.

In 2011 the goodwill and capitalised customers totalling TCHF 18,270 and TCHF 8,704 respectively were fully impaired. A reversal of TCHF 396 was made to the residual purchase obligation. The reduced liability has added TCHF 13,054 to other income.

Had the wind farms and the Romanian sales company been acquired on 1 January 2010, Repower's consolidated net revenue in 2010 would have been TCHF 2,303,283 and its consolidated income including minority interests TCHF 82,286 or TCHF 78,868 after restatement.

Business disposals

The disposal of all the shares in aurax electro ag and in TGK Skavica S.r.l. had the following effect on the assets and liabilities of Repower Group in 2010.

	aurax electro ag	TGK Skavica S.r.l.	Total
Property, plant and equipment	500	3,700	4,200
Deferred tax assets	63	23	86
Inventories	335	-	335
Receivables	1,245	314	1,559
Cash and cash equivalents	1,484	44	1,528
Accumulated translation differences	-	243	243
Minority interests	-59	-1,079	-1,138
Non-current provisions	-818	-	-818
Deferred tax liabilities	-	-1,217	-1,217
Current income tax liabilities	-105	-	-105
Current financial liabilities	-45	-	-45
Other current liabilities	-508	-25	-533
Deferred income and accrued expenses	-265	-	-265
Gain/loss	2,499	-2,003	496
Selling price	4,326	-	4,326
Cash consideration received	4,326	-	4,326
Outflow of cash and cash equivalents	-1,484	-44	-1,528
Net cash inflow related to the disposal	**2,842**	**-44**	**2,798**

The pre-tax gains and losses from the disposal of the two group companies are recognised in other operating income and other operating expenses.

In 2010 the office in Ljubljana was closed and the corresponding legal entity RE Energija d.o.o, Ljubljana, was dissolved.

Purchases/sales of minority interests

In the first half of 2010, the Group acquired the remaining 33 per cent of the shares in Energia Sud S.r.l for the total price of TCHF 428; at the time of the purchase, these minority interests were worth TCHF 651. The difference was written to retained earnings. Repower therefore now owns 100 per cent of Energia Sud S.r.l. In addition, a stake of around 1 per cent in SWIBI AG was sold.

2011 financial year

In 2011 there were no business combinations or disposals.

In 2011 the project company Lagobianco SA and Repartner Produktions AG were founded. Lagobianco SA is a wholly owned subsidiary of Repower AG and was founded for the purpose of building the planned pumped storage power plant between Lago Bianco and Lago di Poschiavo. All activities relating to the project will be carried out in future by this company. Repartner Produktions AG was founded in the year under review.

Purchases/sales of minority interests

Effective 31 December 2011, Repower sold 35 per cent of its shares in Repartner Produktions AG to third-party electrical utilities. The cash inflow totalled TCHF 20,974 and the minority interests totalled TCHF 18,555. The difference was written to retained earnings. The shareholders of Repartner Produktions AG granted an interest-free loan to the company. The interest rate advantage for the interest-free loan granted by minority interests amounts to TCHF 8,004 and was classified as a hidden contribution which was taken into account at Group level as a capital increase in minority interests.

28 Assets and liabilities held for sale

The Electricity Supply Act (StromVG) which came into force on 1 January 2008 requires ownership of the Swiss transmission grid to be transferred to Swissgrid ag by the end of 2012. To this end, Level 1 grids are to be transferred to Swissgrid by the end of 2012. The transaction is expected to be completed by 1 July 2012. The assets and liabilities of Repower Transportnetz AG have been classified as held for sale since 1 July 2011, and are disclosed separately in the balance sheet under “Assets held for sale” and “Liabilities held for sale”.

The transfer will be made at a market price set by the Federal Electricity Commission (ElCom). The assets and liabilities (disposal group) are measured at the lower of the carrying amount and expected selling price. No impairment expense was recognised.

In view of the assets and liabilities to be transferred until the transaction is completed, the values listed in the following table as at 31 December 2011 are provisional only:

CHF thousands	31.12.2011
Property, plant and equipment	72,612
Cash and cash equivalents	6,455
Assets held for sale	**79,067**
Deferred tax liabilities	10,076
Other current liabilities	155
Liabilities held for sale	**10,231**

No adjustment was made to the prior-year balance sheet.

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Notes to the consolidated financial statements

29 Impairment of assets

Repower Furnizare România S.R.L. (formerly S.C. Elcomex EN S.R.L.), a subsidiary of Repower AG, is a company in Romania whose purpose is to sell electricity and natural gas to small- and medium-sized enterprises. Due to indications of impairment, Repower Furnizare România S.R.L. was subjected to an impairment test on 30 June 2011. Repower Furnizare România S.R.L. was identified as a cash generating unit (CGU) for the impairment test.

The CGU consists of the following assets:
- Property, plant and equipment
- Intangible assets (goodwill, customers, software)
- Net current assets

The value of the CGU is provided by the intangible assets, in particular goodwill and customers. The impairment test confirmed the indications. A full impairment loss was recognised for the intangible assets in the amount of TCHF 27,424 arising from the acquisition, since the CGU no longer has any intrinsic value. The impairment loss was recognised in the consolidated statement of comprehensive income under depreciation/amortisation and impairment.

The impairment is mainly attributable to the following events:

- Significant changes on the market, leading to reduced and at times negative margins
- Discontinuation of all gas business operations from May 2011

The carrying amount was compared against the value in use in order to determine the intrinsic value of the CGU. A fair value less costs to sell cannot be determined since at present there are no reference values for the Romanian market. When calculating the value in use, the current plans authorised by management are taken into account. The cash flow forecasts refer to a period of five years. The residual corporate value was extrapolated using a growth rate of 3%. A discount rate of 6.7% before tax (11.4% after tax) was applied. The main assumption on which the cash flows were calculated is a realistic estimate of gross margin, primarily based on the most recent economic developments.

CGU assets at 30 June 2011 CHF thousands	**Before impairment**	**After impairment**
Property, plant and equipment	**115**	**115**
Goodwill	18,720	-
Customers	8,704	-
Software	6	6
Intangible assets	**27,430**	**6**
Current receivables	8,211	8,211
Current liabilities	-10,088	-10,088
Cash and cash equivalents	-4	-4
Net current assets	**-1,881**	**-1,881**

Parallel to the impairment, lower expectations have resulted in liabilities in connection with the full takeover of Repower Furnizare România S.R.L. Consequently, the related liability has declined from TCHF 13,450 to TCHF 396. The reduced liability has added TCHF 13,054 to other operating income.

30 Correction to prior-year figures

In the 2011 financial year, Repower registered two financial offences which were announced in news releases dated 23 June 2011 and 27 October 2011. There is no connection between the two cases.

Between 2003 and 2011, funds totalling MCHF 6.78 (MEUR 5.58) were embezzled. MCHF 1.09 (MEUR 0.9) has been charged to income in prior periods. MCHF 4.58 (MEUR 3.77) relates to prior financial years, so that the effect on income before tax amounts to MCHF 1.11 (MEUR 0.91).

The financial offence in Switzerland concerns two IT consultancy companies with whom Repower collaborated on various IT projects and who billed excessively high fees for their services or charged for fictitious expenses. This resulted in an impairment of MCHF 3.26. MCHF 2.14 relates to prior financial years, so that the effect on income before tax amounts to MCHF 1.12. The restatements of these errors are contained in the individual notes.

Effects on the balance sheet

Balance at	01.01.2010	Restatement	01.01.2010 Restated
Intangible assets	11,896	-284	11,612
Deferred tax assets	17,191	183	17,374
Receivables	471,245	-2,863	468,382
Retained earnings (equity)	841,266	-3,738	837,528
Cumulative translation differences (equity)	-5,596	143	-5,453
Shareholders' equity excluding minority interests	854,678	-3,595	851,083
Other current liabilities	339,303	633	339,936

Balance at	31.12.2010	Restatement	31.12.2010 Restated
Intangible assets	46,547	-2,137	44,410
Deferred tax assets	14,915	540	15,455
Receivables	478,724	-3,536	475,188
Retained earnings (equity)	893,937	-7,156	886,781
Cumulative translation differences (equity)	-39,988	850	-39,138
Shareholders' equity excluding minority interests	873,275	-6,306	866,969
Other current liabilities	333,411	1,173	334,584

Effects on the income statement

	2010	Restatement	2010 Restated
Other operating expenses	-72,455	-3,803	-76,258
Income before interest and income taxes	162,876	-3,803	159,073
Income before income taxes	105,663	-3,803	101,860
Income taxes	-25,547	385	-25,162
Group profit including minority interest	80,116	-3,418	76,698

Earnings per share was reduced by CHF 1.01 to CHF 22.51 in 2010 as a result of the restatement. (See Note 8)
Criminal charges have been pressed against the two accused former employees. Criminal and civil-law investigations are still in progress.

CONSOLIDATED FINANCIAL STATEMENTS
REPOWER GROUP

Notes to the consolidated financial statements

31 Segment reporting - Group-wide information

Information by product
The main revenue driver is energy. There is no differentiation by product group.

Information by country
The information on income from third parties by country is broken down by the location of the billing entity. Non-current assets are assigned to the location of the accounting entity and contain no financial instruments or deferred tax assets (there are no assets related to pension obligations or to rights arising from insurance policies).

Net revenue from third parties

CHF thousands	2010	2011
Switzerland	760,617	703,414
Italy	1,378,760	1,589,852
Other countries	68,278	173,825
Total	**2,207,655**	**2,467,091**

Customers with a share of revenue above 10 per cent
There are three customers each accounting for more than 10 per cent of revenue. Of the MCHF 2,467 (previous year: MCHF 2,208), revenue from these Group customers over the financial year accounts for MCHF 1,072 (previous year: MCHF 1,084).

Non-current assets

CHF thousands	2010	2011
Switzerland	816,218	768,827
Italy	328,696	320,648
Other countries	94,548	54,437
Total	**1,239,462**	**1,143,912**

32 Contingent liabilities and guarantee obligations

In 2011 the Group company Repower Vendita Italia S.p.A. (formerly Dynameeting S.p.A) received definitive invoices amounting to EUR 1 million (previous year: EUR 5.4 million) from Terna, a company owned by the Italian government. These invoices concern various previous years. Repower Vendita Italia S.p.A. has not yet received any revised invoices for 2011. Receipt of revised invoices for 2011 is possible and the amount has been estimated as far as possible.

In several countries there are regulatory authorities overseeing the electricity sector. Their task is to review the legitimacy of prices. Regulators can initiate retroactive pricing adjustments after the end of the financial year. These should then be recognised in the income statement. If the regulators do not recognise the cost declarations, the result can be liabilities.

Repower is involved in various legal disputes arising from day-to-day business operations. However, as things stand at present these are not expected to give rise to any significant risks and costs for the Group. The Executive Board has made the requisite provisions based on currently available information and estimates.

There are no other contingent liabilities, guarantee obligations or other obligations stemming from process risks.

33 Obligations related to operating leases

As part of the move to outsource some standardised IT services, IT hardware was obtained under an operating lease.
The relevant contracts had a term of three years up to 2011 and were extended by Repower for a further year. Future minimum lease payments amount to CHF 2.7 million (previous year: CHF 3 million), of which CHF 1.7 million (previous year: CHF 1.6 million) falls due within one year.

34 Risk assessment

Risk management is a fundamental component of Repower's business activities. Repower operates an established risk management process. The main risks relevant to the Group are regularly identified and assessed, and their probability of occurrence and impact is measured. The Board Committee and Executive Board evaluate and monitor the identified risks, and regularly brief the Board of Directors. The Board of Directors or the Executive Board defines measures to avoid, mitigate, transfer or control these risks. The measures are then permanently monitored.

Further details on risk management and financial risk management are provided on pages 64 to 67 of the consolidated financial statements.

35 Events occurring after the balance sheet date

No further significant events requiring disclosure occurred after 31 December 2011.

CONSOLIDATED FINANCIAL STATEMENTS
REPOWER GROUP

Notes to the consolidated financial statements

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Report of the statutory auditor
to the general meeting of
Repower AG
Poschiavo

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Repower AG, which comprise the balance sheet, statement of comprehensive income, statement of cash flows, statement of changes in equity and notes (pages 51 to 107), for the year ended December 31, 2011.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Beat Inauen	Christoph Kalberer
Audit expert Auditor in charge	Audit expert

Chur, March 26, 2012

2011 FINANCIAL STATEMENTS
REPOWER AG

Income statement

CHF thousands	Note	2010	2011
Total net revenue		3,634,763	4,069,884
Other operating income		34,159	31,373
Total operating revenue		**3,668,922**	**4,101,257**
Energy procurement		-3,501,912	-3,961,425
Material and third-party services		-6,436	-8,040
Personnel expenses		-42,235	-45,264
Concession fees		-7,206	-9,141
Depreciation and amortisation	1	-11,273	-30,914
Other operating expenses		-37,586	-37,127
Operating expenses		**-3,606,648**	**-4,091,911**
Operating income before interest and taxes		**62,274**	**9,346**
Financial income		14,339	16,621
Financial expense		-60,687	-32,755
Non-operating income		89	143
Income before taxes		**16,015**	**-6,645**
Gains on the sale of assets		3,331	1,553
Extraordinary income		39,665	27,283
Extraordinary expenses		-1,286	-5,679
Profit before taxes		**57,725**	**16,512**
Taxes		-3,371	-1,367
Net income for the year		**54,354**	**15,145**

2011 FINANCIAL STATEMENTS
REPOWER AG

Balance sheet

Assets CHF thousands	Note	31.12.2010	31.12.2011
Property, plant and equipment		154,749	158,560
Intangible assets	2	22,791	16,700
Financial assets	3	536,315	526,131
Non-current assets		**713,855**	**701,391**
Inventories		5,130	4,126
Trade accounts receivable	4	367,242	394,981
Other receivables	4	141,120	120,592
Prepaid expenses and accrued income	5	5,589	1,509
Capital assets in current assets		3,428	3,067
Cash and cash equivalents		240,643	248,829
Current assets		**763,152**	**773,104**
Total assets		**1,477,007**	**1,474,495**

Liabilities and shareholders' equity CHF thousands	Note	31.12.2010	31.12.2011
Share capital		2,783	2,783
Participation capital		625	625
Reserves for treasury shares		4,664	4,688
Other legal reserves		52,276	52,276
Other reserves		432,298	452,273
Unappropriated retained earnings		84,489	52,500
Equity	6	**577,135**	**565,145**
Provisions	7	**75,962**	**51,099**
Non-current liabilities	8	**445,000**	**460,925**
Trade accounts payable		304,900	350,101
Other current liabilities		47,929	21,626
Deferred income and accrued expenses		26,081	25,599
Current liabilities	9	**378,910**	**397,326**
Liabilities		**899,872**	**909,350**
Total liabilities and shareholder's equity		**1,477,007**	**1,474,495**

2011 FINANCIAL STATEMENTS
REPOWER AG

Notes to the financial statements

Notes

1 Depreciation and amortisation CHF thousands	31.12.2010	31.12.2011
Scheduled depreciation of property, plant and equipment	9,007	8,457
Scheduled amortisation of intangible assets	2,266	2,621
Unscheduled depreciation of property, plant and equipment	-	1,857
Unscheduled amortisation of intangible assets	-	10,979
Unscheduled depreciation of financial assets	-	7,000
Total	**11,273**	**30,914**

2 Intangible assets CHF thousands	31.12.2010	31.12.2011
Reversion waiver compensation	30,825	30,825
Value adjustment waiver compensation	-15,412	-16,953
Software	7,378	2,828
Total	**22,791**	**16,700**

3 Financial assets CHF thousands	31.12.2010	31.12.2011
Investments	347,256	372,362
Long-term prepayments	59,085	55,379
Loans to Group companies	104,413	66,395
Other financial assets	25,561	31,995
Total	**536,315**	**526,131**

4 Receivables CHF thousands	31.12.2010	31.12.2011
Of which:		
Related parties (shareholders)	51,356	33,996
Group companies	190,436	168,004
Other receivables	266,570	313,573
Total	**508,362**	**515,573**

5 Prepaid expenses and accrued income CHF thousands	31.12.2010	31.12.2011
Of which:		
Group companies	4,186	973
Other	1,403	536
Total	**5,589**	**1,509**

6 **Equity** CHF thousands	**31.12.2010**	**31.12.2011**
Share capital		
2,783,115 shares at a par value of CHF 1 per share	2,783	2,783
Participation capital		
625,000 participation certificates at a par value of CHF 1 per share	625	625
Share capital	**3,408**	**3,408**
Reserves for treasury shares	4,664	4,688
Capital reserves	37,112	37,112
Other legal reserves	15,164	15,164
Other reserves	432,298	452,273
Reserves	**489,238**	**509,237**
Retained earnings carried forward	30,135	37,355
Net income for the year	54,354	15,145
Unappropriated retained earnings	**84,489**	**52,500**
Equity	**577,135**	**565,145**

Share capital

Significant shareholders as defined by the Swiss Code of Obligations (OR) 663c (share of capital and voting rights):

Canton of Graubünden	46.0 %
Alpiq Holding AG, Olten	24.6 %
EGL AG, Laufenburg	21.4 %

Treasury shares	Number of shares	Average price in CHF	Number of participation certificates	Average price in CHF
At 31 December 2009	12,156		3,957	
Purchases	2,867	451	150	277
Disposals	-2,867	437	-	-
At 31 December 2010	12,156		4,107	
Purchases	60	462	-	-
Disposals	-60	501	-	-
At 31 December 2011	**12,156**		**4,107**	

2011 FINANCIAL STATEMENTS
REPOWER AG

Notes to the financial statements

7 Provisions CHF thousands	31.12.2010	31.12.2011
For reversion	25,375	25,375
For reversion waiver compensation	7,800	7,800
For contract risks	23,400	4,800
For other risks	5,390	12,729
For remaining purchase price obligation	13,997	395
Total	**75,962**	**51,099**

8 Non-current liabilities CHF thousands			31.12.2010	31.12.2011
Debenture bond	2.500%	2009-2016	200,000	200,000
Debenture bond	2.375%	2010-2022	115,000	115,000
Loan	2.500%	2010-2030	20,000	20,000
Note	3.625%	2008-2017	15,000	15,000
Note	3.660%	2008-2018	25,000	25,000
Note	3.625%	2008-2023	10,000	10,000
Bank loan	3.360%	2006-2016	50,000	50,000
Bank loan	3.100%	2005-2020	10,000	10,000
To Group companies			-	15,925
Total			**445,000**	**460,925**

9 Current liabilities CHF thousands	31.12.2010	31.12.2011
Of which:		
Related parties (shareholders)	37,421	31,889
Group companies	46,666	35,130
Deferred income and accrued expenses	26,081	25,599
Other obligations	268,742	304,708
Current liabilities	**378,910**	**397,326**

Liabilities in respect of pension plans TCHF 272 (previous year: TCHF 0).
Liabilities towards the canton of Graubünden which are not explicitly attributable to its status as a shareholder of Repower AG are not disclosed separately.

Other information

Non-current assets

The fire insurance value for property is CHF 53 million (previous year: CHF 51 million).

An additional property insurance covers all the relevant risks of the Repower Group's Swiss companies. The insurance covers the value of property, plant and equipment excluding real estate and land to the value of CHF 1,050 million (previous year: CHF 1,050 million).

Investments

The list on pages 70 to 72 of the consolidated financial statements summarises the main interests held directly or indirectly by Repower AG.

Provision policy

Risks related to delivery and sales contracts are regularly assessed in line with market developments and the necessary provisions recognised or adjusted with the effect on income.

Net release of hidden reserves

In the year under review, hidden reserves decreased by CHF 19.2 million (before deferred taxes; previous year: CHF 50.6 million).

Sureties, guarantee obligations and pledges in favour of third parties

Joint liability for VAT Group taxation with Repower Klosters AG, Repower Immobilien AG, Repower Holding Surselva AG, aurax connecta ag, Repower Consulta AG, Repower Ilanz AG, SWIBI AG, Vulcanus Projekt AG, Elbe Beteiligungs AG, Repower Transportnetz AG, Lagobianco SA, Repartner Produktions AG and Ovra electrica Ferrera SA.

Letters of intent and financing agreements amounting to EUR 303 million (CHF 368 million) were concluded (previous year: EUR 256 million or CHF 320 million).

No other sureties, guarantee obligations, pledge agreements or financial leasing obligations exist.

Information on the risk assessment process and related measures

Repower AG is fully integrated in the risk assessment and management process at Group level. The main risks relevant for Repower AG are directly incorporated at Group level in the Group-wide risk management process, where they are comprehensively managed, controlled and monitored. Explanations on risk assessment at Group level are provided in the Notes to the consolidated financial statements on pages 64 to 67.

2011 FINANCIAL STATEMENTS
REPOWER AG

Notes to the financial statements

Disclosures in accordance with Art. 663b[bis] of the Swiss Code of Obligations:

Board of Directors CHF		Total compensation 2010	Total compensation 2011	Compensation[1)]	Compensation for additional services[2)]
Dr Eduard Rikli, Chairman		123,018	125,375	125,375	-
Dr Reto Mengiardi, Vice Chairman	Until 04.05.11	299,158	49,410	42,170	7,240
Kurt Baumgartner, Vice Chairman[3)]	From 04.05.11	72,000	76,000	76,000	-
Jörg Aeberhard[3)]	Until 10.05.10	22,317	-	-	-
Placi Berther	From 04.05.11	-	37,874	35,434	2,440
Christoffel Brändli		38,020	35,937	35,937	-
Dr Guy Bühler[3)]		70,000	76,000	76,000	-
Rudolf Hübscher		39,239	37,188	37,188	
Claudio Lardi	From 04.05.11	-	28,422	28,422	-
Guido Lardi	Until 04.05.11	38,020	12,827	12,827	-
Rolf W. Mathis[3)]		39,300	37,600	37,600	-
Dr Martin Schmid[3)]		51,316	87,309	87,309	-
Dr Hans Schulz[3)]		39,600	39,300	39,300	-
Antonio Taormina[3)]		44,600	47,900	47,900	-
Michael Wider[3)]	From 10.05.10	16,583	33,000	33,000	
Total		**893,171**	**724,142**	**714,462**	**9,680**

1) The compensation amount includes a Board of Directors fee and meeting expenses.
2) Compensation for legal assessment and advice provided in the 2011 financial year. These services were compensated at standard market rates.
3) In line with the instructions of the members of the Board of Directors concerned, the total compensation or Board of Directors fee is transferred to the member's employer.

Disclosures in accordance with Art. 663b[bis] of the Swiss Code of Obligations:

Executive Board CHF	Total compensa-tion 2010	Total compensa-tion 2011	Gross salaries (fixed)	Gross salaries (variable)	Retirement provision and other services
Kurt Bobst, CEO	929,989	834,533	471,081	189,606	173,846
Other Executive Board members	3,211,355	3,174,157	1,648,736	696,300	829,121
Total	**4,141,344**	**4,008,690**	**2,119,817**	**885,906**	**1,002,967**

On 1 January 2010 the Executive Board was increased in size from four to six members due to the company's growth.
In the 2007 financial year, a profit-sharing model was introduced for members of the Executive Board which led to bonus payments of TCHF 239 for the first time in 2010. The model is explained in the Corporate Governance section of the Annual Report. At 31 December 2011 there are obligations of TCHF 268 (previous year: TCHF 134) arising from this renewed profit-sharing model, which were accrued in the financial statements in the respective period.

No other compensation or loans exist in accordance with Art. 663b[bis] of the Swiss Code of Obligations.

Disclosures in accordance with Art. 663c OR at 31 December of the financial year:

Board of Directors		Shares 2010	Shares 2011	PC 2010	PC 2011
Dr Eduard Rikli, Chairman of the Board of Directors		-	100	-	-
Dr Reto Mengiardi, Vice Chairman of the Board of Directors	Until 04.05.11	5	-	-	-
Placi Berther	From 04.05.11	-	9	-	-
Christoffel Brändli		14	14	-	-
Rudolf Hübscher		5	5	-	-
Guido Lardi	Until 04.05.11	53	-	40	-
Rolf W. Mathis		5	5	-	-

Disclosures in accordance with Art. 663c of the Swiss Code of Obligations at 31 December of the financial year:

Executive Board		Shares 2010	Shares 2011	PC 2010	PC 2011
Kurt Bobst, CEO		10	50	100	100
Felix Vontobel		50	50	50	50
Fabio Bocchiola		5	5	-	-
Rino Caduff		7	7	-	-
Giovanni Jochum		25	25	240	240
Martin Gredig	Until 31.08.11	5		-	

There are no other factors requiring disclosure under the terms of Arts. 663b and 633c of the Code of Obligations.

APPROPRIATION OF **RETAINED EARNINGS**

The Board of Directors proposes the following appropriation of retained earnings to the Annual General Meeting:

Profit for 2011	CHF	15,145,070
Retained earnings carried forward[1)]	CHF	37,354,537
Unappropriated retained earnings	**CHF**	**52,499,607**

Dividend on share capital of CHF 2.8 million	CHF	-13,915,575
Dividend on participation capital of CHF 0.6 million	CHF	-3,125,000
Allocation to other reserves	CHF	-25,000,000
Balance carried forward	**CHF**	**10,459,032**

Dividend per share/participation certificate, gross	CHF	5.00
./. 35% withholding tax	CHF	-1.75
Net payment	**CHF**	**3.25**

[1)] No dividend was paid on the 12,156 shares and 4,107 participation certificates held by Repower AG on the payout date, thereby increasing retained earnings forward by CHF 130,104.

Subject to the approval of the Annual General Meeting, the dividend will be paid starting on 16 May 2012 on presentation of coupon No. 9 for a share with a par value of CHF 1.00 or coupon No. 9 for a participation certificate with a par value of CHF 1.00.

Poschiavo, 26 March 2012

For the Board of Directors:

Dr Eduard Rikli
Chairman of the Board of Directors

REPORT OF THE **AUDITORS**

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Report of the statutory auditor
to the general meeting of
Repower AG
Poschiavo

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Repower AG, which comprise the balance sheet, income statement and notes (pages 111 to 120), for the year ended December 31, 2011.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2011 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

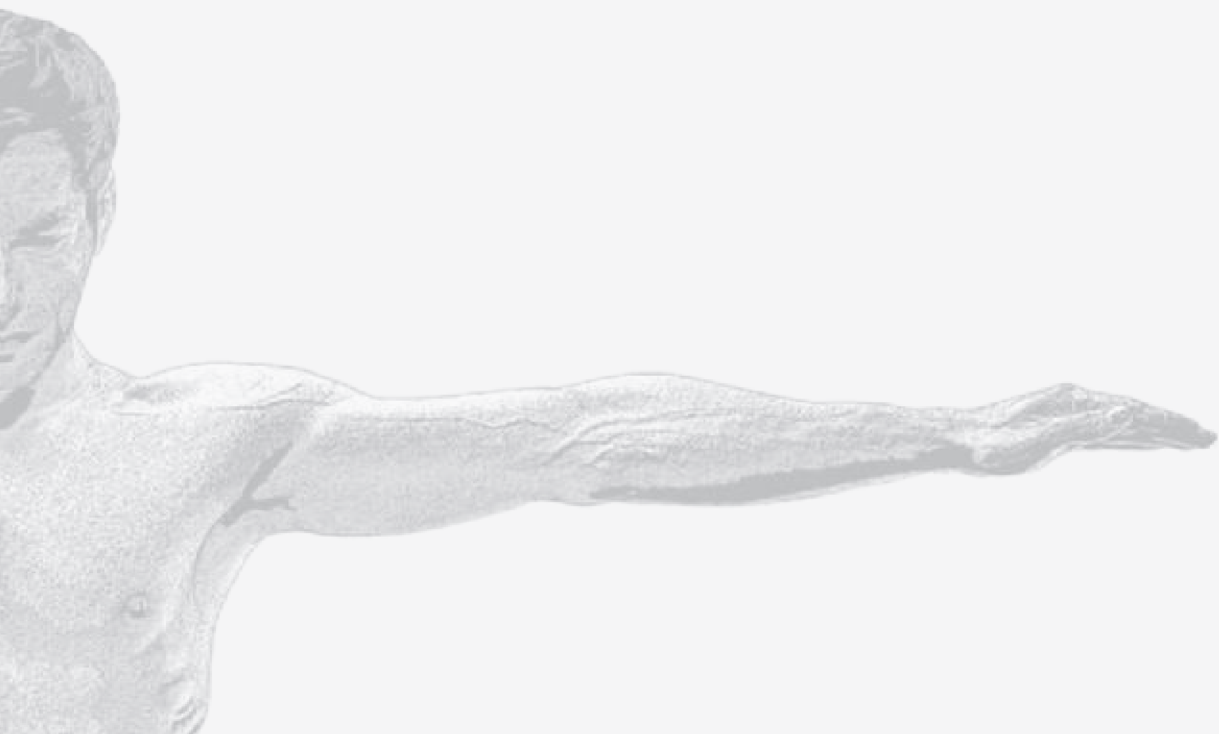
We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Beat Inauen	Christoph Kalberer
Audit expert Auditor in charge	Audit expert

Chur, March 26, 2012

ADDRESSES



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KEY DATES

9 May 2012	Annual General Meeting in Ilanz
21 August 2012	First Half Year Results
15 May 2013	Annual General Meeting in Poschiavo

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