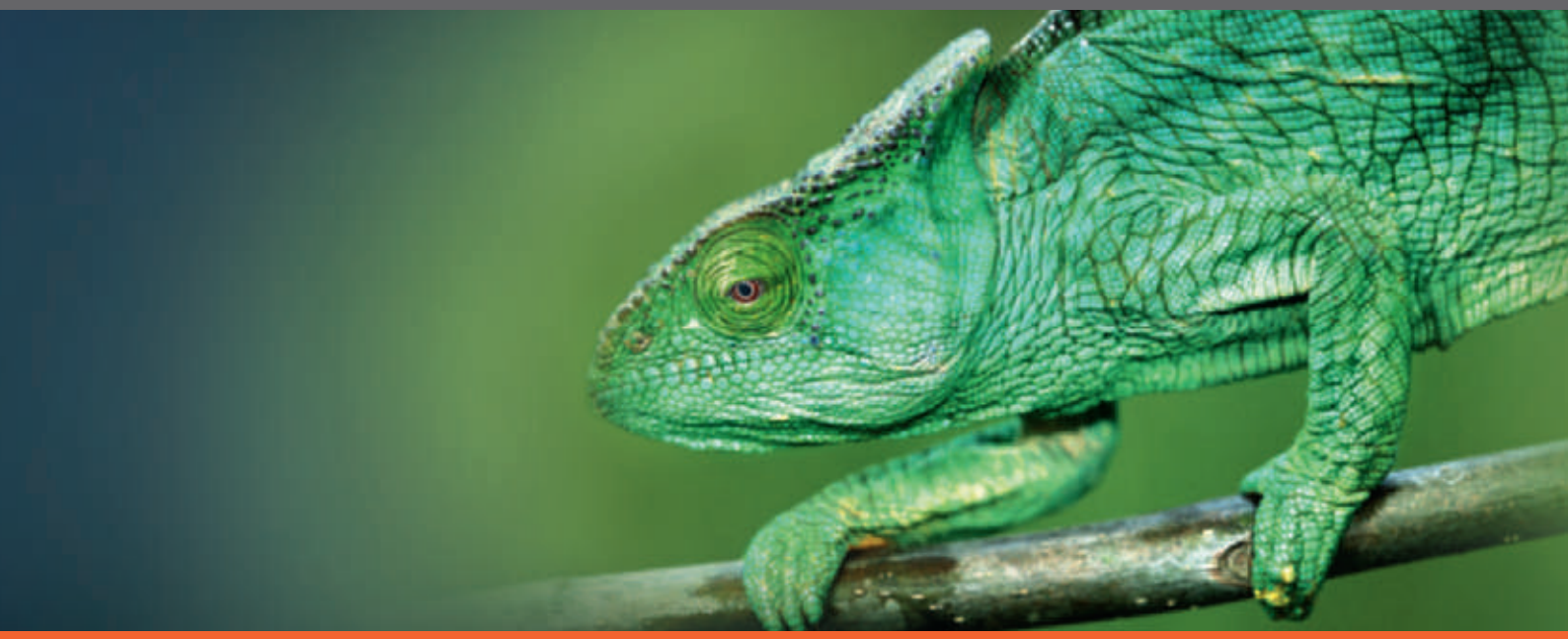
ANNUAL REPORT **2012**



REPOWER

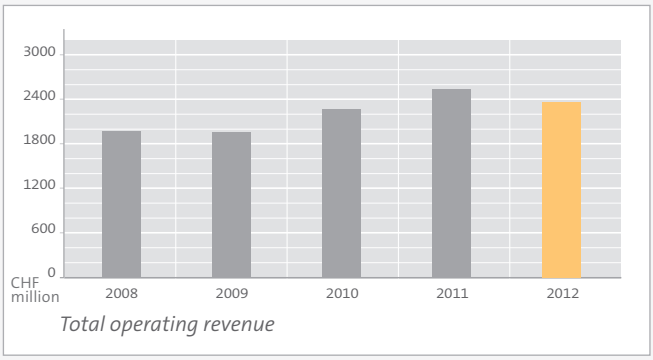
CONTENTS

OVERVIEW

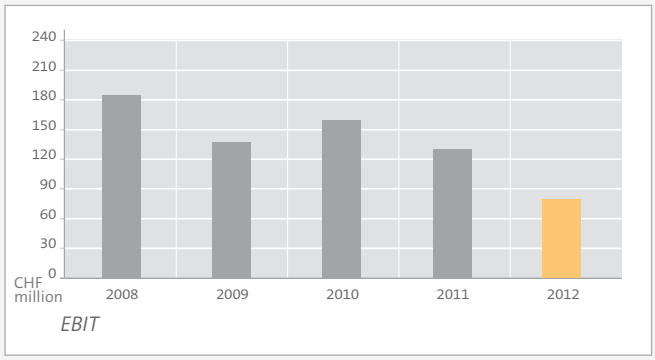
- *The Repower Group generated total operating revenue of CHF 2,372 million (- 6 %) in 2012.*
- *Low prices on the energy market and negative exceptional items impact the operating result (EBIT): it is CHF 81 million, CHF 110 million before exceptional items, and thus 38 per cent below the previous year's result.*
- *Group profit totalled CHF 31 million (- 43 %).*
- *Trading and sales in Italy and Switzerland contributed favourably to the results.*
- *In autumn 2012 Repower put the wind farm in Lucera, Apulia, into operation on schedule. Since then the 26 MW facility has already generated positive generation volumes.*
- *2012 was a record year for operation of our own hydropower plants thanks to the good hydrological conditions: generation was 12 per cent higher than the previous year.*
- *Gas distribution did well, contributing positively to the result. Sales in the Italian and German markets increased 12 per cent from the previous year.*
- *The result in Romania was successfully stabilised.*

FINANCIAL HIGHLIGHTS

CHF million	2011	2012	Change
Revenue and income			
Total operating revenue	2,523	2,372	- 6 %
Income before interest and income taxes (EBIT)	130	81	- 38 %
Group profit including minority interests	**54**	**31**	**- 43 %**
Balance sheet			
Balance sheet total at 31 December	2,367	2,302	- 3 %
Equity at 31 December	965	983	+ 2 %
Equity ratio	41 %	43 %	



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

Share price		**2011**	**2012**
Shares	High	569	410
	Low	275	191
Participation certificates (PC)	High	378	280
	Low	222	172

Dividend	**2009**	**2010**	**2011**	**2012**[*)]
Shares	8.00	8.00	5.00	2.50
Participation certificates (PC)	8.00	8.00	5.00	2.50

*) 2012 dividend subject to decision by the Annual General Meeting.
There are no restrictions on transferability or voting rights.

ENERGY BALANCE SHEET

	2011	2012	Change
Electricity business in GWh			
Trading	12,039	9,049	- 25 %
Supply/sales	6,415	6,516	+ 2 %
Pumps, own use, losses	410	393	- 4 %
Electricity sales	**18,864**	**15,958**	**- 15 %**
Trading	15,532	12,970	- 16 %
Own generation	2,243	1,890	- 16 %
Energy from participations	1,089	1,098	+ 1 %
Electricity procurement	**18,864**	**15,958**	**- 15 %**
Gas business in 1,000 m³			
Sales to end customers	153,654	171,271	+ 12 %
Trading (sales)	437,694	468,512	+ 7 %
Gas sales	**591,348**	**639,783**	**+ 8 %**
Consumption of Teverola gas-fired power plant (Italy)	290,615	206,821	- 29 %

HEADCOUNT

at 31 December	2011	2012
Switzerland	489	512
Italy	169	179
Germany	19	23
Romania	30	29
Czech Republic	25	26
Total	**732**	**769**
Trainees	30	30
Agents Italy	453	485

ELECTRICITY SALES IN 2012: 15,958 GWh

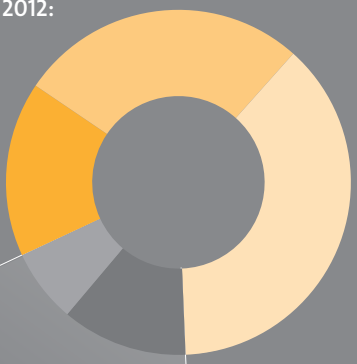
TRADING
- 9 % long term*
- 30 % mid term*
- 18 % short term*

- 41 % sales
- 2 % pumps, own use, losses

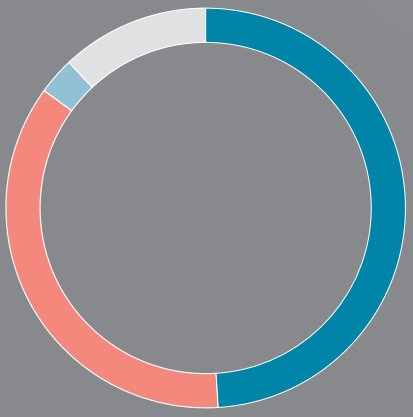
ELECTRICITY PROCUREMENT IN 2012: 15,958 GWh

TRADING
- 16 % long term*
- 27 % mid term*
- 38 % short term*

- 12 % own generation
- 7 % participations and drawing rights



OWN GENERATION AND PARTICIPATIONS: 2,987 GWh

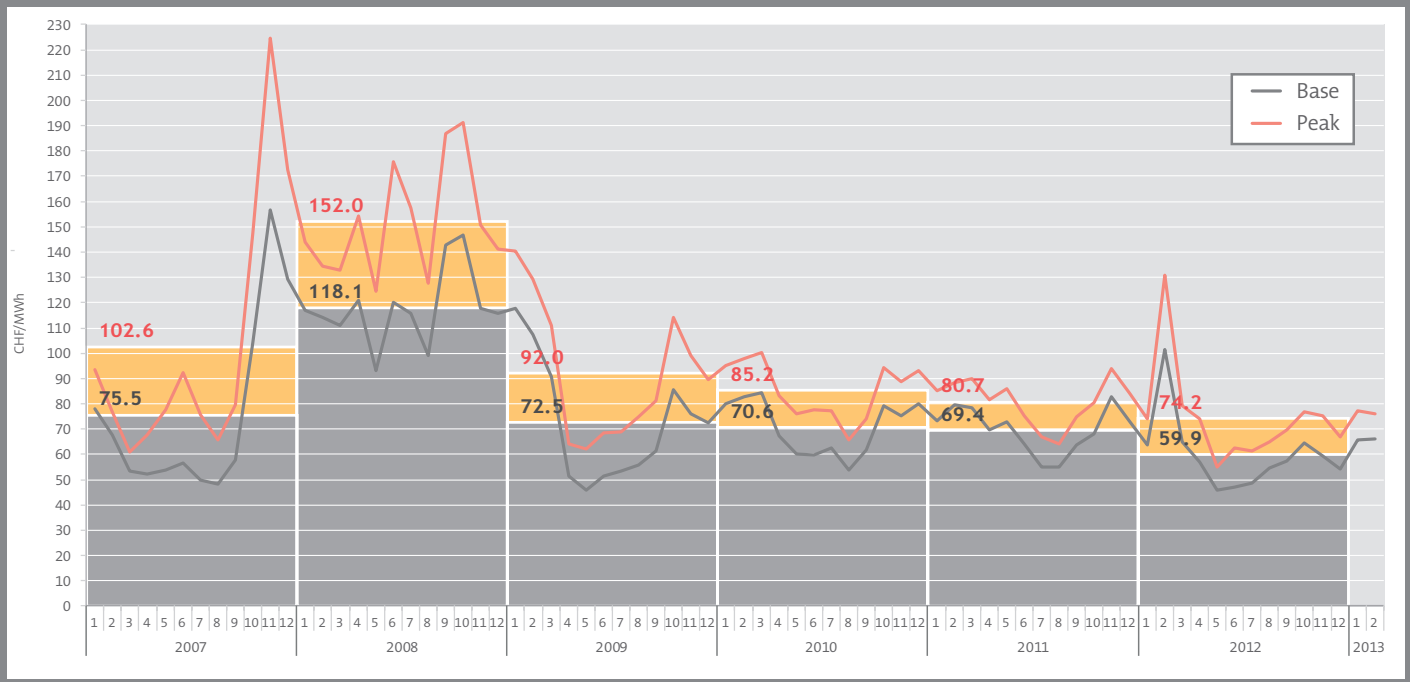


- 49 % hydro
- 36 % gas
- 3 % wind
- 12 % nuclear

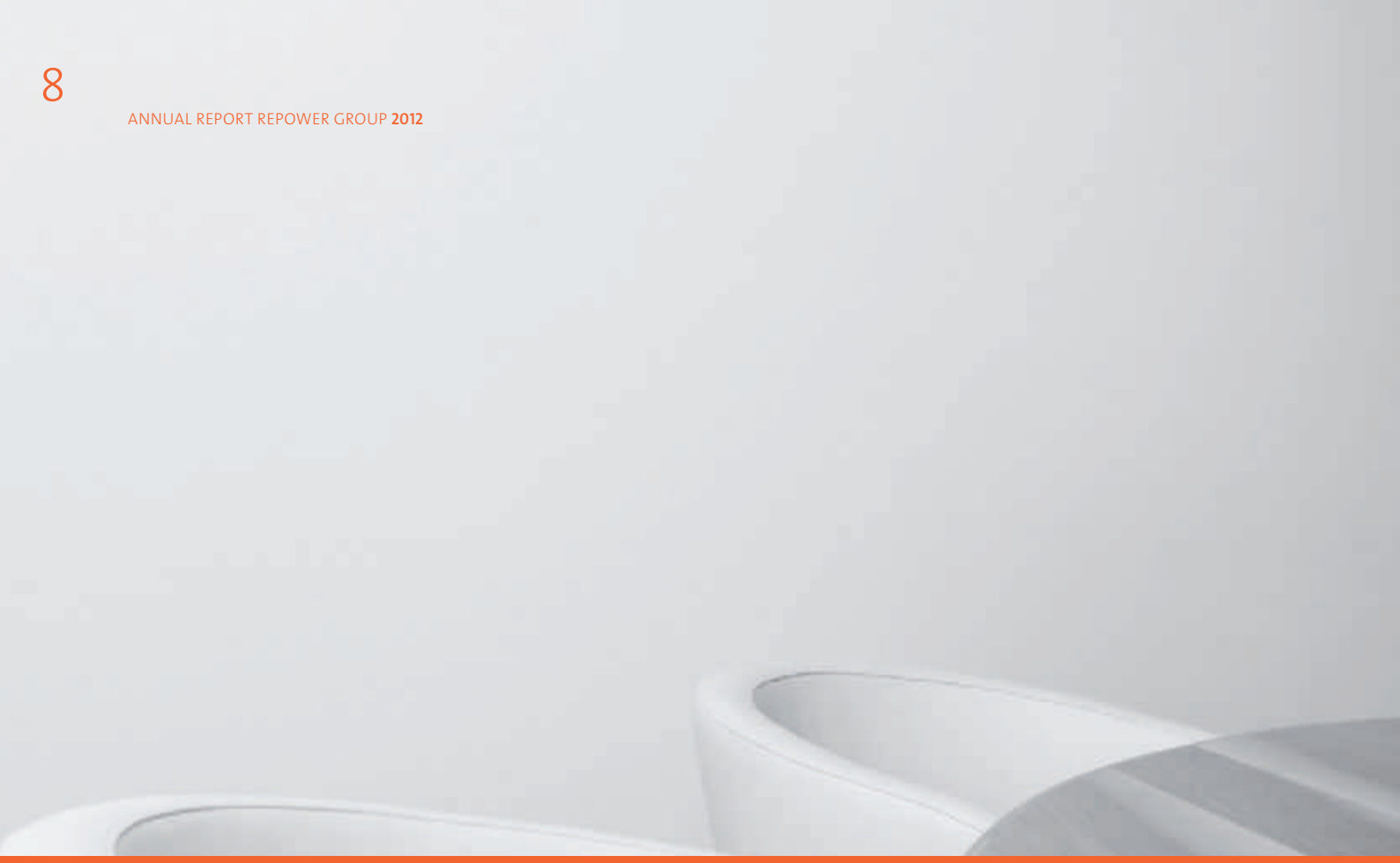
** Trading deals are classified based on the duration between their conclusion and final delivery date (end of contract):*

***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*

ELECTRICITY PRICE ON THE SWISSIX



The graphic of the electricity price on the Swissix stock exchange shows the steady decline since 2008. (Source: Repower)



MORE MARKET FOR THE ENERGY TRANSITION

The energy sector faces a fundamental transformation. The politically and publicly motivated changes to the energy system are ambitious and give rise to uncertainties. Repower shares the focus of the Federal Council's 2050 energy strategy and also sees the opportunities it represents – given the right framework. The subsidy models for renewable energies, however, must be structured in such a way that market mechanisms are not cancelled out.

Electricity from new renewable energy sources is now making a noticeable contribution to energy supply in Europe. In Germany renewable energies already accounted for 23 per cent of total electricity generation in 2012. In addition to hydropower, electricity generation from biomass, wind and photovoltaics has also gained in importance over the last few years. This positive development reflects the political and public commitment to phase out finite energy sources and nuclear energy for power generation. The planned reform of the energy system, however, poses enormous challenges:

- The volatile supply of wind and solar power is placing new demands on grid operation and requires adequate storage and transport capacities. Furthermore, consumption must be dynamically managed to compensate for fluctuations in the electricity grid. Intelligently combining consumption, generation, storage and transport will play a key role in the future.

- The cost to generate electricity from new renewable energies, however, is only partially reflected on the market because it is paid by taxes and fees. When the sun's rays and the wind are strong, a large quantity of supposedly free electricity flows to the market, artificially driving down electricity prices and pushing unsubsidised facilities out of the market. In Germany, the subsidy for renewable energies will increase to more than EUR 0.05 per kilowatt hour in 2013, which is higher than the average market price for electricity. The paradox arising from this situation is that investments in generation capacities which can be flexibly deployed – for example, hydropower – will be put into question for economic reasons.

NEED FOR MARKET-ORIENTED SUBSIDY MECHANISMS

Repower largely shares the priorities found in the Swiss government's draft proposal for the 2050 energy strategy. However, the role of the federal government should not be to describe implementation in detail but should be limited to setting targets and guaranteeing a stable framework. An efficient and sustainable energy supply can only be guaranteed if the one-sided electricity sector-specific view is replaced by an overall perspective of the energy system as a whole. To this extent, one-sided specifications for electricity consumption – which makes up less than one quarter of final energy consumption – and electricity generation will not help meet the objectives.

The subsidy mechanisms must be adapted so that investment incentives remain intact and efficiency efforts are rewarded. The actual cost of generation must be reflected on the market, otherwise the need for subsidies will have increasingly greater implications. It would be absurd to also have to subsidise the reserve power plants necessary for guaranteeing security of supply because they would not be otherwise built. A market-oriented alternative to cost-covering feed-in remuneration (Kostendeckende Einspeisevergütung (KEV)) would be, for example, the quota model. In this system, the percentage of new renewable energies would be fixed by law. The energy supply companies would either generate this electricity in their own plants or purchase it at competitive prices on the market. Efficiency and renewable generation potential would automatically be used in the order which is more cost-effective.

DR EDUARD RIKLI, CHAIRMAN OF THE BOARD OF DIRECTORS:

"Repower is continuing to pursue its strategy of a vertically integrated business model and is carrying out selected projects."

VERTICAL INTEGRATION IN KEY MARKETS

Like its competitors, Repower is also feeling the effects of the turmoil on the energy market. Therefore, the company structure will be adjusted, the project portfolio streamlined and sustainable cost-cutting measures implemented. No changes will be made to the basic Group strategy: Repower adheres to the principle of the integrated business model in its key markets of Switzerland, Italy, Germany and Romania. To secure procurement for sales and trading activities, our own portfolio of power plants will be expanded with targeted projects. We will, however, review and adjust our stakes in the individual projects as well as the timing of project development and implementation. The investments planned for the next 10-15 years will be significantly lowered compared to the previous plans. Repower strives to have a diversified generation portfolio with a focus on flexibly deployable facilities, however, when selecting the technologies, we orient ourselves around the characteristics of the local markets. In sales, Repower is responding to the complex conditions in the liberalised market by offering tailored products to meet the needs of small and medium-sized companies. On our domestic market of Switzerland, we are consolidating our position thanks to partnerships with other energy supply companies in the areas of generation (Repartner AG) and customer focus as well as grid operation.

CONTINUED MARKET ECONOMY ORIENTATION

In December of the year under review, Alpiq AG announced that it would give up its stake in Repower as part of its restructuring programme. The two shareholders Axpo and the Canton of Graubünden decided to each temporarily take over half (12.3%) of the stake previously held by Alpiq. Axpo and the Canton of Graubünden, to which the previous shareholding of 92 per cent will be distributed, continue to form a shareholder group on the basis of a shareholder agreement. They plan to take on a new strategic partner as a shareholder. Repower's strategic orientation and operational activities are not affected by the transaction. Repower will continue to be an energy company based in Graubünden and managed in accordance with business principles.

SHAPING THE CHANGES

The energy policy developments mentioned above in combination with the economic situation create an extremely uncertain market environment. The factors that serve as parameters for our strategic orientation, however, remain unchanged: the share of electrical energy will continue to increase while total energy consumption declines in line with various forecasts. Guaranteeing security of supply requires storage capacities and reserve power plants which can absorb or supplement irregular generation from new renewables. Providing system services will become increasingly important.

Repower is convinced that it can successfully overcome the upcoming challenges thanks to its solid positioning. It can help restructure the energy system with its projects and forward-looking ideas.

MARKET SITUATION AND EXCEPTIONAL ITEMS ADVERSELY IMPACT RESULT

The 2012 financial year was shaped by the poor economic situation and low prices on the energy market. Repower posted a significantly lower year-on-year operating result of CHF 81 million and profit of CHF 31 million. The Group expects the environment to remain difficult and is responding by adapting its business processes and structures and making targeted investments.

The impact of the sovereign debt and economic crisis in the euro zone remained a dominant factor in the 2012 financial year. The shrinking economy was reflected in lower customer willingness to pay and in lower electricity demand, which continued to be below the figures before the financial and economic crisis in Europe. In the Italian market, where the Group generates two-thirds of its sales volume, demand fell year-on-year by as much as three per cent. The minimum euro exchange rate of 1.20 set by the Swiss National Bank gave Swiss companies greater planning security but pressure on prices is still considerable.

UNCERTAINTIES AND MARKET DISTORTIONS

The price development on the energy market had an extremely adverse effect on operating business. Because the wrong subsidy models have been chosen, the prices of electricity from renewable sources are artificially lowered in such a way that the market price is no longer proportionate to the actual generating costs. The electricity price per megawatt hour traded on the stock exchange in Leipzig in 2012 was CHF 20 less than the average price of the last five years (see chart on page 7).

In the current political and public discussion about the future of energy, the sense of unease is palpable. The energy sector is feeling the pressure of always being stuck between conflicting economic, environmental and social interests. The situation is even more complex because it is not possible to predict how several factors will develop. It is very unclear today how the legal framework will change or how quickly new technologies will be ready for the market, to name just two examples. In the interest of a reliable energy supply, the legal basis must be established as quickly as possible so that the actors have a reliable framework at least in the regulatory area. We have also found that concrete power plant projects are being used as venues to conduct debates on basic principles. We welcome the fact that debates are taking place because they are a sign of a healthy democracy. However, supply principles may not be ignored during the current restructuring phase of the energy sector. Ideologically motivated posturing doesn't get us anywhere – what we need instead are comprehensive and objective points of view.

POSITIVE RESULT DESPITE EXCEPTIONAL ITEMS

Repower posted an operating result (EBIT) of CHF 81 million in 2012, which was 38 per cent lower than the prior-year result. The result was affected by challenging market conditions on the one hand and exceptional items of around CHF 30 million on the other. Adjusted for exceptional items (CHF 110 million), the result was in line with expectations. Trading and sales in Switzerland and Italy made a positive contribution, as did the excellent generation figures for hydropower and wind power.

The exceptional items included impairments on small-scale power plants and value adjustments on receivables, notably from sales business in Italy. The financial result was negatively affected by currency factors and the detrimental impact of interest hedging totalling CHF 9 million. Group profit amounted to CHF 31 million (- 43%).

KURT BOBST, CEO:

"The operating result reflects the extremely challenging situation on the energy market. New services and products are in demand more than ever before."

LESS REVENUE IN TRADING

In the year under review, the Repower Group generated total operating revenue of CHF 2,372 million, which was slightly below the previous year (-6%). Trading volume in electricity was much lower year-on-year (-25%), which can be mainly attributed to weaker activity in short-term trading. Gas trading volume, in contrast, increased to 469 million cubic meters (+7%). Cross-border transport capacities for electricity and gas were also profitable thanks to proactive management. Solid revenues were generated in trading with guarantees of origin. By contrast, activities in CO_2 trading were mainly restricted to managing internal requirements for the gas-fired combined cycle power plant in Teverola as a result of the low price level. The trade experts successfully exploited the few opportunities that existed and achieved attractive margins under the given circumstances.

The sales volume in electricity increased slightly by 1.7 per cent to 6,522 gigawatt hours. Higher sales in the German, Romanian and Swiss markets stands in contrast to a slight decline in electricity sales volume in Italy. Repower successfully optimised its customer portfolio in the German and Romanian sales markets. Gas business performed well: in Italy, the volume sold increased year-on-year by 12 per cent to 170 million cubic meters.

GENERATION PROJECTS CONTINUED

Repower's strategy in its key markets is an integrated business model: we generally ensure trading and sales activities with generation from our own facilities or shareholdings. With various power plant projects, Repower aims to gradually enlarge and diversify the generation portfolio. We have reached important milestones particularly in the following projects:

In autumn 2012 the **wind farm in Lucera**, Apulia, was commissioned on schedule following twelve months of construction. The farm consists of thirteen wind turbines with an installed capacity of 26 megawatts. Since starting regular operation, the wind turbines have already supplied 18.6 gigawatt hours of electricity. With Lucera, Repower's wind power portfolio now includes five farms. These are located in Italy and Germany and have a total capacity of 73 megawatts. The approval process for significant expansion of Lucera is also underway, likewise for the **Corleto Perticara wind farm** in the Basilicata.

Several important steps were also undertaken in the project to construct a highly efficient **combined cycle gas turbine power plant** in the **CHEMPARK Leverkusen**. CHEMPARK Leverkusen covers an area of 480 hectares and is home to 200 industrial companies which will be supplied with heat from the planned power plant in the form of process steam at two different pressure levels. In the year under review, the contract negotiations between Repower, Bayer Real Estate and CURRENTA, the operator of CHEMPARK, were successfully concluded. The call for tender for turnkey construction and commissioning of the plant has been launched. The approval procedure is progressing without any major objections thanks to open and public-oriented communication and the fact that the power plant is based on energy efficient and environmentally friendly technology. Repower is expecting the approval decision from the district government in Cologne in the first quarter of 2013, which should make it possible to decide about investments in the same year. Construction of the power plant with a capacity of 550 megawatts is estimated to take around two and a half years. The new generating capacities will be deployed in the German sales market as well as used to expand the portfolio of Repartner Produktions AG.

The **Chlus hydropower project** in the Lower Prättigau/Rhine Valley was realigned in 2012. The project itself is a perfect fit for the current energy policy environment: with an expected annual generation of over 200 gigawatt hours – this represents roughly the demand of 45,000 households – it can make a significant contribution to the expansion targets of the federal government and the Canton of Graubünden in the area of hydropower. However, the original variant proved unprofitable as work on the project progressed: particularly the planned construction of two powerhouses, underground structures in the Chlus and the environmental standards proved too costly. After a careful review of several options, we chose a variant that makes do with a single powerhouse in Trimmis. It is still planned to use the gradient between the existing Küblis power plant and the Rhine. The measures to ecologically upgrade the river of the Prättigau Valley are retained in the new project variant. In view of the very low electricity market prices, the project remains economically challenging. Repower is moving forward with work on the concession project and the environmental impact statement (EIS) and aims to complete these in 2013.

With the plans for the **Lagobianco pumped storage power plant**, Repower is pursuing yet another project that will be one more important piece of the puzzle in the future overall energy supply picture. The power plant will purchase excess electricity and use it to pump water to the higher level reservoir so that when demand increases, turbines can be used to generate hydropower. Storage and pumped storage power plants, because they can respond so quickly, play an important role in guaranteeing grid stability. In the year under review, the Lagobianco SA project company worked intensively on the construction project and on issues relating to the review of the request for concession approval by the Canton of Graubünden. This includes, for example, a land apportionment process in the Poschiavo municipality: revitalisation of the river of the Poschiavo Valley is planned as part of the environmental compensation measures. To acquire the land necessary to carry out these measures, Repower, together with the Poschiavo municipality and the local farmers' association, submitted an application to initiate land apportionment to the cantonal government. The selected procedure is designed to compensate the owners affected for the loss of land by apportioning new land to them. Work on the second stage of the environmental impact statement (EIS II) also continued. EIS II focuses on the environmental impact of, for example, noise and dust emissions during the construction phase. Finally, discussions with potential project partners are continuing – Repower intends to develop Lagobianco SA as a partner company.

In the southern Italian region of **Saline Joniche**, Repower is planning to construct a **hard coal fired power plant**. With this project, the Group aims to contribute to diversifying the power mix in Italy and reduce the heavy dependence on gas. By issuing the "Decreto VIA" in June 2012, the Italian Council of Ministers confirmed the environmental assessment of the project. The approval process is now continuing according to legal specifications. Between Repower and other project partners, it was contractually agreed that Repower would reduce its stake in the project company from 57.5 to 20 per cent no later than when the building permit for the power plant has been provided.

INVESTMENTS IN GRID FACILITIES

At the end of 2012, ownership of the Swiss transmission grid was transferred to the national grid company Swissgrid as stipulated by the Electricity Supply Act. Accordingly, **Repower Transportnetz AG** was handed over along with the transmission grid assets to **Swissgrid AG** on 3 January 2013. Repower will initially remain responsible on behalf of Swissgrid for controlling and maintaining the ceded transmission grid assets.

In 2012, Repower invested around CHF 27 million in modernising and maintaining the **distribution grids** at high, medium and low-voltage level and in developing new facilities. In Ilanz a new operating facility was commissioned on schedule in August 2012. We make these annual investments in order to guarantee reliable and uninterrupted supply in all regions. Repower's performance is above-average in terms of disruption and outage in a Swiss and European comparison.

COOPERATION STRATEGY AND CUSTOMER SERVICE

Repower continued to pursue its cooperation strategy in the Swiss market in 2012. **Repartner Produktions AG** enjoyed a successful first financial year. The Taschinas hydropower plant in Prättigau met generation expectations in the first full year of operation, while active asset management and generation from the two wind farms in Lübbenau and Prettin (Germany) also had a positive effect. Repartner Produktions AG gives Swiss energy supply companies access to diversified power generation both at home and abroad. The power generation portfolio will be gradually set up and is designed to generate around 1,800 gigawatt hours of annual electricity from water, wind and gas power in the end phase. In addition to Repower, eight partners have invested in Repower Produktions AG.

In autumn 2012 Repower invited its customers in the Swiss supply region to choose from **four power products**. As one of the first energy supply companies in Switzerland, Repower already offered certified green electricity under the label "PUREPOWERgraubünden" back in 2000. The "Solarpower", "Aquapower" and "Mixpower" products have now been added to the product range. "Aquapower", which is generated hundred per cent from Swiss hydropower, is sold as a standard product starting on 1 January 2013. At the end of 2012, 32 per cent of customers contacted actively opted for one of the products. A majority of them chose the low-cost product "Mixpower". Overall, nine per cent of customers explicitly want electricity from hydropower and three per cent selected one of the other two green electricity products. These experiences demonstrate increased customer awareness of the electricity source on the one hand, while the high number of customers who chose the residual mix shows

that demand for electricity from renewable sources is not yet very pronounced.

Repower launched an **energy efficiency portal** together with other energy supply companies and worked with Swisscom Energy Solutions on a **project for dynamic consumption management**. We will discuss these issues in detail on pages 20 to 23.

The **Italian sales market** posted a slightly lower sales volume of 4.25 terawatt hours (-5.3%) compared with the previous year due to the economy-related drop in demand. The customer portfolio also had to be optimised due to outstanding payments. The Repower Group relies on high quality customer service and on tailored products as well as innovative services in all of its markets. In Italy, this includes, for example, the **"PUNT'avanti"** product or the **"Verde Dentro"** service. With "PUNT'avanti" customers can view the electricity price traded on the stock exchange for the next day on a personal web portal. They can compare these prices to their own electricity consumption curve and thus identify potential savings. The "Verde Dentro" service, in addition to supplying certified green electricity, provides an e-mobility service and a software application which measures the energy efficiency of devices and thus helps to positively influence consumption and costs.

The model the Group is pursuing in **Germany** is similar to the one in Italy. Repower focuses on the segment of small and medium-sized companies and has been supplying these with electricity and since 2012 also with gas. The electricity sales volume rose sharply again year-on-year. Thanks to tailored products, Repower has successfully concluded multiyear contracts with a number of customers in Germany. A solid customer base was established in the gas business in the first year. Expansion of sales business goes hand-in-hand with building up a network of sales representatives.

The **Romanian sales market** has recovered from the difficult year experienced in 2011. Measures on the procurement side coupled with price adjustments and optimisation of the customer portfolio contributed to the recovery. Sales volume increased by seven per cent, with the focus on small and medium-sized end customers (<20 GWh per year). The market in Romania is likely to open up further in 2013 as a result of the new energy law and the insolvency proceedings of the state electricity producer, Hidroelectrica. As contractually stipulated, the minority shareholder of Repower Furnizare România S.r.l., Ion Grecu, withdrew as shareholder in autumn 2012. With the takeover of the 20% minority share, the Romanian sales company now fully belongs to Repower.

THANK TO OUR EMPLOYEES

Our employees demonstrate their strong commitment in their day-to-day work and thus play a major role in Repower's success. On behalf of the Board of Directors and the entire Executive Board, I extend my thanks for their commitment and loyalty.

OUTLOOK

The market environment will still be extremely demanding in 2013: electricity prices will remain low for the foreseeable future, the enormous market distortions will continue and uncertainty about regulatory conditions will initially persist. In addition, the challenging economic situation will continue to negatively affect the energy business. We are meeting the challenges described with three key measures: starting in 2013, we are implementing an efficiency programme, streamlining the project portfolio and investing in innovative solutions. These measures will allow us to satisfy the prerequisites to overcome the challenges and be a reliable and innovative partner in the market also in the future. Repower expects the operating result in 2013 to be similar to 2012.

NEW MODELS FOR DEALING WITH ENERGY

INTRODUCTION TO THE HIGHLIGHTED TOPIC

Power generation technologies are often one-sidedly put centre stage in the political and public discussion about "energy transition". The debate revolves around phasing out nuclear power or increasing the portion of electricity generated from renewable resources. The energy supply of the future, however, must be rethought and further developed with a view to the entire system. The efficient use of energy and smart management of the generation-grids-consumption system will play an important role in this process.

The hunger for energy is great: while the global population increased by eighty per cent between 1973 and today, energy consumption doubled in the same time period. The industrial nations account for the majority of this increase. Energy consumption will continue to significantly increase as the economies of the heavily populated emerging nations grow. The International Energy Agency (IEA) projects an increase in world consumption of twenty per cent by 2030 solely in China and India. Fossil fuels supply the greatest portion of energy by far. Electrical energy today does not even make up one-fifth of global energy consumption. Electricity generation tripled around the world between 1973 and 2009 – total energy consumption portion accounted for by electrical energy thus rose disproportionately. As a result of substitution effects, the importance of electricity in final energy consumption will continue to rise.

FOCUSING ON THE SYSTEM AS A WHOLE

Energy demand is closely linked to economic and population growth as the figures show. To ensure an economically viable, environmentally-friendly and socially responsible energy supply in the future, energy demand must be largely decoupled from the growth of the economy and the population. Switzerland and Germany are facing a dual challenge in this context: reducing climate-relevant CO_2 emissions and compensating for the loss of electricity generated by nuclear power plants in the future. The Federal Council's 2050 energy strategy was the first bundle of measures for restructuring the energy system in Switzerland. It envisions restricting final energy consumption to 125 terawatt hours by 2050 which represents around half of current consumption in Switzerland. To achieve the set savings, energy intensity must be reduced annually by two per cent between 2012 and 2050. This transformation is extremely dependent on whether or not new technologies can be developed and cost-effectively deployed within a reasonable timeframe. The planned transition may not concentrate on electricity alone, it has to take all energy consumption into account, including grey energy. Moreover, isolated analysis of individual sectors must be replaced by a comprehensive assessment spanning energy procurement, storage, transport and consumption.

MODELS FOR THE ENERGY SYSTEM OF TOMORROW

The next pages contain three articles which show what "energy efficiency" can mean in concrete terms and the necessary direction of energy supply development. The first article intentionally looks beyond the realm of electricity: we asked a research institution how the energy potential of buildings, which makes up the largest part of energy consumption by far, can be exploited.

To use electricity optimally, there will be no getting around smart networking and coordination of all system participants, i.e. generation facilities, consumers and storage facilities, in the future. A stable grid is based on a balance between generation and consumption. It will become increasingly challenging to establish this balance. The inelastic demand stands in

contrast to increasingly volatile and decentralised generation from new renewable energies. To absorb these fluctuations in power generation, it must be possible to adjust consumption more to generation in the future. One approach is a model developed in cooperation between Repower and Swisscom Energy Solutions. We are ultimately pursuing the question of what is needed, in addition to financial incentives, for consumers to deal with energy more responsibly. Jan Marckhoff, CEO of BEN Energy AG, told us about the idea behind efficiency portals and his experiences.

ORIENTATION AROUND BEST PRACTICES FROM NATURE

The illustration in this year's annual report captures the issue of efficiency in the broadest sense. Be it for movement, sensory perception or energy management in the body: the animals shown are examples of the ability of living beings to adapt to their environment and achieve their goals by using resources effectively. The term "biomimetics" includes a number of examples for how human beings have always oriented themselves around optimised structures and processes in nature when developing technology. Human beings will also need to develop intelligent solutions for the requirements of the future when it comes to energy.

FLEXIBILITY

The chameleon is the embodiment of flexibility and dynamism. It adapts its shape, colour and movement to its environment for camouflage. The colours also depend on factors like temperature, the intensity of the sun's rays, the time of day or humidity. It turns lighter in colour when the temperature is high to reflect light and darker when temperatures are low.

Flexibility will also play a key role in our future energy supply. In the interest of efficiency, electricity generation, storage, transport and consumption need to be synchronised with one another.

EFFICIENCY POTENTIAL IN BUILDINGS

SUSTAINABLE MODERNISATION OF OLD BUILDINGS

To achieve the greatest impact, it makes sense to start where the most energy is used and the greatest efficiency potential lies: buildings. Research institutes and representatives of the building sector at national and international level are developing efficient insulation materials and new renovation technologies for the huge numbers of old buildings. One of them is Empa, the Swiss materials research facility, whose work we present in the following section.

Switzerland is dependent on imports of gas and petroleum products for three-quarters of the energy it needs. Foreign dependence is actually eighty per cent if the primary energy needed to generate electricity is also included. Switzerland has a total of 1.64 million residential buildings that account for around 46 per cent of total domestic end consumption, putting them in the highest consumption category. In 2011 roughly 3.5 million tonnes of heating oil and 3.1 billion cubic metres of gas were used for heating in Switzerland. The use of fossil fuels can thus be reduced if the demand for heat is also lowered.

ANTIQUATED BUILDINGS

Buildings erected between 1920 and 1970 need around 200 kilowatt hours per year of energy for heating and hot water for every square meter. At the beginning of the 1980s, stricter structural standards were introduced in response to the oil crises. New buildings that comply with the MINERGIE or MINERGIE-P standard consume between 30 and 50 kilowatt hours per square metre annually for heating, cooling, ventilation and hot water, which is less than 25 per cent of the energy consumed by an old building. Today, however, the rate of energy-saving building modernisations is very low. The focus of energy laws and technical innovations on new buildings neglects the fact that long-term building energy demand will be determined by structures that were built before the year 2000 (see graphic on page 17).

One effective model is therefore to modernise old buildings materials with high energy consumption. The federal government recognises a high efficiency potential in buildings and also focuses on this area in its energy strategy. To reduce total energy consumption of buildings 28 terawatt hours by 2050 compared to the trend scenario, the rate of energy-saving modernisations of existing buildings should be drastically increased. How can this ambitious goal be reached in practical terms?

The costs for energy today are too low for building modernisations to be worthwhile from a purely financial point of view. On the other hand, a full-scale modernisation can create added value in terms of comfort and also brings buildings into line with today's needs with respect to floor plans and layouts. A full-scale modernisation includes all aspects of living: energy supply, ventilation, floor layout and natural lighting, as well as heat insulation and building technology.

HIGHLY INSULATING SPECIAL PLASTER

The greatest optimisation potential in heating energy lies in heat insulation. Different materials and components can be used to limit the amount of heat lost through the building's shell. If the façade of a historical building has to be protected, an inner lining made of insulated plaster is ideally suited. A plaster lining is also much easier to apply in winding staircases, rounded arches and retaining walls than insulation panels that first have to be painstakingly cut to size. The Swiss material research facility, Empa (see box on page 19), worked with an industrial partner to develop a plaster

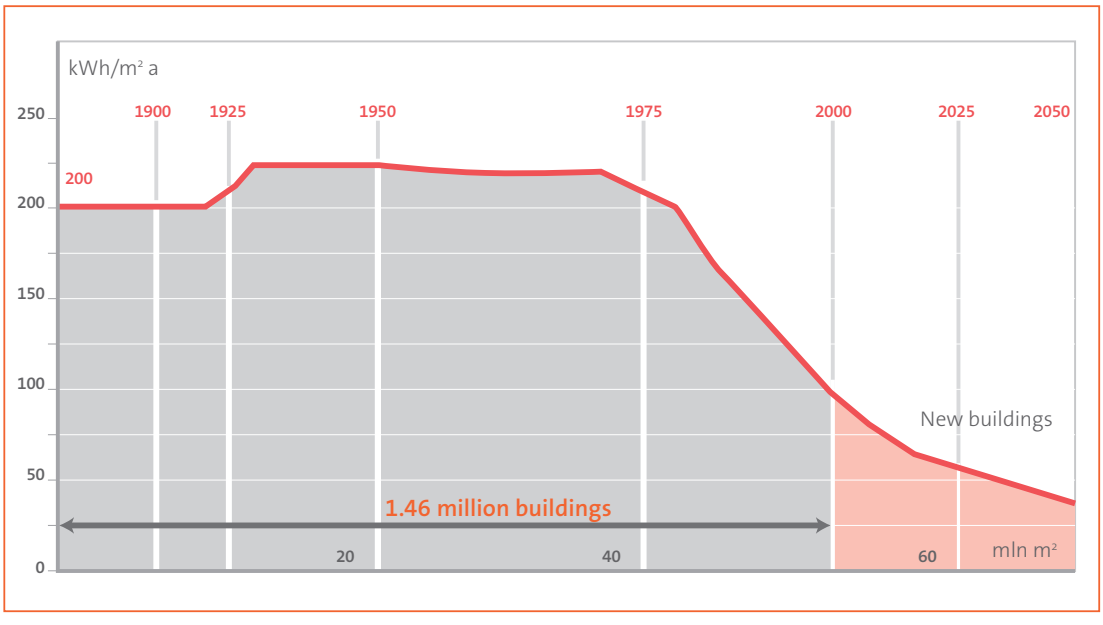
INSULATION

The silkworm uses its saliva to spin a well-insulated cocoon that protects it from weather conditions while the pupa undergoes metamorphosis. Silk is prized for its low density and insulating properties.

made of aerogel that has better insulating properties than a polystyrene panel. Because of its appearance, aerogel is sometimes referred to as frozen smoke. It owes its insulating property to its low density: the material consists of around five per cent silica – the rest is air. It is a purely mineral product that can be applied inside with no problem because no harmful organic substances are produced. This special product was launched on the market at the end of 2012 and is a significant technological innovation in heat insulation.

CHEMICAL HEAT STORAGE

Another approach is to explore how it would be possible to store the excess heat produced in the summer months to use during the winter months. Global radiation, i.e. the direct and diffuse sun's rays, runs contrary to the annual heating curve. When the demand for heat is high, global radiation is low, and vice-versa. Excess solar energy is lost today because the possibilities for long-term heat storage are still in an experimental phase. Research work is underway to try and use the energy collected by solar cells to create a highly concentrated sodium hydroxide (NaOH) lye. Water is then



Energy consumption of residential buildings by year of construction (source: Empa)

re-added to the lye, which releases heat in this process. The advantage of this chemical storage principle is that the heat can be stored without being lost, making it an extremely efficient storage method. The question of how much a kilowatt hour of stored heat costs has not yet been answered, and it will likely still take some time until this solution becomes marketable.

SUSTAINABLE BUILDING MODERNISATION, NOT ISOLATED REPAIRS

Conventional building renovation is often more of a repair than a modernisation intended for generations to come. Instead of getting a building in shape for the long term, many of the changes focus on individual, urgent measures that will not unnecessarily lower the returns from a property. People forget that after fifty years of use and low maintenance costs, massive investments have to be made in a building so that it can be reasonably used for another fifty years.

With this in mind, Empa got involved in the CCEM-Retrofit project, which worked with industrial partners to come up with solutions for sustainable renovation of multi-family houses and residential housing developments. The resulting concept is simple: a largely prefabricated, new building shell is placed over the existing building. Value-adding enhancements can be attached to this new shell which guarantees that the building meets the highest standards of energy efficiency and comfort after renovation. The usually massive external shell of the old building is generally used as a retaining sub-construction for the new, highly insulating façade lining. The insulation layer is used to integrate a ventilation system, meaning that extensive modifications inside the building can be avoided. Laser technology measures the existing building exactly so that the façade elements can be more or less prefabricated. There are several advantages to prefabricating the renovation modules: not only do they simplify the construction process, but they also make it easy to coordinate the work since the inside can be continuously inhabited during construction.

FROM A SINGLE BUILDING TO AN INTELLIGENT URBAN SYSTEM

Even greater efficiency can be achieved if the renovation isn't just restricted to a single building, but is extended over a larger unit. To this end, the building typology of a district has to be captured. This may identify several buildings suitable to be torn down and replaced by a new energy-saving building, while other buildings are comprehensively modernised using the process described above. Historical, protected buildings could potentially be used to store heat on a seasonal basis because these buildings often have the necessary space. The buildings are then connected to one another by what is called an "energy hub". The various functions of energy management are brought together in a district's energy hub: from distribution to conversion and storage of heat, cold and electricity. Decentralised, renewable generation facilities can be connected to the energy hub and supply some of the electricity. If the individual buildings or consumption units are also equipped with control and communication modules, consumption can be ideally controlled within the district and adjusted to fluctuating generation. This creates a flexible network unit that functions as a virtual power plant (see article on pages 20-21).

Several districts with smart energy systems can be connected to form larger, intelligent units. By doing this, entire parts of cities and agglomerations can be connected to the regional electricity grid, which in turn is connected to the national grid. The goal is always to keep the energy flows at the lowest possible grid level. The supply model of the future is based on the principle of using the irregular and decentralised generation from new renewable energies at regional level if possible, i.e. to distribute it or to store the excess. This would reduce the need for grid expansion. This doesn't, however, eliminate the need to set up a high-performance super grid that transports electricity over long distances.

INTERVIEW WITH DR PETER RICHNER, DEPUTY DIRECTOR OF EMPA, HEAD OF CIVIL AND MECHANICAL ENGINEERING DEPARTMENT

"FULL-SCALE MODERNISATION WILL BRING ADDED VALUE"

What are the advantages of the approach pursued in the CCEM-Retrofit project for housing renovation over conventional building renovation?
In addition to saving energy, a full-scale modernisation also takes into account today's housing standards. Our approach also allows the living space to be enlarged, for example, by converting balconies into winter gardens. In both pilot projects the existing roof was removed and replaced by an additional apartment. This additional living space was actually what made the projects economically viable in the first place.

How can building owners be motivated to modernise their old buildings, apart from offering them financial and tax incentives?
Many multi-family homes constructed between 1950 and 1970 are ideally situated but no longer meet our current expectations in terms of comfort and energy efficiency. While they no longer belong in the top tier of buildings, a full-scale modernisation pushes them back up into the higher echelons. This means that the owner once again has a property that meets modern standards and generates commensurate returns.

How should a building owner decide between maintenance, full-scale modernisation or a completely new building? Are there any decision-making aids?
We have developed a tool called Retrofit Advisor that helps owners of multi-family houses easily determine their property's potential. The financial, environmental and social impact of various options including painting, a full-scale modernisation in line with the Retrofit concept and reconstruction can be compared with one another. The user can set individual priorities and compare different variants side-by-side. The first analysis serves as a basis for detailed planning. We are currently working on enhancing the Retrofit Advisor in a European research project and transferring it to an Internet platform.

Are there already practical models for how energy-saving optimisations can be implemented at district level or for entire parts of cities?
The first models exist and various municipal energy supply companies are moving in this direction. The core questions that have not yet been definitively answered include the ideal size of a network, the technical solutions which should be used in the energy hub, the control technology, and of course also the legal aspects as to whether there is an mandatory connection and how billing is to be handled.

The speed of innovation in the building sector is relatively low. What is needed for successful technology transfer?
Construction investments are generally very expensive and geared toward the long term. The result is that building developers tend to be more risk averse – they want to be sure that the technical solutions proposed actually work in practice. This creates a relatively large hurdle to transferring the results from research to practice. The most efficient way to encourage technology transfer is trial projects that test new solutions for their suitability for practical application under realistic conditions. For this reason, Empa joined forces with technology partners from the ETH domain to develop the NEST concept: a research and technology transfer platform on which new results from research and development can be tested and demonstrated on a 1:1 scale.

The efficiency potential in buildings is around fifty per cent. What is the potential of mobility and industry?
Technically speaking, a lot of progress has been made in efficiency in mobility in the last few decades. The main thrusts are more efficient engines, hybridisation and lightweight design. I think the biggest challenge is the continuous growth in mobility. All of the gains made in efficiency over the last few years are being cancelled out by increased consumption.
I am more optimistic about the industrial sector, where efficiency measures that make good economic sense are implemented relatively quickly. New technical developments will further encourage this development. The industrial sector can play an important role in the context of local energy networks because it often has a load profile complementary to the housing sector, meaning that industrial companies can function, e.g. as buyers of excess electricity, and feed process heat into the hub, in return.

Are efficiency measures enough to decouple energy demand from population and economic growth or do we also have to think about sufficiency in the future?
As the example of mobility shows, we will not reach the goals set through efficiency measures alone. Whether we as a society are able to voluntarily limit our consumption and what the economic impact of a step like this is, is difficult to say. I think, though, that we need to have this discussion to see which solutions would be feasible and if they would be met with widespread acceptance. If we extrapolate the European and North American resource consumption to the global level, it becomes immediately clear that we are living far beyond our means. Per capita energy demand in developing and emerging economies is a fraction of our demand. But the rest of humanity has the same right to economic development and prosperity as we do. Unless we achieve totally unexpected technological breakthroughs in the next few years, we will have to deal with the issue of how to distribute access to resources in a more equitable manner. This can only mean getting by with less. This step does not necessarily have to be associated with a lower standard of living, however.

Empa is an interdisciplinary research and service institution for material sciences and technological development within the ETH domain. Empa takes on research contracts for various industrial partners, creates studies and assessments, and is involved in university-level training and education. Empa has sites in Dübendorf, St. Gallen and Thun, and employs around 940 people, 140 of which are doctoral students. The focal areas of research include nanostructured materials, material for energy technologies and new drive technologies.
More information can be found at: **www.empa.ch**
For more on the Retrofit programme: **http://www.empa-ren.ch/CCEM-Retrofit.htm**

SMART NETWORKING TO ENHANCE EFFICIENCY

DYNAMIC CONSUMPTION MANAGEMENT

A stable electricity grid is the key element for reliable supply. Storage options, flexibly deployable generation capacities and buffer on the demand side are needed to compensate for the increase in unforeseeable fluctuations in supply and grid instability with the increased use of new renewable energies. Demand-side management requires communicative networking of the various system elements. For this reason, Repower holds 35 per cent in Swisscom Energy Solutions AG: the two companies work together in the area of load management and provide increasingly sought-after system services.

The transmission and distribution grid connects electricity generation and electricity consumption in industry and households. To ensure grid stability, the same amount of electricity must be added as taken away at all times — there always has to be a balance between generation and consumption. This balance is maintained by means of system services. Electricity producers pledge to provide balancing energy to grid operators and increase or decrease their generation capacities temporarily to compensate for fluctuations in the electricity grid.

FLUCTUATING GENERATION MEETS INELASTIC DEMAND

Until now, electricity generation has been geared toward consumption. The base load was covered by central power plants. Peaks in consumer demand were met by electricity from flexible technologies such as storage facilities. The generation landscape will continue to change over the next few years as the electricity generation mix is restructured. Electricity made from new renewable sources like wind, solar or biomass, already account for a significant portion of electricity generation in Europe. In Germany alone, the installed capacity of photovoltaic systems was thirty gigawatts at the end of 2012, a figure that represents the output of thirty large nuclear power plants. Because, however, photovoltaic systems do not supply electricity around the clock, the average generation only corresponds to around four nuclear power plants. But the differences between full generation when conditions are good and almost complete stoppage because the sun isn't shining are enormous. The volatile and decentralised supply of electricity from renewable sources thus creates completely new challenges for system operation.

Until now, it was virtually impossible to influence the consumption curve. How can the necessary balance in the electricity grid be ensured if electricity generation fluctuates and is unpredictable on the one hand and demand is inelastic on the other? One possibility would be disconnecting solar and wind systems from the grid when they generate more energy than needed. However, this approach is anything but efficient because the electricity that the systems could supply would simply be lost. It is therefore better to store the energy generated until it is used. Pumped storage power plants are one proven possibility for temporarily storing large quantities of electricity. However, there would have to be many more systems than exist or are planned today and the transmission grids would need to be massively expanded to be able to accept and temporarily store all of the surplus electricity generated. Which means we need additional solutions: instead of basing generation on consumption as was previously the case, consumption must be successfully managed in the future in such a way that it can adjust to fluctuations in generation.

THE ELECTRICITY SYSTEM OF THE FUTURE IS INTELLIGENT

It must be possible for producers, storage facilities and consumers to communicate with one another and be controlled in real-time so that consump-

INFORMATION TRANSMISSION

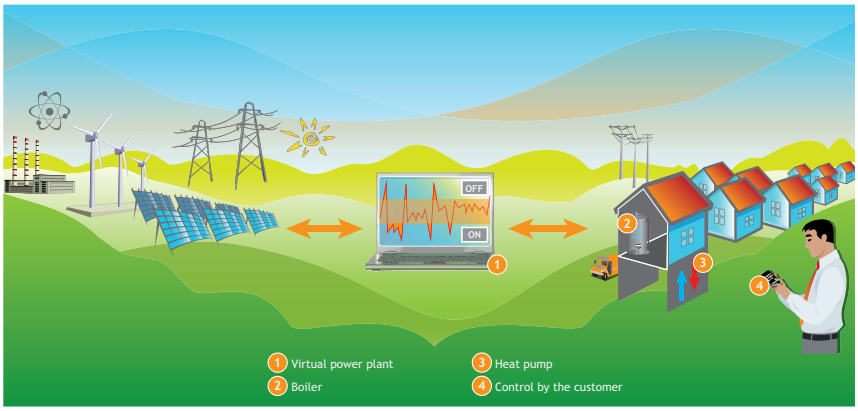
Ants have a highly efficient way of communicating: they exchange information through scents. Like binary numbers, information is uniquely encoded.

tion can be oriented more around generation in the future. It requires intelligent networking and coordination of the various components. Information, communication, automation and control technologies are connected to the existing electricity grid. The "smart grid" is based on automatic recording of energy consumption and decentralised supply at the metering points, transmission of this data to a central control station and dynamic control of consumption devices. This means that not only power plants but also now consumers whose electrical devices and heating systems are virtually connected help provide system services.

REAL CONTRIBUTION THANKS TO VIRTUAL POWER PLANT

This is precisely the idea behind the innovative project that Repower is pursuing together with Swisscom Energy Solutions. Electrical heating systems such as heat pumps, night storage heating and water boilers of a large number of customers are connected to one another to form what is known as a virtual power plant. A single system is created from the many individual installations which can be switched on or off at a moment's notice using dynamic consumption control. Electricity demand is thereby reduced at peak times and shifted to moments of lower consumption. The peak load saved can be sold to the national grid company Swissgrid as a system service.

The project will get underway in the spring of 2013 in the Repower supply region in southeast Switzerland and will be expanded to all of Switzerland if successful. This will enable Repower to make a significant contribution to efficient electricity supply over the long run.



Increasingly important: the interaction between generation, consumption, storage and transport using communication technologies.

MAKING IT FUN TO SAVE ELECTRICITY

RETHINKING CONSUMPTION

Everyone can do their part to save electricity for a sustainable energy future. But how can electricity customers be motivated to think about their own electricity consumption? The company BEN Energy explored this question and found an innovative solution: on efficiency portals, energy consumption becomes a visible material and saving energy becomes a game where everyone wins. Repower is also involved thanks to the platform munx.ch.

Electricity is like that we breathe — it is invisible, intangible but yet always there. Electricity is just like air: we only notice how much we depend on it when it's not there. Fortunately, this is only rarely the case because supply is very reliable in Europe. Our electricity bill reminds us of how much we consume at relatively infrequent intervals — but electricity is comparatively affordable and many people do not think much about electricity and consumption. But it is precisely this challenge that has to be overcome for the energy transition to be successful and to lower electricity consumption in the future. In Switzerland, for example, the Federal Council decided to reduce electricity consumption by just around ten per cent to 53 terawatt hours by 2050 — even though the percentage of electricity that makes up total energy consumption will continue to increase due to substitution effects. To reach the ambitious targets, every individual needs to change how they think. The abstract material must be made exciting and tangible for end consumers to be sensitised to the issue of electricity.

FUN ACCESS TO ENERGY

This is the starting point for energy efficiency portals. The goal of these web-based applications is to encourage private customers to think about their electricity consumption in a fun way. An incentive system is designed to ultimately motivate customers to use less electricity and thus save money. The portals build on the latest findings in behavioural research. Once the electricity meter reading is entered, customers can compare their consumption with those of similar households in the same residential area. They can also create networks with friends and mutually encourage one another to save electricity in a team. Actively participating in the portal is rewarded with contests and attractive prizes. Another key element of the online platforms is what is known as "storytelling". This includes mascots who welcome users to the website, give them tips and tricks and invite them to return to the page with new content — saving electricity is not a one-time activity but becomes a habit.

A PLATFORM FOR CUSTOMERS …

There are three marmots on Repower's efficiency portal that motivate consumers to save electricity. The platform "munx.ch" was developed by BEN Energy, a spin-off company of ETH Zurich that has had many successful experiences with several energy efficiency portals. Repower is also anticipating various positive effects from this new kind of web presence. In addition to the contribution to energy efficiency and sustainability, it is an important tool for interacting with customers. The portal helps us learn about our customers and their needs which, in turn, helps enhance customer loyalty. Users can also already find out about future technologies, products and services on the online platform. The portal is available in German and Italian.

… DEVELOPED WITH PARTNERS

With "munx.ch" Repower is also strengthening its partner strategy of becoming a service provider for other energy supply companies. Repower

ADAPTABLE ENERGY MANAGEMENT

No unneeded energy goes to waste: marmots lower the energy they need during winter hibernation by slowing down their breathing and heart rate to less than ten per cent.

therefore worked together with various partners to develop the efficiency portal. The shared goal of the partners is to reach as many participants as possible because the portal becomes more effective as the number of users grows — for this reason, the project is also supported by the Energy Office of the Canton of Graubünden. The idea is also popular with another actor: Swisscom is assuming the costs for hosting the platform on its servers. And the platform is undergoing further development: BEN Energy is continuously optimising the portal with the latest findings from behavioural research and integrates additional applications at the request of the project partners. This way the portal is always up-to-date in terms of energy efficiency.

INTERVIEW WITH JAN MARCKHOFF, CEO BEN ENERGY

"THE PERSONALISED USER EXPERIENCE IS IMPORTANT"

How did the energy efficiency portals come about?

We have been conducting research at the ETH Zurich for five years on changing behaviour when it comes to people's energy habits. The focus is an interface between IT applications, data mining and behavioural elements. We have developed a platform to examine how households can be motivated to change their behaviour with psychological behavioural feedback on their energy habits. Once we had seen how much we could achieve with the research tool, we further developed it to be used on the market by energy supply companies; BEN Energy grew out of this as a supplier of these services.

What do your experiences with efficiency portals show?

Our experiences are very positive. We've seen, for example, that there is a significant correlation between the use of our platforms and saving energy. Users who visit the portal often save more energy regardless of how much they consumed before using the platform.

Do customers also return regularly to the portal over the long run?

Fortunately, this is the case. For this to be successful, it is important that users feel supported and that the portal is adapted to their needs. For one visitor, for example, learning and monitoring options are the highest priority while, for others, it is participating in contests. The platform gets to know the customer better with every visit and can thus respond individually to every user's requirements. This personal support is the key to a positive user experience and for users to return regularly to the platform.

CORPORATE GOVERNANCE

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. The 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 assets 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 grid 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) as well as trading in renewable energies, and conducts market analyses. It is also responsible for 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 associated projects. This division also coordinates the sales activities in the markets. The Finance Division manages Accounting, Treasury, Controlling, Corporate IT, Enterprise Content Management (ECM) and Group-wide Enterprise Resource Planning (ERP).
The units Legal Services, Corporate Marketing and Communications, Corporate Human Resources, Corporate Risk Management and Shareholding Management report directly to the CEO.

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.

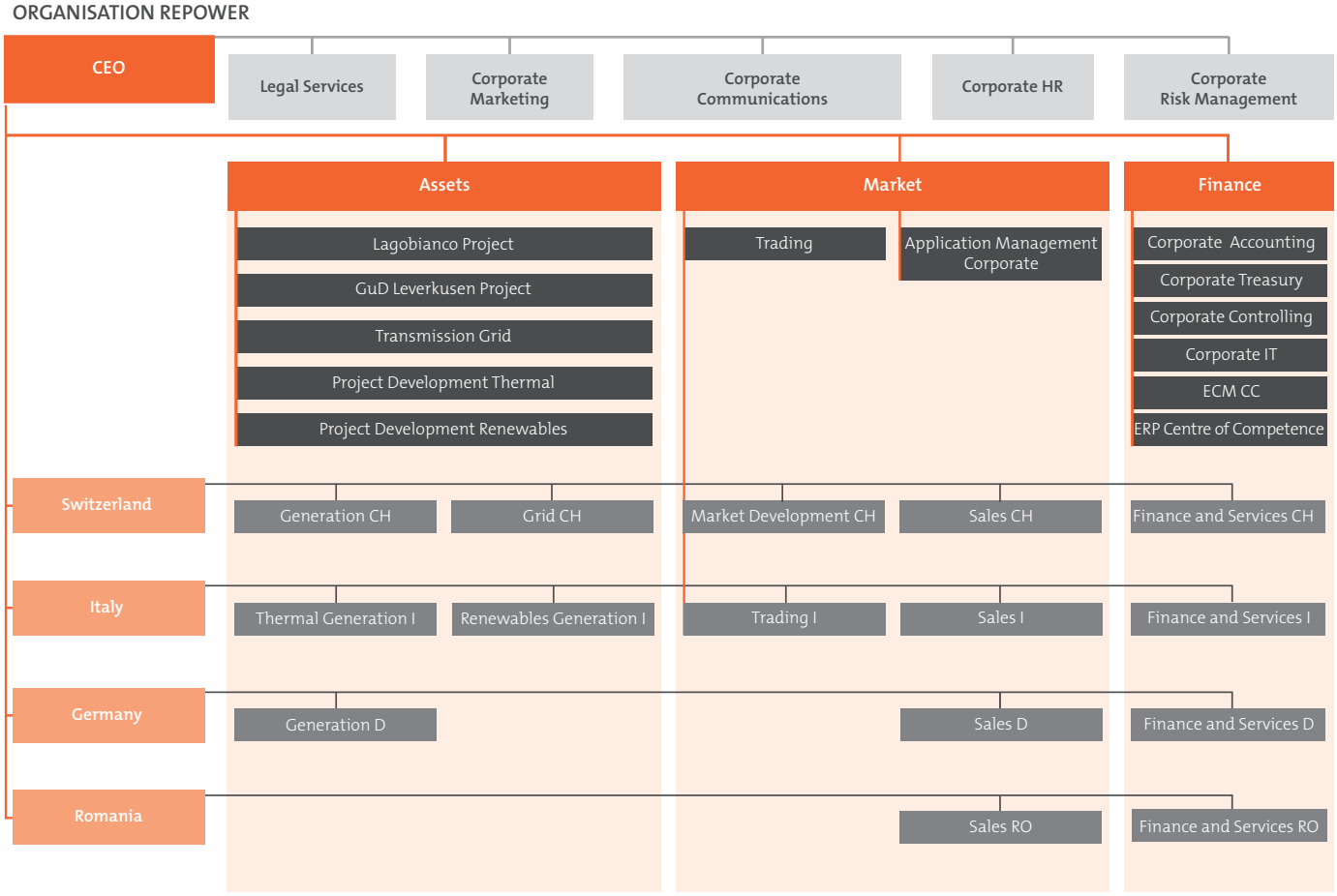
AQUADYNAMICS

The skin of a shark is composed of tiny teeth of different shapes and sizes. The special surface of the skin gives the shark a highly aerodynamic shape, making it one of the fastest animals in the ocean. Consequently, the properties of shark skin have been reproduced in swimwear for professional athletes.

The individual operations are managed centrally by Repower AG and are not organised into separate legal structures in principal. 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 shareholdings is shown on pages 66 to 68.

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. The Canton of Graubünden currently holds 46.0 per cent of the shares and voting rights, while Alpiq AG (Alpiq) holds 24.6 per cent and Axpo Trading AG (Axpo, formerly EGL AG) 21.4 per cent. As stipulated under ruling 521/01 of the Takeover Commission (published on 3 December 2012 on the Takeover Commission's website), the Canton of Graubünden and Axpo intend to acquire the Repower shares held until now by Alpiq. In a first step, the Canton of Graubünden will hold 58.3 per cent of Repower shares and Axpo 33.7 per cent. In a second step, these shares will be reduced to no more than 55 per cent and 21.4 per cent respectively, with the participation of a suitable strategic investor. The transfer of the shares is scheduled for the first quarter of 2013, subject to approval by the authorities. The principal shareholders are committed to one another through a shareholders' agreement. No cross-shareholdings exist. The remaining 8 per cent of the shares are in free float. The participation certificates can also be freely traded.

ORGANISATION REPOWER



WATER STORAGE

Dromedaries have adapted to their surroundings by developing the capability to store water. The animal stores water reserves in its stomach to prevent it from dehydrating in dry periods. It can fill up its storage tank again quickly by taking in liquids.

CAPITAL STRUCTURE

The share capital of Repower AG (information on the share capital is given on pages 5 and 83 of the Annual Report) consists of 2,783,115 shares (Securities No. 1640583) and 625,000 participation certificates (Securities No. 1640584), each with a par value of CHF 1. 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 679 million at the end of 2012.

BOARD OF DIRECTORS

MEMBERS

The members of the Board of Directors are listed on pages 34 to 37 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 AG and Axpo Trading 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 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 34 to 36 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).

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.

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 persons 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.

UPWARD FORCE

The bumps on the front flippers of the humpback whale increase lift and reduce drag. The flipper design allows the animal to glide effortlessly through the water at high speed. These discoveries have been applied to the design of rotary blades.

In the year under review the Board of Directors met five times and the Board Committee eight times. The Board Committee convened five times as Audit Committee and once as Compensation 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 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 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 SYSTEMS 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 volume 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, total assets, equity, economic value added), energy trading risks (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 60 to 63. 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, Repower Italy

Alfred Janka
Country Head, Repower Switzerland

The list on pages 38 and 39 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). No management tasks were transferred to third parties.

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 meeting expenses in 2006 based on comparisons with compensation received by members of Boards of Directors of Swiss energy-sector companies 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 40 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 50 per cent of the bonus determined. Between three and five personal performance objectives are set for each member of the Executive Board and also account for 50 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 30 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. No external consultants were engaged for the purpose of structuring the compensation.

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 50 days prior to the Annual General Meeting. One shareholder or several shareholders who together hold at least 10 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.

CHANGE 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. No clauses pertaining to change of control exist either for members of the Executive Board or for members of the Board of Directors. 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. In 2012 PricewaterhouseCoopers was paid a total fee of TCHF 1176 for their auditing services for the Group and TCHF 684 for other consulting services. The fees for other consulting services comprise the following: TCHF 404 for tax consulting, TCHF 195 for project-related consulting and TCHF 85 for other consulting services.

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 and improvements discussed in the report 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 2012.

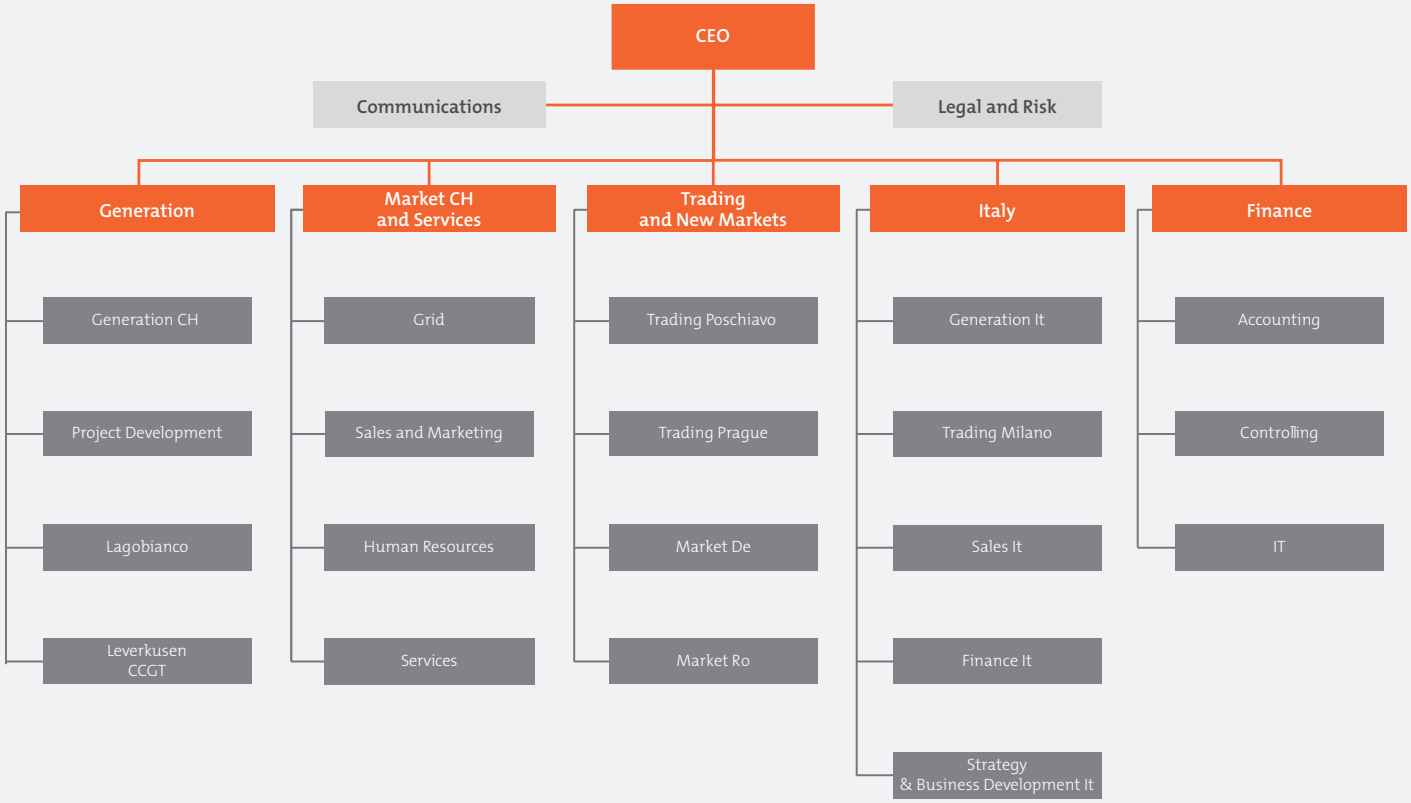
INFORMATION POLICY

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

At the end of January 2013, Repower AG announced the need to introduce various efficiency measures in order to address changes in the prevailing market conditions. This includes an adjustment of the corporate structure. Structures in Switzerland are to be streamlined and brought together in a single organisation (organisation chart on page 32). The plan is to implement the new organisation on 1 April 2013.

REPOWER ORGANISATION 2013



The new single Repower organisation was implemented in April 2013.

BOARD OF DIRECTORS

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

DR EDUARD RIKLI (1951)

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

PROFESSIONAL CAREER

Previous

- Head of Sulzer Turbo Product 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 board of major corporations, organisations and foundations

- Chairman of the Board of Directors of Brütsch / Rüegger AG, Urdorf
- Member of the Boards of Directors of Delta JS AG, Zurich (Technopark), Hatebur Umformmaschinen AG, Reinach, Mikron Holding AG, Biel, Nova Werke AG, Effretikon, and Bioengineering AG, Wald
- Member of the Boards of Trustees of the Technopark Foundation, Zurich, the Technorama Foundation, Winterthur, and other foundations
- 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)
- Member of the Executive Board of Alpiq Holding AG and Head of Financial Services (CFO) (1992 - 30.09.2012)

Current

- Senior Expert Finance, Alpiq Management AG, since 1 October 2012

OTHER ACTIVITIES AND FUNCTIONS

Positions on board of major corporations, organisations and foundations

- Chairman of the Board of Directors of the pension fund Pensionskasse Energie
- Member of the Boards of Directors of AEK Energie AG and Kernkraftwerk Gösgen-Däniken AG

Dr Eduard Rikli

Kurt Baumgartner

Dr Guy Bühler

Dr Martin Schmid

Placi Berther

Christoffel Brändli

Claudio Lardi

Rolf W. Mathis

Dr Hans Schulz

Daniel Spinnler

Roger Vetsch

Michael Wider

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 Division (2007 - 2012)

Current

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

OTHER ACTIVITIES AND FUNCTIONS

Positions on board of major corporations, organisations and foundations

- Chairman of the Boards of Directors of AKEB Aktiengesellschaft für Kernenergie-Beteiligungen, ENAG Energiefinanzierungs AG and Forces Motrices de Mauvoisin SA
- Member of the Boards of Directors 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 of Finance and Municipalities (2008 - 2011)

Current

- Lawyer, since 2011

OTHER ACTIVITIES AND FUNCTIONS

Positions on board of major corporations, organisations and foundations

- Chairman of the Board of Directors of Engadiner Kraftwerke AG
- Vice Chairman of the Boards of Directors of Kraftwerke Hinterrhein AG, Repower Holding Surselva AG and Repower Klosters AG
- Chairman of the Board of Directors of Calanda Kies und Beton Group

Official functions and political offices

- Member of the Council of States of 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 board of major corporations, organisations and foundations

- President of the Administrative Commission of the Catholic Regional Church, Graubünden
- Member of the Board of Directors 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 the Executive Council of Canton of Graubünden (1983 - 1994)
- Member of the Council of States of Canton of Graubünden (1995 - 2011)

Current

- Business consultant, since 1994

OTHER ACTIVITIES AND FUNCTIONS

Positions on board of major corporations, organisations and foundations

- President of santésuisse

CLAUDIO LARDI (1955)

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

PROFESSIONAL CAREER

Previous

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

Current

- Lawyer, since 2011

OTHER ACTIVITIES AND FUNCTIONS

Positions on board of major corporations, organisations and foundations

- President of the Hilton Ray Hartmann Foundation
- Member of the Board of Directors of educa.ch
- Member for Switzerland of the Consulta Culturale Italia Svizzera
- 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 Power AG and Head of Hydroenergy Division, since 1998

OTHER ACTIVITIES AND FUNCTIONS

Positions on board of major corporations, organisations and foundations

- Chairman of the Boards of Directors 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 Directors 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 Wasserwirtschafts-verband (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)
- CEO of EGL AG (2008 - 2012)

Current
- Head of Trading & Sales at Axpo Trading AG, since 2012

OTHER ACTIVITIES AND FUNCTIONS

Positions on board of major corporations, organisations and foundations
- Member of the Boards of Directors of Axpo Italia S.p.a, Trans Adriatic Pipeline AG and Repower Klosters AG
- Member of the Executive Board of Axpo Holding AG

DANIEL SPINNLER (1956)

Swiss citizen, dipl. El. Ing. FH
Member of the Board since 2012

PROFESSIONAL CAREER

Previous
- Head of Key Account Management and member of the extended Executive Board of ATAG debis Informatik AG, Langenthal (1998 - 1999)
- Owner/managing director of consultancy DS Management GmbH, Niederlenz (2000 - 2006)
- Head of Corporate Development & Organisation, Aare-Tessin AG für Elektrizität (Atel), Olten (2007 - 2008)
- Personal assistant to the CEO, Secretary to the Executive Board, Alpiq Holding AG, Olten (2009 - 2011)

Current
- Head of the Finance and Services Business Unit, Energy Switzerland Division, Alpiq Suisse SA, Lausanne, since 2011

OTHER ACTIVITIES AND FUNCTIONS

Positions on board of major corporations, organisations and foundations
- Member of the Boards of Directors of Kraftwerke Zervreila AG and Alpiq InTec AG

ROGER VETSCH (1965)

Swiss citizen, Dipl. Bauing. FH
Member of the Board since 2012

PROFESSIONAL CAREER

Previous
- Managing Director of construction company Anton Vetsch Klosters (1990 - 1996)
- Acquisition of the construction company Vetsch Klosters (1996)
- Degree in civil engineering from the University of Applied Sciences Rapperswil (1988)

Current
- Managing director and owner of the construction company Vetsch Klosters, since 1996

OTHER ACTIVITIES AND FUNCTIONS

Positions on board of major corporations, organisations and foundations
- Member of the Board of Directors of Kieswerk Arieschbach AG, Fideris

Official functions and political offices
- Member of the Parliament of the Canton of Graubünden (since 1997)
- Chairman of the local BDP party in Klosters-Serneus

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)
- EEF 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 - 2009)

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

OTHER ACTIVITIES AND FUNCTIONS

Positions on board of major corporations, organisations and foundations
- Member and Chairman of the Boards of Directors 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 of the Association of Swiss Electricity Suppliers (VSE) and swisselectric

EXECUTIVE BOARD

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 Directors of Grischelectra AG
- Chairman of the Boards of Directors of Repower Holding Surselva AG and Repower Klosters AG

PERMANENT POSITIONS WITH IMPORTANT INTEREST GROUPS

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

FELIX VONTOBEL (1958)

Swiss citizen; dipl. Elektroingenieur FH
Kraftwerke Brusio (today's Repower AG) since 1987
Deputy Director of Kraftwerke Brusio since 1992
Deputy CEO since 2000
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.
Rätia Energie (today's Repower AG) since 2005
Member of the Executive Board since 2011
CFO (Head of Finance)

PREVIOUS SENIOR POSITIONS

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

THE REPOWER EXECUTIVE BOARD

(from left to right):

Fabio Bocchiola, Giovanni Jochum,

Stefan Kessler,

Alfred Janka, Kurt Bobst,

Felix Vontobel.

GIOVANNI JOCHUM (1964)

Swiss citizen; lic. oec. HSG
Kraftwerke Brusio (today's Repower AG) since 1993
Deputy Director of Kraftwerke Brusio since 1998
Member of the Executive Board since 2000
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 Boards 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
Rezia Energia Italia S.p.A. (today's Repower Italia S.p.A.) since 2002
Member of the Executive Board since 2010
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, Head of Sales (2000 - 2002)

PERMANENT POSITIONS WITH IMPORTANT INTEREST GROUPS

- Member of the ENERGIA CONCORRENTE Committee
- Member of the Advisory Committee of the Swiss Chamber of Commerce in Italy

ALFRED JANKA (1957)

Swiss citizen, Dipl. Ing. HTL
Member of the Executive Board since 2012
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

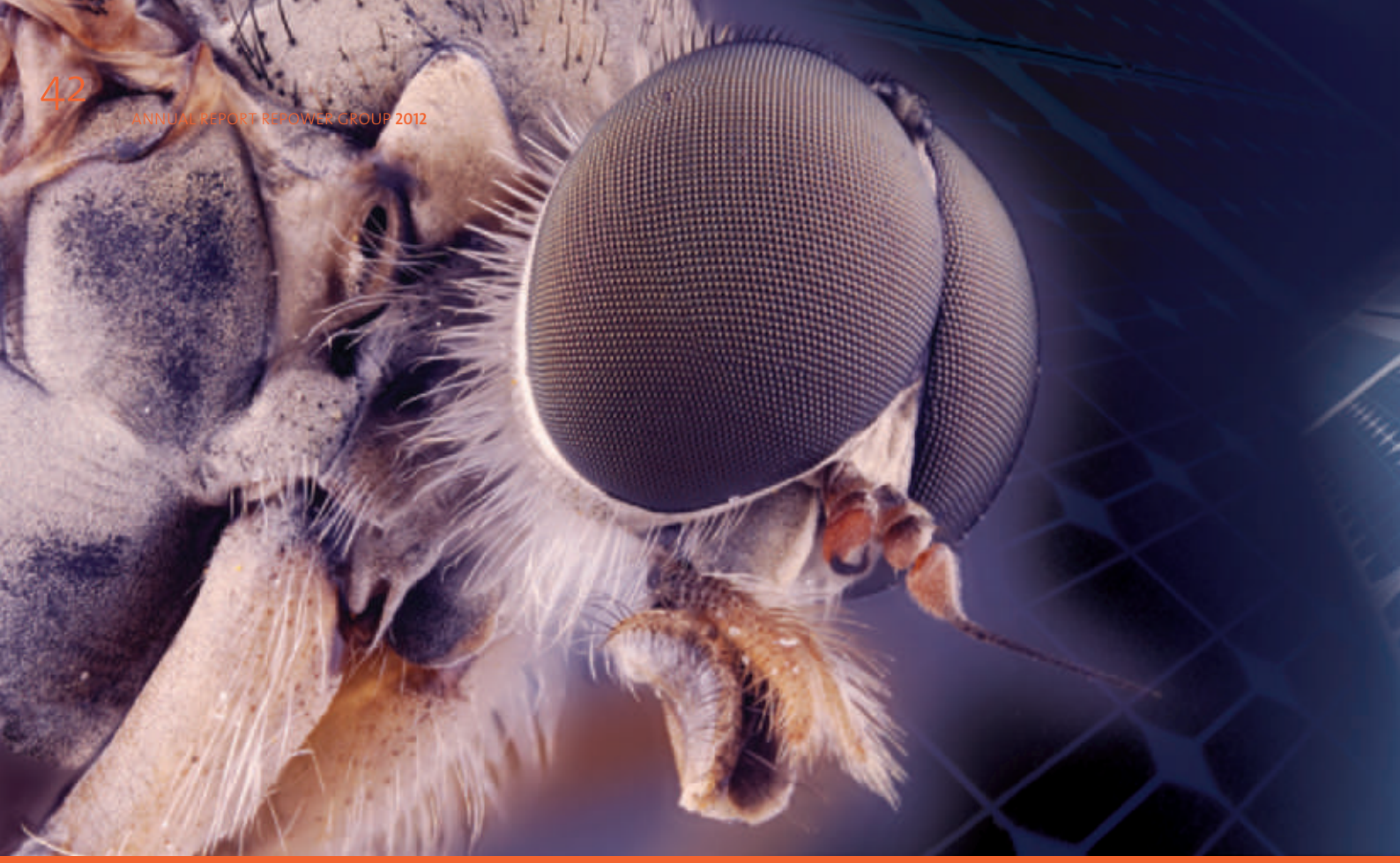
- Member of the Executive Board of Electrosuisse

FINANCIAL REPORT

Consolidated Financial Statements of the Repower Group

Notes to the consolidated financial statements

Financial Statements of Repower AG



COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE REPOWER GROUP

GROUP RESULT IMPACTED BY MARKET SITUATION AND EXCEPTIONAL ITEMS

In the 2012 financial year, business performance was influenced by the poor economic situation and low prices on the energy market. Against this backdrop, Repower recorded operating income (earnings before interest and income taxes) before exceptional items of CHF 110 million. Adjusted for exceptional items, operating income was CHF 81 million. Exceptional items comprise impairment charges of CHF 10 million for small power plants and value adjustments on receivables of around CHF 19 million, in particular related to sales business in Italy. Cash flow from operating activities fell in the first half year, chiefly due to the exceptional items, but recovered in the second half to end the year at around CHF 54 million (previous year CHF 138 million). Group profit including minority interests for the 2012 financial year amounted to CHF 31 million.

Energy sales declined by 6 per cent in 2012 to CHF 2.3 billion. The reduction is attributable to the fall in demand due to the poor economic situation, and mainly affected short-term trading. Repower's trading experts successfully exploited the few opportunities on the energy market and made an encouraging contribution to the results. The gross result generated by the energy business (net sales less energy procurement) was CHF 31 million lower year-on-year at CHF 350 million. However, taking into account the positive effect brought about by the reversal in 2011 of transport rights in the amount of CHF 54 million, the gross result generated by the energy business was CHF 23 million higher than the adjusted prior-year figure of CHF 327 million, corresponding to an increase of 7 per cent.

Operating expenses excluding energy procurement rose by around CHF 30 million or 14 per cent to CHF 246 million, primarily due to an increase in head count and consequently higher personnel expenses of around CHF 10 million. Expenses for material and third-party services as well as other operating expenses also rose year-on-year by a total of CHF 20 million, mainly as a result of the aforementioned adjustment of CHF 19 million in the value of receivables.

Income before interest and income taxes amounted to CHF 81 million, representing a reduction of 37 per cent or CHF 49 million versus 2011. In 2011 the reversal of transport rights and other adjustments primarily resulted in adverse exceptional items totalling CHF 15 million and consequently an adjusted operating result of CHF 115 million. Adjusted income before interest and income taxes for 2011 and 2012 is therefore practically unchanged.

Although the Swiss National Bank's move to fix the euro-Swiss franc exchange rate at 1.20 eased the situation for exchange rate gains, the strong Swiss franc continued to have a detrimental impact in the year under review.

While income tax expense was around CHF 4 million lower than the previous year, in relative terms the tax rate was 9 per cent higher. This change is due, among other factors, to the exceptional item related to the reversal of transport rights in the 2011 financial year.

LIGHT COLLECTORS

The compound eye of the fly is composed of a vast number of individual eyes. The eye's hemispherical shape gives flies a broad range of vision and a high light intensity. Researchers analyse the structure of the compound eye with the aim of boosting the efficiency of solar collectors.

SUSTAINABLE BALANCE SHEET STRUCTURE

Non-current assets rose by CHF 28 million to CHF 1.2 billion. This increase is primarily attributable to investments in existing plants and the further development of various projects.

Current assets fell year-on-year by CHF 116 million, due in particular to the decline of CHF 85 million in receivables, an increase of CHF 31 million in positive replacement values, and a reduction of CHF 78 million in cash and cash equivalents.

Non-current liabilities were CHF 22 million lower, due to the repayment of loans, primarily related to non-current financial liabilities. Current liabilities fell by CHF 72 million. This reduction mainly concerns the item "Other current liabilities".

With total assets amounting to CHF 2,302 million (- 3 %), equity increased to CHF 983 million, corresponding to an equity ratio of 43 per cent (2 % higher than the previous year). The Repower Group therefore remains in a sound financial position and has a good foundation on which to implement its strategic projects.

CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

Consolidated statement of comprehensive income

CHF thousands	Note	2011	2012
Net sales		2,467,091	2,329,691
Own costs capitalised		16,791	16,379
Other operating income		39,531	25,593
Total operating revenue	1	**2,523,413**	**2,371,663**
Energy procurement		-2,085,867	-1,979,222
Concession fees		-17,442	-17,351
Personnel expenses	2	-86,077	-96,036
Material and third-party services		-24,139	-29,755
Other operating expenses		-88,628	-102,528
Income before interest, income taxes, depreciation and amortisation		**221,260**	**146,771**
Depreciation/amortisation and impairment	3	-91,708	-65,377
Income before interest and income taxes		**129,552**	**81,394**
Financial income	4	4,667	4,674
Financial expenses	5	-46,492	-35,450
Share of results of associates and partner plants	6	-9,652	504
Income before income taxes		**78,075**	**51,122**
Income taxes	7	-23,897	-20,261
Group profit including minority interests		**54,178**	**30,861**
Group profit including minority interests		54,178	30,861
Currency translation			
Unrealised changes		-8,234	-1,007
Transfer to income statement		-22	-411
Cash flow hedges			
Fair value adjustment of financial instruments		1,316	946
Income taxes		-358	-360
Other comprehensive income		-7,298	-832
Total comprehensive income		46,880	30,029
Share of Group profit attributable to Repower shareholders and participants		54,116	30,341
Share of Group profit attributable to minority interests		62	520
Share of comprehensive income attributable to Repower shareholders and participants		47,488	29,542
Share of comprehensive income attributable to minority interests		-608	487
Earnings per share (undiluted)	8	CHF 15.95	CHF 8.95

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

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

CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

Consolidated balance sheet

Assets CHF thousands	Note	**31.12.2011**	**31.12.2012**
Property, plant and equipment	9	1,041,145	1,069,249
Intangible assets	10	15,853	20,911
Investments in associates and partner plants	6	40,004	40,501
Other financial assets	11	67,054	63,456
Deferred tax assets	7	25,430	23,095
Non-current assets		**1,189,486**	**1,217,212**
Inventories	12	37,794	44,890
Receivables	13	593,047	507,857
Current income tax receivables		13,681	23,708
Prepaid expenses and accrued income	24	5,414	5,495
Securities and other financial instruments	14	1,491	205
Positive replacement values held-for-trading positions	15	107,204	138,612
Cash and cash equivalents	16	339,873	261,900
Current assets		**1,098,504**	**982,667**
Assets of disposal groups classified as held for sale	28	79,067	102,075
Total assets		**2,367,057**	**2,301,954**

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

Liabilities and shareholders' equity CHF thousands	Note	31.12.2011	31.12.2012
Share capital	17	2,783	2,783
Participation capital	17	625	625
Treasury shares		-16	-16
Retained earnings (including Group profit)		933,099	946,674
Fair value adjustment of financial instruments		-1,214	-856
Accumulated translation differences		-45,379	-46,359
Shareholders' equity excluding minority interests		**889,898**	**902,851**
Minority interests		74,602	79,880
Shareholders' equity		**964,500**	**982,731**
Non-current provisions	20	26,619	27,827
Deferred tax liabilities	7	58,875	55,337
Non-current financial liabilities	18	565,652	546,500
Other non-current liabilities	21	2,237	1,627
Non-current liabilities		**653,383**	**631,291**
Current income tax liabilities		28,388	12,299
Current financial liabilities	23	48,548	44,396
Negative replacement values held-for-trading positions	15	85,076	126,024
Current provisions	19	21,484	1,335
Other current liabilities	22	524,706	446,229
Deferred income and accrued expenses	24	30,741	36,419
Current liabilities		**738,943**	**666,702**
Liabilities		**1,392,326**	**1,297,993**
Liabilities of disposal groups classified as held for sale	28	10,231	21,230
Total liabilities and shareholders' equity		**2,367,057**	**2,301,954**

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

CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

Changes in consolidated equity

CHF thousands	Share capital	Participation capital	Treasury shares	Retained earnings	Fair value adj. for fin. instr.	Accumulated translation differences	Total Group equity	Minority interests	Total shareholders' equity
Equity at 1 January 2011	**2,783**	**625**	**-16**	**904,513**	**-1,798**	**-39,138**	**866,969**	**48,647**	**915,616**
Comprehensive income for the period				**54,116**	**584**	**-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**	**933,099**	**-1,214**	**-45,379**	**889,898**	**74,602**	**964,500**
Comprehensive income for the period				**30,341**	**358**	**-1,157**	**29,542**	**487**	**30,029**
Dividends (excl. treasury shares)				-16,959			-16,959	-68	-17,027
Tax effect treasury shares				42			42		42
Changes in consolidation							-	-211	-211
Purchase/sale of minority interests				151		177	328	4,572	4,900
Capital increase, minority interests							-	498	498
Equity at 31 December 2012	**2,783**	**625**	**-16**	**946,674**	**-856**	**-46,359**	**902,851**	**79,880**	**982,731**

Capital reserves amounting to TCHF 17,732 were allocated to retained earnings.

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

Consolidated cash flow statement

CHF thousands		Note	2011	2012
Group profit including minority interests			54,178	30,861
Depreciation/amortisation and impairment		9/10	91,708	65,377
Impairment of non-current assets held for sale		28	-	3,697
Own costs capitalised		9/10	-16,791	-16,379
Change in provisions		20	-1,646	772
Change in deferred taxes		7	-9,775	-5,582
Share of results of associates and partner plants		6	9,652	-504
Dividends from associates and partner plants		6	337	260
Compound interest from non-current liabilities			855	1,028
Reversal of prepayments received for transport rights			-54,291	-
Other income and expenses not affecting cash			18,184	7,644
Change in net current assets		24	45,877	-33,625
Cash flow from operating activities			**138,288**	**53,549**
Property, plant and equipment	- Investments	9	-85,773	-108,896
	- Disposals		5,136	3,022
	- Disposals of tangible assets held for sale	28	-	184
Intangible assets	- Investments	10	-6,659	-5,156
	- Disposals		-	-
Group companies	- Investments	27	-	-
	- Disposals	27	-	-37
Investments in associates and partner plants	- Investments	6	-1,550	-332
	- Disposals	6	3,739	241
Non-current financial assets	- Investments	11	-6,552	-
	- Disposals		100	1,183
Cash flow from investing activities			**-91,559**	**-109,791**
Additions to financial liabilities		18	10,640	8,353
Repayment of financial liabilities		18/23	-50,168	-24,670
Dividend payments			-27,225	-17,027
Purchase of treasury shares			28	-
Sale of treasury shares			-30	-
Purchase/Sale of minority interest			20,968	4,900
Capital increase through minority interests			8,121	498
Cash flow from financing activities			**-37,666**	**-27,946**
Translation differences			**-7,988**	**-369**
Change in cash and cash equivalents			**1,075**	**-84,557**
Cash and cash equivalents at 1 January			344,267	345,342
Cash and cash equivalents at 31 December			**345,342**	**260,785**
Cash flow from operating activities covers:				
Interest received			3,111	1,588
Interest paid			-18,586	-16,601
Income taxes paid			-42,316	-49,982

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

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, emission certificates and certificates of origin in selected European markets. The business activities and main operations are described in detail in this Annual Report.

The 2012 consolidated financial statements of the Repower Group were authorised by the Board of Directors on 27 March 2013 and are subject to the approval of the Annual General Meeting on 15 May 2013.

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 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. All standards and interpretations in force on the balance sheet date were applied when preparing the consolidated financial statements. New and revised standards and interpretations which came into force on 1 January 2012 have had no significant impact on the consolidated financial statements of the Repower Group.

Repower is currently analysing and assessing the impact of the following new or revised standards and interpretations whose adoption in the Repower Group's consolidated financial statements is not yet compulsory. They will be adopted no later than the financial year beginning on the date given in brackets.

IAS/IFRS	Annual Improvements 2009 – 2011 cycle (applicable to annual periods beginning on or after 1 January 2013)
IAS 1	Presentation of OCI Components in the Financial Statements (applicable to annual periods beginning on or after 1 July 2012)
IAS 19	Employee Benefits: Changes in the Recognition, Presentation and Disclosures of Defined Benefit Plans (applicable to annual periods beginning on or after 1 January 2013)
IAS 32	Changes concerning the offsetting of financial instruments (applicable to annual periods beginning on or after 1 January 2014)
IFRS 7	Changes in the Notes to the financial statements concerning the offsetting of financial instruments (applicable to annual periods beginning on or after 1 January 2013)
IFRS 9	Financial Instruments (2010) as well as Mandatory Effective Date and Transition Disclosures (2011) (applicable to annual periods beginning on or after 1 January 2015)
IFRS 10	Consolidated Financial Statements (applicable to annual periods beginning on or after 1 January 2013)
IFRS 11	Joint Arrangements (applicable to annual periods beginning on or after 1 January 2013)
IFRS 12	Disclosures of Interests in Other Entities (applicable to annual periods beginning on or after 1 January 2013)
	Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transitional Requirements (applicable to annual periods beginning on or after 1 January 2013)
	Amendments to IFRS 10, IFRS 11 and IFRS 27 – Investment Entities (applicable to annual periods beginning on or after 1 January 2013)
IFRS 13	Fair Value Measurement (applicable to annual periods beginning on or after 1 January 2013)

In future, IAS 1 requires OCI (other comprehensive income) items to be presented separately depending on whether they may be reclassified (recycled) or not. An analysis of the new requirements was carried out which will result in an adjustment to the report in keeping with the requirements. The standard is applicable to annual periods beginning on or after 1 July 2012. For Repower this means that the new provisions will be adopted for the first time in the 2013 Semi-Annual Report and applied retrospectively.

Repower is applying the revised IAS 19 "Employee Benefits", published in June 2011, for the annual period beginning on 1 January 2013. Up to now, application of the corridor approach has meant that actuarial gains and losses have been largely unrecognised in the balance sheet. Actuarial gains and losses result from adjustments to actuarial parameters (e.g. discount rate, changes in the value of externally financed plan assets, retirement age, life expectancy, changes in salaries and pension trends). In future, actuarial gains and losses must be recognised in other comprehensive income as they occur. Since recognition of these losses increases liabilities, equity is expected to show greater volatility in future. The interest rate used to calculate the expected return on plan assets must now correspond to the discount rate for pension obligations. Net interest rate components calculated in this way are recognised in the financial result. The difference between this amount and the effective return on plan assets is recognised in other comprehensive income under revaluation components. The revised guideline must be applied retrospectively and the prior-year figures adjusted accordingly (restatement). Application of the revised IAS 19 will increase plan liabilities from CHF 7.6 million at 31 December 2011 to CHF 45 million as at 1 January 2012, thereby reducing equity by CHF 37.5 million. At present this increase in liabilities gives rise to deferred tax assets, thus partly offsetting the negative effect on equity. Retroactive application of the revised IAS 19 to the 2012 period in the 2013 financial year improves the 2012 operating result by CHF 1.6 million but reduces financial income by CHF 1.1 million. Overall, therefore, this results in an increase of CHF 0.5 million in Group profit before tax for 2012.

The amendments to IAS 32 will not have any significant impact on the consolidated financial statements of the Repower Group. It is still only possible to offset financial instruments if there is a legally enforceable right to offset the amounts and the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously. A clarification was then issued to the effect that offsetting is only possible if no further offsetting requirements are outstanding on the balance sheet date. In general, this affects unconditional netting rights. In the case of conditional netting rights, offsetting is permitted only if these rights have been complied with on the balance sheet date. The 2012 consolidated financial statements of the Repower Group take into account both the current provisions of IAS 32 and the clarification which is applicable for annual periods beginning on or after 1 January 2014. Application will be made retrospectively.

The amendments to IFRS 7 require additional disclosures, in particular, a reconciliation between the gross and net amounts reported for balance sheet items. The change is applicable to annual periods beginning on or after 1 January 2013. Early adoption is permitted but Repower has opted against this. Application will be made retrospectively.

The core (unchanged) principle of IFRS 10 is that a parent entity which controls one or more other entities must present consolidated statements. The principle whereby the parent entity and its subsidiaries must present consolidated financial statements as a single entity, as well as the applicable consolidation methods, remain unchanged. IFRS 10 changes the definition of "control". Control exists when the entity has the power to decide on the relevant processes and activities of another entity, is exposed to variable returns from its involvement, and has the ability to affect those returns through its power over the other entity. An analysis of the new standards found that they have no material impact on the consolidated financial statements of the Repower Group. The standard is applicable to annual periods beginning on or after 1 January 2013. Early adoption is permitted but Repower has opted against this. Application will be made retrospectively.

The new IFRS 11 standard "Joint Arrangements" has resulted in a revision of the existing accounting regulations for joint arrangements. The standard distinguishes between joint operations and joint ventures. Joint operations are joint arrangements whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Under such arrangements, the joint operator must account for its share of the assets, liabilities, income and expenses relating to its involvement in a joint operation. In the case of joint ventures, the parties that exercise joint control have a right to the net assets arising from the arrangement. Joint ventures of this type are accounted for using the equity method in accordance with IAS 28. The criterion for a joint operation is that the parties are bound by a contractual arrangement that gives them joint control. In addition to being governed by an explicit arrangement, joint control can also be implicit, i.e. indirect, based on the ownership ratio. The introduction of new standards prompted Repower to analyse and review its arrangements with partner plants. There is no contractual arrangement governing Repower's joint control over the main activities of the partner plants AKEB Aktiengesellschaft für Kernenergie-Beteiligungen and Kraftwerke Hinterrhein AG. Repower exerts a significant influence over these companies and will continue to account for them using the equity method. Grischelectra AG is managed jointly with the Canton of Graubünden. Repower exercises all procurement rights related to Grischelectra and classifies this joint arrangement as a joint operation. All assets, liabilities, income and expenses of the company must therefore be recognised rather than accounted for using the equity method. This is not expected to have any significant impact on the assets and liabilities, expenses

CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

Notes to the consolidated financial statements

and income disclosed in the consolidated financial statements of the Repower Group. The standard is applicable to annual periods beginning on or after 1 January 2013. Early adoption is permitted but Repower has opted against this. Application will be made retrospectively.

IFRS 12 consolidates the disclosure requirements of several standards concerning an entity's interests in other entities, and defines additional requirements. The objective of IFRS 12 is to require the disclosure of the nature of, and risks associated with, an entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows. A new requirement governs the disclosure of significant judgements and assumptions in determining whether the entity controls another entity, has joint control or exercises significant influence over another entity. The type of joint arrangement must also be disclosed when the arrangement has been structured through a separate vehicle. Some of the required information is already disclosed in these consolidated financial statements, while other information now subject to mandatory disclosure is contained in separate figures for cash flows, dividends, balance sheet and revenue items for subsidiaries with significant minority interests, as well as in the details on associates and partner plants. The impact of these changes is that Repower will extend the Notes to the financial statements in future. The change is applicable to annual periods beginning on or after 1 January 2013. Early adoption is permitted but Repower has opted against this. Application will be made retrospectively.

IFRS 13 defines fair value, provides guidelines for measuring fair value, and requires disclosures about fair value measurements. This standard serves as the sole mechanism for determining fair value when another standard requires fair value measurements and requires the application of IFRS 13 in determining fair value. It is applicable for financial as well as non-financial assets and liabilities. Repower analysed all financial and non-financial items which it measures at fair value. This included determining whether Repower already measures fair value based on an exit price and whether the new definition of fair value requires changes in the measurement processes. The analysis found that the new IFRS 13 standard, with the exception of additional information in the Notes to the financial statements, will not have any significant impact on the consolidated financial statements of the Repower Group. The standard is applicable to annual periods beginning on or after 1 January 2013. Early adoption is permitted but Repower has opted against this. Application will be made prospectively.

The impact on the consolidated financial statements of some standards and interpretations, including IFRS 9 "Financial Instruments", cannot yet be reliably determined. The Repower Group is currently analysing these standards and interpretations and expects to see a change in its reporting of certain areas at the given point in time.

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 a 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 items 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 EUR/CHF 1.2080 (previous year: 1.2156) and an average rate of EUR/CHF 1.2054 (previous year: 1.2320). 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 comprehensive 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 63 and 64.

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 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 generating 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

CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

Notes to the consolidated financial statements

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 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.

Finance leases
Leasing agreements are accounted for if all the risks and rewards incident to ownership of the asset are substantially transferred to the company. They are measured at fair value or present value, whichever is lower, of the minimum leasing payments less accumulated amortisation and any applicable impairments. The lease instalments are divided into interest costs and repayment amounts. The leased objects are amortised over the shorter of their estimated useful lives or the duration of the lease. Interest and amortisation components are charged to the income statement.

Operating leases
Income and expenses for operating leases are recognised in the income statement on a straight-line basis over the lease term.

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	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. 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.

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 represents a separate major business line or geographic branch of business. The results of discontinued operations are shown separately from the ongoing business activities (continued operations). The comparison figures from the previous period are adjusted.

Investments in associates and partner plants (joint ventures)
Investments measured using the equity method are accounted for at the proportionate equity value plus any goodwill. 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 therefore differ 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 financial instruments disclosed under other financial assets. All financial assets are recognised initially 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 under the category "held for trading". These are measured at fair value, with corresponding gains or losses being recognised in the income statement.

Other financial assets cover active loans to associates and partner plants which are assigned to the category "loans and receivables" and carried at amortised cost. Other financial securities in non-current assets are classified as "available for sale" and recognised at fair value. The unrealised value adjustments of financial assets available for sale are recognised under other comprehensive 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 value of an equity instrument held as available for sale below its acquisition cost, this is recognised as an impairment. For equity instruments which are neither listed nor permit a reliable estimate of their fair value, the fair value corresponds to the acquisition value less impairments.

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

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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 substantially transferred.

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. 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 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 currency risks, forward exchange transactions are conducted 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. They are subsequently measured based on the rules governing the "Other liabilities" category; this does not include the negative replacement values of held-for-trading positions. These negative replacement values are handled 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 comprehensive 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, with the exception of liabilities from current forward exchange transactions, which 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 mainly consist of liabilities for land acquired from a municipality for a power plant. The liabilities are carried at amortised cost.

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 corporate bonds with an AA rating or higher and 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, but are disclosed in the Notes to the consolidated financial statements.

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

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 the individual Group companies.

Deferred taxes are recognised in the consolidated 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

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for the physical delivery 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 from 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 is considered part of the acquisition/production costs of this asset and is capitalised. Other borrowing costs are recognised as expenses in accordance with IAS 23.8.

SEGMENT REPORTING

The Repower Group 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 overarching 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 parameters 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 taking into account the Group's financial development and risk structure. To manage this capital the Group can, for instance, borrow or repay capital, carry out capital increases or reductions, or change its dividend policy. The 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 the 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 (excluding 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 60.***

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Return on equity and the equity ratio calculated at 31 December 2011 and 31 December 2012 were as follows:

	2011	2012
Group profit including minority interests in CHF thousands	54,178	30,861
Group profit excluding minority interests in CHF thousands	54,116	30,341
Equity including minority interests in CHF thousands	964,500	982,731
Equity excluding minority interests in CHF thousands	889,898	902,851
Total assets in CHF thousands	2,367,057	2,301,954
Return on equity (excluding minority interests) in %	6.1	3.4
Equity ratio (including minority interests) in %	40.7	42.7

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 main risks to which the operating activities of Repower are exposed are market and counterparty risks, liquidity risks, transaction risks, compliance risks and regulatory risks. The task of risk management is to mitigate and actively control risks as well as ensure an effective early-warning system for the various management levels. The parameters set by the Board of Directors and the Executive Board are implemented in the form of guidelines, directives and risk limit systems. The aim is to ensure a reasonable balance between business risks entered into, earnings, investments and risk-bearing equity. Compliance with the parameters set for each risk category is regularly reviewed and reported.

Market risks

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

Energy price risks:

Energy transactions are conducted primarily for the purpose of procuring energy and fuels in order to cover physical delivery contracts, and to sell and optimise the company's own generation volumes. The units responsible for sales and generation conduct the transactions on the basis of the internal market model so as to mitigate trading risks. Energy price risks arising from price volatility, changes in the price level and pricing structures and from changing market correlations, are subject to defined limits and monitored by risk management on trading days. Each month the Risk Management Committee (RMC) assesses the risk situation for the energy business. The Board of Directors and the Executive Board are kept informed about the risk situation through reports submitted by the RMC on a quarterly basis and ad hoc reports 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:
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
Payment default / settlement risks:
These arise if customers are unable to meet their financial obligations as agreed. Our business relations are based on ongoing credit checks and collateral management.

Supplier default / replacement risks:
These risks arise if, as a result of the counterparty defaulting, the existing position can only be liquidated on the market at unfavourable conditions.

Both types of risk are taken into account in the limit system and when measuring the risk exposure.

Transaction risks
Operational risks arise in the course of business activities. Repower is also exposed to regulatory risks as a result of the changing energy landscape. Repower pays close attention to these developments through its involvement in various bodies and committees (VSE, EFET and others). The further training programme is designed to address this situation.

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 financial assets. At the balance sheet date, financial liabilities exist with the following due dates (amounts represent the contractual, undiscounted cash flows):

CHF thousands	31.12.2011	31.12.2012
Up to 3 months	507,064	481,158
From 3 to 12 months	231,878	206,953
From 1 to 5 years	364,422	360,597
Over 5 years	288,962	270,516

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:

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CHF thousands	31.12.2011	31.12.2012
Up to 3 months	1,055,296	935,789
Over 3 months	67,055	66,289

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	31.12.2011	31.12.2012
Unused general credit lines	155,000	160,000
Additional unused credit lines for the purpose of issuing guarantees	4,134	13,956

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. In the case of positions held for trading, the change – observed in the first approximation – is indicated by a change in trading price corresponding to the historic 180-day volatility. The energy price risk presented here relates to the open positions over the next twelve months and is shown as an amount. Changes in the trading price can have a positive or negative impact on net income and equity.

CHF thousands	31.12.2011	31.12.2012
Energy	3,967	15,418
Gas	1,971	2,833
CO2	549	952

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 is shown. The analysis was performed in 2011 and 2012 for interest rates which were 50 bp higher and lower.

CHF thousands	31.12.2011	31.12.2012
Impact on net income and equity at a higher interest rate	4,779	4,794
Impact on net income and equity at a lower interest rate	-5,260	-5,010

Currency risks

Currency risks exist mainly in connection with euro positions for trade accounts receivable and payable, derivative receivables and payables from forward exchange transactions, 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 for the year under review was CHF/EUR 1.2080 (previous year: CHF/EUR 1.2156).

	31.12.2011		31.12.2012	
	CHF/EUR	TCHF	CHF/EUR	TCHF
Impact on net income and equity at a higher exchange rate	1.3372	48,795	1.3288	35,937
Impact on net income and equity at a lower exchange rate	1.0940	-48,795	1.0872	-35,937

In 2012 the CHF to EUR exchange rate set by the Swiss National Bank remained fixed at a minimum of CHF 1.20.

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 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 render important changes necessary:

Property, plant and equipment

The Repower Group reported property, plant and equipment at a total carrying amount of CHF 1,069 million at 31 December 2012 (Note 9). These values are tested for indications of impairment on each balance sheet date. If indications of impairment are identified, the recoverable amount 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 to be transferred is CHF 73.9 million (previous year: CHF 68.8 million). The transfer value is defined as the value which, according to the most recent EICom 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

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is not higher than the expected definitive transfer value. Repower Transportnetz AG was transferred to the national grid company on 3 January 2013. 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 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 estimated at this point in time.

Receivables and liabilities
Trade accounts receivable amounting to CHF 456 million (previous year: CHF 549 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.

Pension fund obligation
Most employees of the Repower Group are insured by PKE Pensionskasse Energie. The calculations of the balances and liabilities reported for this fund are based on statistical and actuarial assumptions. The pension fund obligation in the balance sheet in particular, which totalled around CHF 11 million on 31 December 2012 (previous year: CHF 8 million), 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 underlying the actuarial calculations can deviate considerably from the actual results due to changes in market conditions and the 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 judge whether a project will be carried out. The feasibility of projects and the subsequent profit-generating operation or a possible sale depend on various factors such as 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 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 59 million (previous year: CHF 45 million).

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Repower Group companies

In the year under review, RES S.p.A. and Prodomo d.o.o. were sold and removed from the scope of consolidation (Note 27). Repower also sold 6 per cent of its shares in Repartner Produktions AG, as a result of which its stake in Repower Wind Deutschland GmbH, Repower Wind Prettin GmbH and Repower Wind Lübbenau GmbH also reduced from 65 per cent to 59 per cent.

The increase in the share capital of Repower Holding Italia S.p.A. is the result of the shares in SET S.p.A. contributed to the company by Repower AG (capital increase by contribution in kind). From a consolidated standpoint, this intragroup transaction has no impact on the financial statements of the Repower Group.

Fully consolidated companies at 31 December 2012

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	59.00%	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	Dortmund	EUR	25,000	100.00%	31.12.	C
Repower Wind Deutschland GmbH	Dortmund	EUR	25,000	59.00%	31.12.	H
Repower Wind Prettin GmbH	Dortmund	EUR	25,000	59.00%	31.12.	G
Repower Wind Lübbenau GmbH	Dortmund	EUR	25,000	59.00%	31.12.	G

Company	Head office	Currency	Issued capital	Holding	Closing date	Purpose
Repower GuD Leverkusen Verwaltungs-GmbH[2)]	Dortmund	EUR	25,000	100.00%	31.12.	H
Repower GuD Leverkusen GmbH & Co. KG[3)]	Dortmund	EUR	25,000	100.00%	31.12.	PC
Repower Holding Italia S.p.A.	Milan	EUR	46,002,568	100.00%	31.12.	H
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
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
MERA S.r.l.[4)]	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
Forze Motrici Pistoia S.r.l.[5)]	Milan	EUR	50,000	100.00%	31.12.	H
Energia Eolica Pontremoli S.r.l.	Milan	EUR	50,000	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
Repower Hrvatska d.o.o.[6)]	Zagreb	HRK	366,000	100.00%	31.12.	E
Repower Furnizare România S.r.l.	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 % stake. The Repower Group bears full operating responsibility for this company, and sells 100 % of the genereted energy on the market. The Repower Group therefore exercises overall control, hence Ovra electrica Ferrera SA is fully consolidated.
2) Formerly Repower GuD CURE Verwaltungs GmbH
3) Formerly Repower GuD CURE GmbH & Co. KG
4) Formerly REN S.r.l.
5) Formerly 3M Progetti S.r.l.
6) Formerly RE Energija d.o.o

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

CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

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Companies included according to the equity method at 31 December 2012

Associates	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	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	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%	31.12.	H
Kraftwerke Hinterrhein AG	Thusis	CHF	100,000,000	6.50%	30.09.	G

In the 2012 financial year, all shares in the partner plant project company SüdWestStrom StadtKraftWerk Brunsbüttel GmbH & Co. KG, corresponding to a stake of 36 per cent, were sold. The company has been deconsolidated.

Key:

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

Notes

1 **Total operating revenue** CHF thousands	2011	2012
Revenue from energy sales[1)]	2,448,552	2,339,445
Profit from held-for- trading positions	18,539	-9,754
Total net revenue	**2,467,091**	**2,329,691**
Own costs capitalised	**16,791**	**16,379**
Income from the sale of associates and Group companies	808	569
Income from adjustment of the residual purchase obligation Repower Furnizare România S.r.l.[2)]	13,054	391
Gain from the sale of property, plant and equipment	605	250
Revenue from other operating activities[3)]	25,064	24,383
Other operating income	**39,531**	**25,593**
Total	**2,523,413**	**2,371,663**

1) This value contains CHF 54 million arising from the reversal of liabilities from granting transport rights.
2) See Note 29
3) Primarily income from services rendered not stemming from core business.

2 **Personnel expenses** CHF thousands	2011	2012
Wages and salaries	67,629	71,575
Social insurance contributions	12,035	13,950
Pension costs	3,498	7,881
Other personnel costs	2,915	2,630
Total	**86,077**	**96,036**

Headcount	**31.12.2011**	**31.12.2012**
Full-time equivalent employees	709	746
Trainees	30	29

Average	**2011**	**2012**
Full-time equivalent employees	700	724
Trainees	31	30

CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

Notes to the consolidated financial statements

3 Depreciation/amortisation and impairment

CHF thousands

	2011	2012
Depreciation of property, plant and equipment	49,134	48,751
Impairment of property, plant and equipment	9,350	13,171
Amortisation of intangible assets	3,466	3,455
Impairment of intangible assets	29,758	-
Total	**91,708**	**65,377**

Impairment of property, plant and equipment and intangible assets is explained in Note 9 and 10.

4 Financial income

CHF thousands

	2011	2012
Income from other financial assets	1,444	2,648
Income from current financial assets	3,223	2,026
Total	**4,667**	**4,674**

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 items and measurement categories

Balance sheet item	Detailed item	IAS 39 measurement category	2011	2012
Other financial assets	Prepayment for certificates of origin	n/a	972	1,717
	Non-current securities	Available for sale	472	931
Receivables	Trade accounts receivable	Loans and receivables	-	716
Liabilities	Trade accounts payable	Other financial liabilities	1	-
Securities and other financial instruments	Other securities and financial instruments	Held for trading	3	18
Cash and cash equivalents	Sight funds and cash invested for less than 90 days	Loans and receivables	3,219	1,292
Total			**4,667**	**4,674**

Interest income on recognised financial assets which were not measured at fair value amounts to TCHF 1,287 (previous year: TCHF 3,205).

5 Financial expenses

CHF thousands

	2011	2012
Expenses for current financial assets	1,701	4,270
Expenses for liabilities	29,530	23,615
Exchange rate losses	15,261	7,565
Total	**46,492**	**35,450**

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 items and measurement categories

Balance sheet item	Detailed item	IAS 39 measurement category	2011	2012
Securities and other financial instruments	Other securities and financial instruments	Held for trading	258	3,177
Receivables	Trade accounts receivable	Loans and receivables	347	-
Cash and cash equivalents	Sight funds and cash invested for less than 90 days	Loans and receivables	1,096	1,093
Current and non-current financial liabilities	Loans and other financial liabilities	Other financial liabilities	19,494	19,266
Current financial liabilities	Negative replacement values	Held for trading	7,402	1,491
Other current liabilities	Trade accounts payable	Other financial liabilities	2,366	2,393
Non-current provisions	Provisions for contract risks, reversions and other provisions	n/a	268	465
Exchange rate losses			15,261	7,565
Total			**46,492**	**35,450**

Interest expense for recognised financial liabilities which were not measured at fair value amounts to TCHF 19,266 (previous year: TCHF 19,494). Bank fees and commissions for recognised financial assets and liabilities which were not measured at fair value amount to TCHF 977 (previous year: TCHF 1,683).

CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

Notes to the consolidated financial statements

6 Investments in associates and partner plants

CHF thousands

	2011	2012
Carrying amounts at 1 January	**51,784**	**40,004**
Investments (equity increase / acquisition of holdings)	1,550	332
Disposals	-2,940	-
Dividends	-337	-260
Effect of currency translations	-401	-79
Share of the result	-2,687	504
Impairment	-6,965	-
Carrying amounts at 31 December	**40,004**	**40,501**

In the 2012 financial year, all shares in the project company SüdWestStrom StadtKraftWerk Brunsbüttel GmbH & Co. KG, headquartered in Pinneberg, were sold. The resulting gain amounting to TCHF 569 and cash inflow of TCHF 241 is reported under other operating income and cash flow from investing activities. The previous year, Repower initially reduced its stake in the project company from 51 per cent to 36 per cent, resulting in income of TCHF 808 that was also recorded under "Other operating income". The transaction resulted in a cash inflow of TCHF 3,739. Since the Brunsbüttel project was not considered realisable in the foreseeable future, an unscheduled depreciation was carried out for the project stake to zero. This impairment represents an amount of TCHF 6,965 which was reported in the statement of comprehensive income in the share of results from associates and partner plants. Cumulative gains on the partial disposal in the previous year and the full disposal in the current year were transferred to the income statement in the amount of TCHF 22 and TCHF 310 respectively.

Key figures for associates	2011 Gross values	2012 Gross values	2011 Repower share	2012 Repower share
Assets	142,514	133,584	52,377	48,902
Financial liabilities	-80,724	-72,996	-32,492	-29,289
Other liabilities	-12,326	-11,528	-3,543	-3,263
Income	29,963	30,356	9,578	9,792
Expenses	-35,488	-31,280	-11,424	-10,000
Profit/loss	-5,525	-924	-1,846	-208

Key figures for partner plants	2011 Gross values	2012 Gross values	2011 Repower share	2012 Repower share
Non-current assets	843,336	865,059	55,304	58,682
Current assets	131,055	119,924	10,014	8,424
Non-current financial liabilities	-435,000	-405,000	-29,425	-27,150
Other non-current liabilities	-83,062	-82,847	-5,816	-5,799
Current financial liabilities	-23,371	-75,000	-1,561	-5,200
Other current liabilities	-67,181	-68,721	-4,854	-4,806
Income	374,163	371,292	27,294	27,086
Expenses	-382,399	-360,954	-28,135	-26,374
Profit/loss	-8,236	10,338	-841	712

7 Income taxes

CHF thousands

	2011	2012
Income taxes charged to the income statement		
Current income taxes	34,835	24,169
Deferred income taxes	-10,938	-3,908
Total	**23,897**	**20,261**
Income taxes charged to other comprehensive income	**358**	**360**
The reconciliation between the actual tax burden and the expected tax charge for the years ending 31 December 2011 and 31 December 2012 is as follows:		
Transitional statement		
Profit before income taxes	78,075	51,122
Income tax rate parent company	16.7%	16.7%
Income taxes at expected income tax rate	13,023	8,527
Tax effect from non-tax-deductible expenses	8,422	3,589
Tax effect from income taxed at other rates	8,667	5,025
Tax effect from tax-free income	-5,910	-3,731
Subsequent capitalisation of previously unrecognised deferred taxes on tax-loss carryforwards	-1,261	-
Expired tax-loss carryforwards for which deferred tax assets were recognised	156	-
Tax losses in the current year for which no deferred tax assets were recognised	754	1,142
Tax losses charged for which no deferred tax assets were recognised	-195	-480
Value adjustment of previously capitalised tax-loss carryforwards	-	1,750
Tax rate revision Italy1)	-313	-
Regional production tax - Italy (IRAP)	3,307	3,698
Tax burden/relief subsequently recognised for previous years	-2,770	848
Other	17	-107
Income taxes charged to the income statement	**23,897**	**20,261**
Effective income tax rate	30.6%	39.6%

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

CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

Notes to the consolidated financial statements

Deferred income taxes by origin of difference CHF thousands	**31.12.2011**	**31.12.2012**
Assets		
Property, plant and equipment	4,380	4,701
Other non-current assets	13,915	8,412
Current assets	7,183	10,002
Provisions	3,453	1,375
Liabilities	15,918	21,236
Loss carryforwards / tax credits	5,235	5,505
Total	**50,084**	**51,231**
Liabilities		
Property, plant and equipment	52,550	49,435
Other non-current assets	1,834	1,728
Current assets	14,032	17,419
Provisions	14,025	12,608
Liabilities	1,088	2,283
Total	**83,529**	**83,473**
Of which the following are disclosed in the balance sheet as:		
Deferred tax assets	-25,430	-23,095
Deferred tax liabilities	58,875	55,337
Net deferred income tax liabilities	**33,445**	**32,242**

CHF thousands Change in deferred taxes 2012 by category	Property, plant and equipment	Other non-current assets	Current assets	Provisions	Liabilities	Loss carryforwards tax credits	Total
Opening balance 2012	-48,170	12,081	-6,849	-10,572	14,830	5,235	-33,445
Change due to an acquisition	-	-	-	-	-	-	-
Change due to a sale	-	-264	-	-	-	-21	-285
Change via the income statement	2,067	-1,855	-1,101	-644	4,515	926	3,908
Reported as "Assets/liabilities held for sale"	1,390	-3,260	553	-	-2	-400	-1,719
Changes in other comprehensive income	-	-	-	-	-360	-	-360
Translation differences	-21	-18	-20	-17	-30	-74	-180
Other[1)]	-	-	-	-	-	-161	-161
Closing balance 2012	**-44,734**	**6,684**	**-7,417**	**-11,233**	**18,953**	**5,505**	**-32,242**

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
Changes in other comprehensive income	-	-	-	-	-358	-	-358
Translation differences	-80	-27	4	-81	-253	-119	-556
Other[1)]	-	-	-	-	-	-606	-606
Closing balance 2011	**-48,170**	**12,081**	**-6,849**	**-10,572**	**14,830**	**5,235**	**-33,445**

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

Tax loss carryforwards

On 31 December 2012, individual Group companies had tax loss carryforwards of TCHF 42,620 (previous year: TCHF 31,351) 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 19,333 (previous year: TCHF 6,726), since the future utilisation of these amounts for tax purposes is not probable. The increase this year was the result of new losses in the current financial year and a value adjustment of previously capitalised deferred taxes on tax-loss carryforwards from previous years. These are due on the following dates:

Unrecognised tax-loss carryforwards CHF thousands	31.12.2011	31.12.2012
Due within 1 year	-	12
Due in 1-3 years	319	1,191
Due in 3-7 years	5,293	15,443
Due after 7 years or no due date	1,114	2,687
Total	**6,726**	**19,333**

CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

Notes to the consolidated financial statements

8 Earnings per share	2011	2012
Total shares issued at a par value of 1 CHF	2,783,115 units	2,783,115 units
Total participation certificates issued at a 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)	-4,107 units	-4,107 units
Average number of shares in circulation	**3,391,852 units**	**3,391,852 units**
Share of Group profit attributable to Repower shareholders and participants	TCHF 54,116	TCHF 30,341
Earnings per share (undiluted)	CHF 15.95	CHF 8.95
There are no factors resulting in a dilution of earnings per share.		
Dividend	TCHF 17,041	TCHF 8,520*)
Dividend per share	CHF 5.00	CHF 2.50*)

*) 2012 dividend subject to approval by the Annual General Meeting

A repayment from capital reserves of CHF 2.50 per share is proposed, which corresponds to a total amount of TCHF 8,520. This total amount will be reduced further since no repayment is made on the treasury shares.

9 Property, plant and equipment

CHF thousands

	Power plants	Grids	Assets under construction	Land and buildings	Other tangible assets	Total
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	-	-	-	-	-	-
Reclassifications between asset classes	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	-	-	-	-	-	-
Reclassifications between asset classes	-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 pledges as collateral for debts						4,050
Gross values at 1 January 2012	**825,650**	**733,410**	**90,536**	**112,736**	**52,510**	**1,814,842**
Reclassifications	-333	-14	-3,164	4,709	1,423	2,621
Own costs capitalised	442	390	15,238	-	-	16,070
Additions	51,331	516	50,239	4,105	2,705	108,896
Additions from change in consolidation	-	-	-	-	-	-
Disposals	-915	-7,846	-90	-433	-7,010	-16,294
Disposals from change in consolidation	-	-	-	-	-31	-31
IFRS 5 reclassifications	-	-21,115	-19,732	-	-33	-40,880
Reclassifications between asset classes	19,077	22,089	-52,574	7,896	3,512	-
Translation differences	-2,134	-	-62	-248	-109	-2,553
Gross values at 31 December 2012	**893,118**	**727,430**	**80,391**	**128,765**	**52,967**	**1,882,671**
Accumulated depreciation and impairments at 1 January 2012	**-318,949**	**-381,626**	**-20,712**	**-34,119**	**-18,291**	**-773,697**
Reclassifications	309	-346	8,164	-4,706	-9,595	-6,174
Depreciation and amortisation	-25,012	-17,717	-	-2,017	-4,005	-48,751
Impairments	-9,150	-1,000	-500	-1,971	-550	-13,171
Disposals	127	6,744	-	407	4,969	12,247
Disposals from change in consolidation	-	-	-	-	23	23
IFRS 5 reclassifications	-	5,253	10,384	-	31	15,668
Reclassifications between asset classes	25	-1	-	-5	-19	-
Translation differences	414	-	-23	19	23	433
Accumulated depreciation at 31 December 2012	**-352,236**	**-388,693**	**-2,687**	**-42,392**	**-27,414**	**-813,422**
Net values at 31 December 2012	**540,882**	**338,737**	**77,704**	**86,373**	**25,553**	**1,069,249**
Of which pledges as collateral for debts						2,816

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In the year under review, the allocation of fixed assets to their respective asset class was reviewed. It was determined that part of the property, plant and equipment and intangible assets were not allocated to the correct asset classes. This resulted in the reclassifications between property, plant and equipment and intangible assets shown in the year under review.

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 1,447 (previous year: MCHF 1,380). In the year under review, TCHF 558 in interest on borrowings (previous year: TCHF 1,231) was capitalised for assets under construction. A financing cost rate of 3.03 per cent was used (previous year: 3.14%).

Impairment of property, plant and equipment
The impairment of TCHF 13,171 in the year under review mainly concerns an impairment relating to a small hydropower plant, including land, in the amount of MCHF 10.8 (Note 29). The impairment in the previous year mainly related 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 totalling MCHF 1.7.

Leased property, plant and equipment
The net carrying amount of the motor vehicles held as part of the finance leasing agreement is a total of MCHF 1.1 (previous year: 0) at the closing date. More information about the finance leasing can be found in Note 32.

10 Intangible assets

CHF thousands

	Goodwill	Customer relations	Brand	Misc. Intangible assets	Total
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**
Gross values at 1 January 2012	**546**	**16,144**	**-**	**16,351**	**33,041**
Reclassifications	-	-302	-	6,569	6,267
Own costs capitalised	-	-	-	309	309
Additions	-	-	-	5,156	5,156
Additions from change in consolidation	-	-	-	-	-
Disposals	-	-	-	-566	-566
Disposals from change in consolidation	-	-	-	-178	-178
Translation differences	-3	-340	-	-106	-449
Gross values at 31 December 2012	**543**	**15,502**	**-**	**27,535**	**43,580**
Accumulated amortisation and impairments at 1 January 2012	**-**	**-12,577**	**-**	**-4,611**	**-17,188**
Reclassifications	-	302	-	-3,015	-2,713
Amortisation	-	-386	-	-3,069	-3,455
Impairments	-	-	-	-	-
Disposals	-	-	-	173	173
Disposals from change in consolidation	-	-	-	178	178
Reversal of impairments	-	-	-	-	-
Translation differences	-	317	-	19	336
Accumulated amortisation at 31 December 2012	**-**	**-12,344**	**-**	**-10,325**	**-22,669**
Net values at 31 December 2012	**543**	**3,158**	**-**	**17,210**	**20,911**

In the year under review, the allocation of fixed assets to their respective asset class was reviewed. It was determined that part of the property, plant and equipment and intangible assets were not allocated to the correct asset classes. This resulted in the reclassifications between property, plant and equipment and intangible assets shown in the year under review.

The impairment of the previous year mainly contains the value adjustment relating to 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..

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Notes to the consolidated financial statements

11 Other financial assets CHF thousands	31.12.2011	31.12.2012
Prepayment for certificates of origin	6,164	7,167
Prepaid electricity procurement agreements	46,910	43,780
Active loans to associates and partner plants	6,552	5,327
Other non-current securities	7,428	7,182
Total	**67,054**	**63,456**

The prepayment for certificates of origin and prepaid 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 for the loan 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	31.12.2011	31.12.2012
Certificates of origin	12,038	16,350
Emission certificates	4,138	2,141
Emission certificates held for trading	3,158	2,614
Gas	9,451	14,539
Material inventories	9,009	9,246
Total	**37,794**	**44,890**

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. No impairment was recognised in the current financial year or in the previous year.

13 Receivables CHF thousands	31.12.2011	31.12.2012
Trade accounts receivable	570,130	483,218
Allowances for doubtful accounts	-21,468	-27,211
Other receivables	43,903	51,499
Other receivables from associates and partner plants	482	351
Total	**593,047**	**507,857**
Receivables are carried in the following currencies:		
Swiss francs	49,001	59,203
Euros (translated)	516,845	413,240
Other currencies (translated)	27,201	35,414
Total	**593,047**	**507,857**

The new balance-sheet item "Current income tax receivables" was introduced in 2012. To improve comparability, the receivables reported in current income tax receivables under receivables amounting to TCHF 13,681 were reclassified to the new position.

"Other currencies" primarily covers the RON and CZK.

All receivables fall into the category "Loans and receivables" and are measured at amortised cost. The total sum of receivables at 31 December 2012 (and 31 December 2011) falls 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:

	31.12.2011	31.12.2012
Less than 30 days overdue	28,230	15,819
31-60 days overdue	28,732	9,104
61-90 days overdue	12,453	8,117
91-180 days overdue	16,095	17,039
181-360 days overdue	12,032	10,484
More than 360 days overdue	40,722	32,033

The total amount of receivables which are neither impaired nor overdue is TCHF 357,795 (previous year: TCHF 423,388). There are no indications that would necessitate an allowance for these receivables.

Allowances for doubtful accounts amounted to:

	31.12.2011	31.12.2012
At 1 January	14,769	21,468
Additions	16,519	24,467
Provisions used	-7,199	-18,458
Provisions reversed	-2,233	-116
Translation differences	-388	-150
Total	**21,468**	**27,211**
Of which		
Individual allowances	10,378	16,744
Collective allowances	11,090	10,467

In the case of single significant items 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	31.12.2011	31.12.2012
Marketable equities	1,266	-
Other securities	205	205
Positive replacement values	20	-
Total	**1,491**	**205**

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Securities and other financial instruments fall into the category "held for trading" and are measured at fair value. In the financial year, marketable equities were depreciated in the income statement. The issuing company is currently being liquidated. No major payment returns are anticipated. The expenses arising from the value adjustment of TCHF 1,266 was recognised under financial expenses. Positive replacement values in 2011 consisted solely of open forward exchange transactions and corresponded to the market value. There were no positive replacement values from open forward exchange transactions at the 2012 reporting date.

15 Positive/negative replacement values for held-for-trading positions CHF thousands	**31.12.2011**	**31.12.2012**
Positive replacement values	107,204	138,612
Negative replacement values	85,076	126,024

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	**31.12.2011**	**31.12.2012**
Sight funds	338,279	261,635
Cash invested for less than 90 days	1,594	265
Total	**339,873**	**261,900**

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: 0.3%) and 0.3 per cent for credit in EUR (previous year: 0.6%).

Cash and cash equivalents are held in the following currencies:

	31.12.2011	31.12.2012
Swiss francs	75,603	55,754
Euros (translated)	261,139	204,334
Other currencies (translated)	3,131	1,812
Total	**339,873**	**261,900**

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	31.12.2011	31.12.2012
Cash and cash equivalents	339,873	261,900
Cash and cash equivalents held for sale[1)]	6,455	1,015
Negative overdrafts[2)]	-986	-2,130
Total	**345,342**	**260,785**

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		31.12.2011	31.12.2012
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 AG, Olten (ex: Alpiq Holding AG, Olten)	24.60%	24.60%
Axpo Trading AG, Dietikon (formerly: 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.

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Subject to official approval, Axpo and the Canton of Graubünden will temporarily each assume the shares (split equally) in Repower held by Alpiq in the first half of 2013 and then sell the acquired shares to a new strategic partner in the short- to medium term.

Treasury shares	Number of shares	Average price in CHF	Number of participation certificates	Average price in CHF
At 31 December 2010	12,156		4,107	
Purchases	60	462	-	-
Disposals	-60	501	-	-
At 31 December 2011	12,156		4,107	
Purchases				
Disposals				
At 31 **December 2012**	**12,156**		**4,107**	

18 Non-current financial liabilities CHF thousands	Currency	Due date	Interest	31.12.2011	31.12.2012
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	11.12.2020	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	36,468	12,080
Bank loan (SET)[1]	EUR	31.07.2015	5.020%	66,858	66,440
Interest rate swaps (SET)[1]	EUR	30.06.2014		2,229	1,268
Loans				**235,555**	**209,788**
Debenture bond par value	CHF	18.11.2016	2.500%	200,000	200,000
Net expenditures	CHF			-1,481	-1,109
Debenture bond par value	CHF	20.07.2022	2.375%	115,000	115,000
Net expenditures	CHF			-2,351	-2,130
Bonds				**311,168**	**311,761**
Investment loan[2]	CHF	31.12.2015	no interest	455	304
Investment loan[2]	CHF	31.12.2020	no interest	1,700	1,488
Investment loan[2]	CHF	31.12.2015	no interest	140	94
Loan (minority interest)[3]	CHF	31.12.2070	2.700%	7,865	9,129
Loan (minority interest)	EUR	31.12.2014	variable	7,249	12,151
Residual purchase obligation Forze Motrici Pistoia S.r.l. (formerly: 3M Progetti S.r.l.)	EUR	31.12.2016	7.650%	1,124	1,117
Residual purchase obligation Repower Furnizare România S.r.l.	EUR			396	-
Leasing commitments[4]	CHF		2.50%	-	668
Other financial liabilities				**18,929**	**24,951**
Total				**565,652**	**546,500**
Financial liabilities are carried in the following currencies:					
Swiss francs				451,328	453,444
Euros (translated)				114,324	93,056

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 date was 3.0 per cent (previous year: 3.1%). The fair value of non-current financial liabilities amounted to TCHF 604,467 (previous year: TCHF 631,306).

Repower has fully complied with all credit and loan agreements.

[1] Interest rate swaps are agreed and hedge accounting applied to hedge the variable-interest SET bank loan. The value adjustment of TCHF 946 (previous year: TCHF 1,316), of which TCH 369 apply to minority interests (previous year: TCHF 513), was recognised in the consolidated statement of comprehensive income (fair value adjustment of financial instruments) after taking into account deferred income taxes of TCHF -360 (previous year: TCHF -358), of which TCHF -140 apply to minority interests (previous year: TCHF -140).

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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 1,488 (previous year: TCHF 1,700). The fixed assets pledged in this connection are disclosed in Note 9.

3) In the 2011 financial year 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 originally over 59 years as well as pro-rata compensation based on EBIT generated by the Taschinas power plant. Financial liabilities are to be recognised at the time they are acquired 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 amounted 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.

Over the course of 2012 other partners were acquired for Repartner Produktions AG that also granted the company interest-free loans. Entry into the partnership was retroactive and under the same terms and conditions as the previous partners. The additionally granted loan amount at the beginning of the year is TCHF 1,356.

At the end of 2012 the liability component of the interest-free loan amounts to TCHF 9,196 (previous year: TCHF 7,921) and is recognised over the loan period using the effective interest method, with the short-term part recorded under current financial liabilities in the amount of TCHF 67 (previous year: TCHF 56).

4) The detailed maturities for the leasing commitments can be found in Note 32.

19 Pension fund obligation CHF thousands	2011	2012
Development of obligations and assets		
Present value of benefit obligation at 1 January	179,161	191,211
Service costs	7,981	8,758
Past service costs	2,061	-
Interest expense	4,874	4,704
Plan reduction / plan payment	-2,158	-
Benefits paid	-8,405	-3,374
Actuarial gains / losses	7,753	4,734
Currency gains/losses	-56	-14
Present value of benefit obligation at 31 December	**191,211**	**206,019**
Fair value of plan assets at 1 January	146,543	139,978
Expected return on plan assets	5,806	5,308
Employer's contributions	3,567	4,062
Employees' contributions	2,038	2,487
Plan reduction / plan payment	-	-
Benefits paid	-8,405	-3,374
Actuarial gains / losses	-9,571	10,915
Fair value of plan assets at 31 December	**139,978**	**159,376**
Recognised pension liabilities		
Fair value of plan assets	139,978	159,376
Present value of benefit obligation excluding plan assets	-188,805	-203,039
Shortfall/surplus	**-48,827**	**-43,663**
Present value of benefit obligation excluding plan assets	-2,406	-2,980
Unrecognised past service costs	1,889	1,202
Unrecognised actuarial gains/losses	41,704	33,995
Recognised pension liabilities	**-7,640**	**-11,446**
Pension expense recognised under personnel expenses		
Service costs	7,981	8,758
Interest expenses	4,874	4,704
Expected return on plan assets	-5,806	-5,308
Recognised actuarial gains/losses (outside the corridor)	473	1,527
Recognised past service costs	172	687
Plan reduction / plan payment gain (loss)	-2,158	-
Employees' contributions	-2,038	-2,487
Pension costs for the period	**3,498**	**7,881**

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	2011	2012
Change in defined benefit pension obligation		
At 1 January	-7,759	-7,640
Translation differences from foreign plans	50	13
Net pension costs for the period	-3,498	-7,881
Employer's contributions paid	3,567	4,062
Recognised plan liabilities at 31 December	**-7,640**	**-11,446**
Effective return on plan assets	-2.63%	10.84%
Effective income from plan assets	-3,765	16,223
Calculation principles:		
Discount rate	2.35%	1.85%
Expected return on plan assets	3.75%	3.25%
Expected rate of increase in future compensation levels	2.00%	1.50%
Expected rate of increase in future pension contribution	0.25%	0.00%
Breakdown of assets, other information		
Cash	1.60%	2.30%
Bonds	30.00%	28.90%
Equities	39.50%	39.20%
Property	18.80%	19.30%
Other	10.10%	10.30%
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 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) using the period tables of the BVG 2012 (P 2011).

Disclosures of current and prior periods:

	31.12.2008	31.12.2009	31.12.2010	31.12.2011	31.12.2012
Present value of pension obligation	166,871	167,106	179,161	191,211	206,019
Fair value of plan assets	147,083	143,929	146,543	139,978	159,376
Plan surplus/deficit	-19,788	-23,177	-32,618	-51,233	-46,643
Experience adjustments					
of pension obligation	1,902	-2,304	3,844	496	-480
of plan assets	-29 564	-6,700	2,582	-9,571	10,915
Adjustment to pension fund obligation based on changed assumptions	-3,727	-	10,859	7,257	5,214

Employer contributions for 2013 are estimated at TCHF 3,997 (previous year: TCHF 3,820).

20 Provisions

CHF thousands

	2011	2012	Contract risks	Reversion provisions	Pension provisions	Other provisions
At 1 January	**65,960**	**48,103**	**8**	**36,465**	**7,640**	**3,990**
Provisions recognised	2,530	5,666	-	-	3,944	1,722
Provisions used	-18,043	-20,938	-8	-20,347	-24	-559
Provisions reversed	-2,450	-4,099	-	-2,929	-106	-1,064
Interest	268	465	-	403	-	62
Reclassifications	-		-	45	5	-50
Translation differences	-162	-35	-	-	-13	-22
At 31 December	**48,103**	**29,162**	**-**	**13,637**	**11,446**	**4,079**
Expected maturity up to 1 year	21,484	1,335	-	472	-	863
Current provisions	**21,484**	**1,335**	**-**	**472**	**-**	**863**
Expected maturity within 2- 5 years	2,074	1,871	-	1,744	-	127
Expected maturity more than 5 years	24,545	25,956	-	11,421	11,446	3,089
Non-current provisions	**26,619**	**27,827**	**-**	**13,165**	**11,446**	**3,216**

Reversion provisions

In 2012 the last instalment of the second part of the reversion waiver compensation for the Prättigau power plants was paid in the amount of around MCHF 20. The remaining provisions exist for the extensive deliveries of free energy to the municipality of Poschiavo. The provisions for free energy were reviewed and reversed in the amount of MCHF 3 through energy procurement in profit and loss.

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.

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21 Other non-current liabilities CHF thousands	**31.12.2011**	**31.12.2012**
Other non-current liabilities	2,237	1,627
Total	**2,237**	**1,627**

22 Other current liabilities CHF thousands	**31.12.2011**	**31.12.2012**
Trade accounts payable	468,905	378,763
Other liabilities	55,801	67,466
Total	**524,706**	**446,229**
Other current liabilities are carried in the following currencies:		
Swiss francs	39,972	39,891
Euros (translated)	462,660	340,085
Other currencies (translated)	22,074	66,253
Total	**524,706**	**446,229**

All items 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.

23 Current financial liabilities CHF thousands	**31.12.2011**	**31.12.2012**
Current financial liabilities	36,627	30,162
Negative replacement values	11,921	13,796
Leasing commitments	-	438
Total	**48,548**	**44,396**

All current financial liabilities and leasing commitments 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.

24 Information about net current assets

Changes in net current assets

CHF thousands	Note	31.12.2011	31.12.2012
Change in inventories	12	-8,371	-7,346
Change in receivables	13	-139,483	79,978
Change in current income tax receivables		-6,488	-10,008
Change in prepaid expenses and accrued income		10,700	-121
Change in current income tax liabilities		-3,733	-15,964
Change in other current liabilities		201,244	-75,271
Change in current provisions		-16,302	-20,142
Change in deferred income and accrued expenses		825	5,758
Change in replacement values, held-for-trading positions	15	3,087	9,700
Change in securities and other financial instruments	14	4,398	1,286
Change in held-for-sale positions of net current assets	28	-	-1,495
Total change in net-current assets		**45,877**	**-33,625**

Prepaid expenses and accrued income

CHF thousands	31.12.2011	31.12.2012
Prepayment of energy and transport rights	871	5
Other accrued income	4,543	5,490
Total	**5,414**	**5,495**

Deferred income and accrued expenses

CHF thousands	31.12.2011	31.12.2012
Accrued interest	4,262	4,267
Accrued annual leave and overtime	7,225	7,936
Accrued other personnel expenses	6,463	5,785
Accrued capital and other taxes, charges and levies	5,719	5,059
Other accrued expenses	7,072	13,372
Total	**30,741**	**36,419**

All positions of deferred income and accrued expenses 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.

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Notes to the consolidated financial statements

25 Transactions with related parties

CHF thousands

Scope of transactions between the Group and related parties	Net revenue		Other income		Energy procurement		Other expenses	
	2011	2012	2011	2012	2011	2012	2011	2012
Canton of Graubünden[1)]	-	81	-	-	-	-	-	-
Alpiq Group	48,984	38,682	188	440	90,161	95,523	364	422
Axpo Group	43,894	84,266	64	105	160,076	50,285	430	650
Main shareholders	**92,878**	**123,029**	**252**	**545**	**250,237**	**145,808**	**794**	**1,072**
Kraftwerke Hinterrhein AG	405	363	-	-	3,982	3,992	38	19
Grischelectra AG	-	-	-	-	36,820	36,492	-	-
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen	-	-	-	-	16,545	16,977	-	-
Rhiienergie AG, Tamins	-	3,452	-	-	-	-	-	-
EL.IT.E S.p.A.	-	-	-	256	2,354	2,293	-	-
SüdWestStrom StadtKraftWerk Brunsbüttel GmbH & Co. KG	-	-	-	-	-	-	-	-
Aerochetto S.r.l.	72	73	-	-	-	-	-	-
Associates and partner plants	**477**	**3,888**	**-**	**256**	**59,701**	**59,754**	**38**	**19**

Scope of transactions between the Group and related parties	Receivables as of 31 December		Current liabilities as of 31 December		Other non-current liabilities as of 31 December		Active loans	
	2011	2012	2011	2012	2011	2012	2011	2012
Canton of Graubünden[1)]	-	-	-	-	-	-	-	-
Alpiq Group	11,044	6,559	15,064	10,408	-	-	-	-
Axpo Group	7,402	13,975	8,625	7,252	-	-	-	-
Main shareholders	**18,446**	**20,534**	**23,689**	**17,660**	**-**	**-**	**-**	**-**
Kraftwerke Hinterrhein AG	389	-	3,506	682	-	-	-	-
Grischelectra AG	-	-	1,820	2,121	-	-	-	-
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen	-	-	-	-	-	-	-	-
Rhiienergie AG, Tamins	-	391	-	-	-	-	-	-
EL.IT.E S.p.A.	372	256	-	-	-	-	6,522	5,327
SüdWestStrom StadtKraftWerk Brunsbüttel GmbH & Co. KG	-	-	-	-	-	-	-	-
Aerochetto S.r.l.	-	-	-	-	-	-	-	-
Associates and partner plants	**761**	**647**	**5,326**	**2,803**	**-**	**-**	**6,522**	**5,327**

At 31 December 2012 the positive replacement values of held-for-trading positions in respect of the Alpiq Group amounted to TCHF 3,645 (previous year: TCHF 4,549) and of the Axpo Group TCHF 0 (previous year: TCHF 4,599). At 31 December 2012 the negative replacement values of held-for-trading positions in respect of the Alpiq Group amounted to TCHF 12,596 (previous year: TCHF 7,875) and of the Axpo Group TCHF 363 (previous year: TCHF 6,111).

[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.

Members of the Board of Directors and Executive Board

In 2011 and 2012 Repower paid the following compensation to members of the Board of Directors and Executive Board:

CHF thousands	2011	2012
Gross salaries (fixed) and compensation	2,843,959	2,987,920
Gross salaries (variable)	885,906	654,915
Expenses for retirement provisions and other services	1,002,967	885,419
Total	**4,732,832**	**4,528,254**

In the 2012 financial year, payments in kind in the form of car allowances were paid to members of the Executive Board in the amount of TCHF 44 (previous year: TCHF 28). These positions are reported in the category “Gross salaries (fixed) and compensation”.

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.

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Notes to the consolidated financial statements

26 Additional disclosures on financial instruments

CHF thousands

Balance sheet item	Measurement category*)	Valuation**)	31.12.2011 Carrying amount	31.12.2011 Fair value	31.12.2012 Carrying amount	31.12.2012 Fair value
Assets						
Other financial assets						
Other non-current securities	AFS	AcC	7,428	7,428	7,182	7,182
Active loans	L&R	AC	6,552	6,552	5,327	5,327
Receivables						
Trade accounts receivable	L&R	AC	548,662	548,662	456,007	456,007
Other receivables	L&R	AC	44,385	44,385	51,850	51,850
Current income tax receivables			13,681	13,681	23,708	23,708
Securities and other financial instruments						
Shares, bonds, other securities	HFT	FVPL	1,471	1,471	205	205
Derivative financial instruments	HFT	FVPL	20	20	-	-
Positive replacement values for held-for-trading positions						
Derivative financial instruments	HFT	FVPL	107,204	107,204	138,612	138,612
Cash and cash equivalents						
Sight funds and cash invested	L&R	AC	339,873	339,873	261,900	261,900

Balance sheet item	Measurement category*)	Valuation**)	31.12.2011 Carrying amount	31.12.2011 Fair value	31.12.2012 Carrying amount	31.12.2012 Fair value
Liabilities						
Non-current financial liabilities						
Bank loans and mortgages, other non-current Financial liabilities	OL	AC	563,423	629,077	545,232	603,199
Derivative financial instruments	HA	FVs	2,229	2,229	1,268	1,268
Current financial liabilities						
Current financial liabilities	OL	AC	36,627	36,627	30,162	30,162
Leasing commitment	OL	AC	-	-	438	438
Derivative financial instruments	HFT	FVPL	11,921	11,921	13,796	13,796
Negative replacement values held-for-trading positions						
Derivative financial instruments	HFT	FVPL	85,076	85,076	126,024	126,024
Other current liabilities						
Trade accounts payable	OL	AC	468,905	468,905	378,763	378,763
Other liabilities	OL	AC	55,801	55,801	67,466	67,466
Deferred income and accrued expenses						
Accrued expenses	OL	AC	30,741	30,741	36,419	36,419

*) 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

CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

Notes to the consolidated financial statements

Hierarchy of financial instruments measured at fair value

Assets	2011	Level 1	Level 2	Level 3	2012	Level 1	Level 2	Level 3
Fair value through profit or loss								
Securities and other financial instruments	1,491	1,266	225	-	205	-	205	-
Positive replacement values held-for-trading positions	107,204	241	106,963	-	138,612	13	138,599	-
At 31 December	**108,695**	**1,507**	**107,188**	**-**	**138,817**	**13**	**138,804**	**-**
Liabilities								
Fair value through profit or loss								
Current financial liabilities								
Negative replacement values	11,921	-	11,921	-	13,796	-	13,796	-
Negative replacement values held-for-trading positions	85,076	305	84,771	-	126,024	-	126,024	-
In other comprehensive income with no effect on profit and loss								
Interest swaps	2,229	-	2,229	-	1,268	-	1,268	-
At 31 December	**99,226**	**305**	**98,921**	**-**	**141,088**	**-**	**141,088**	**-**

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 respective financial instrument (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

2012 financial year
In the 2012 financial year, there were no business combinations.

The goodwill arising from the acquisition of the wind farm in Germany recognised in the 2010 financial year decreased from TCHF 546 to TCHF 543 for currency reasons.

Disposal of shares RES S.p.A.

The disposal of all the shares in RES S.p.A. and the related disposal of its subsidiary Prodomo d.o.o. had the following effect on the assets and liabilities of the Repower Group in the 2012 financial year.

CHF thousands	Total
Property, plant and equipment	8
Deferred tax assets	170
Receivables	326
Prepaid expenses and accrued income	20
Cash and cash equivalents	115
Cumulative translation differences	-101
Minority interests	-211
Other current liabilities	-209
Loss	-40
Selling price	78
Cash consideration received	78
Outflow of cash and cash equivalents	-115
Net cash outflow related to the disposal	**-37**

The pre-tax loss from the disposal of both Group companies is recognised in other operating expenses.

Purchases/sales of minority interests

In the first half of 2012, Repower sold an additional 6 per cent of its shares in Repartner Produktions AG to third-party energy supply companies and adjusted the former purchase price of the shares. The net cash inflow totalled TCHF 4,900 and the minority interests totalled TCHF 4,572. The difference was allocated to the majority partner's capital.

2011 financial year

In 2011 there were no business combinations or disposals.

In 2011 the project companies 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.

Purchases/sales of minority interests

Effective 31 December 2011, Repower sold 35 per cent of its shares in Repartner Produktions AG to third-party energy supply companies. 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.

CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

Notes to the consolidated financial statements

28 Assets and liabilities held for sale

Assets and liabilities held for sale – Repower Transportnetz AG
The Electricity Supply Act (StromVG) which came into force on 1 January 2008 required that ownership of the Swiss grid system be transferred to Swissgrid AG. As a result, the level 1 grids were handed over to Swissgrid. 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 as "Assets held for sale" and "Liabilities held for sale". The transfer took place on 3 January 2013 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.

At 30 June 2012 the carrying amount of the full disposal group was compared against the currently expected transaction value.

Due to indications of impairment, an impairment charge of CHF 3.7 million was made on the property, plant and equipment of the disposal group. This impairment charge is recognised in the statement of comprehensive income under other operating expenses. No further value adjustment was required to be made at the end of the year.

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 are provisional only:

CHF thousands	31.12.2011	31.12.2012
Property, plant and equipment	72,612	82,646
Inventories	-	72
Receivables	-	3,506
Cash and cash equivalents	6,455	-
Assets of disposal group classified as held for sale	**79,067**	**86,224**
Deferred tax liabilities	10,076	12,019
Other current liabilities	155	189
Deferred income and accrued expenses	-	106
Liabilities of disposal group classified as held for sale	**10,231**	**12,314**

Assets and liabilities held for sale – SEI S.p.A.
SEI S.p.A. is currently developing a project to construct a coal-fired power plant in Saline Joniche using the most advanced technology available at present on the market. The Repower Group signed an agreement to sell part of the project company SEI S.p.A. The sale will take place at a price defined in the agreement. Under IFRS 5 assets and liabilities (disposal group) held for sale are measured at the lower of the carrying amount and fair value less costs to sell. Because the fair value less costs to sell is higher than the carrying amount, there is no need for impairment. 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 12 are to be considered provisional:

CHF thousands	31.12.2012
Property, plant and equipment	9,349
Deferred tax assets	3,663
Receivables	1,818
Prepaid expenses and accrued income	6
Cash and cash equivalents	1,015
Assets of disposal group classified as held for sale	**15,851**
Non-current financial liabilities	7,755
Other current liabilities	1,087
Deferred income and accrued expenses	74
Liabilities of disposal group classified as held for sale	**8,916**

The foreign currency differences of the SEI S.p.A that are contained in equity amount to TCHF 1,196 for the Repower Group and TCHF 589 for the minority interests.

29 Impairment of assets

2012 financial year

In the current financial year, an impairment was made for two affiliated small power plants acquired as part of the Chlus project in accordance with the guidelines of IAS 36 "Impairment of Assets". In line with IAS 36.59, the carrying amount of the assets has been revised upwards to the recoverable amount. The recoverable amount was calculated using the value in use. When calculating the value in use, the current plans authorised by management are taken into account.

The cash flow forecast relates to the useful life until the Chlus project is finally complete and requires a value adjustment through profit and loss since the resulting investments cannot be generated over the useful life. After the impairment of MCHF 10.8 the value is as follows:

CGU assets at 1 July 2012
CHF thousands

	Before impairment	After impairment
Assets		
Plant and equipment	15,085	6,260
Land	3,320	1,378
Total	**18,405**	**7,638**

The underlying discount factor before taxes is 9.00 per cent. The impairment loss is included in the consolidated statement of comprehensive income under depreciation/amortisation and impairment.

The residual purchase obligation arising from the acquisition of Repower Furnizare România S.R.L. was fully reversed in the 2012 financial year. There is no longer an obligation. The income from the reversal in the amount of TCHF 391 is reported under other operating income.

CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

Notes to the consolidated financial statements

2011 financial year
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 (SMEs). 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 determined based on intangible assets, in particular goodwill and customers. The impairment test confirmed indications of impairment losses. A complete 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 in 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 per cent. A discount rate of 6.7 per cent 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 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 and rights arising from insurance policies).

Net revenue from third parties

CHF thousands	2011	2012
Switzerland	703,414	681,454
Italy	1,589,852	1,431,004
Other countries	173,825	217,233
Total	**2,467,091**	**2,329,691**

Customers with a share of revenue above 10 per cent

There are two customers (previous year: three) each accounting for more than 10 per cent of revenue. Of the MCHF 2,330 in revenue (previous year: MCHF 2,467), revenue from the Group's largest customers over the financial year accounts for MCHF 697 (previous year: MCHF 1,072).

Non-current assets

CHF thousands	2011	2012
Switzerland	768,827	792,823
Italy	320,648	336,035
Other countries	54,437	54,759
Total	**1,143,912**	**1,183,617**

31 Contingent liabilities and guarantee obligations

In 2012 the Group company Repower Vendita Italia S.p.A. received definitive invoices amounting to EUR 0.85 million (previous year: EUR 1.0 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 such 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.

CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

Notes to the consolidated financial statements

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

32 Obligations under leasing arrangements

A leasing contract that mainly transfers the economic risk to Repower is recognised as a finance leasing arrangement. All other leasing contracts are classified as operating leasing arrangements. Assets which are recognised in connection with a finance lease are depreciated in accordance with the guidelines explained under property, plant and equipment. If the depreciation period of the asset is greater than the length of the lease agreement, the asset is depreciated over the term of the leasing contract.

Operating leasing arrangements
The total of the future minimum leasing payments for every subsequent period are:

CHF thousands	31.12.2011	31.12.2012
Due within 1 year	1,700	2,543
Due in 1-5 years	1,000	4,389
Due after 5 years	-	-
Total	**2,700**	**6,932**

At the end of 2012, outstanding minimum lease payments mainly consisted of TCHF 2,048 (motor vehicles), TCHF 1,519 (IT hardware) and TCHF 3,259 (property rental).

Only in the case of motor vehicle leasing contracts is Repower required to pay a standard market surcharge if it uses the vehicles beyond the contractually agreed km limit. Repower does not intend to purchase any of the leased vehicles or IT hardware at the end of the leasing period. The previous year's figures contain leased IT hardware which was replaced this year.

Finance leasing arrangements

CHF thousands	31.12.2011	31.12.2012
Nominal total of minimum lease payments		
Due within 1 year	-	440
Due in 1-5 years	-	714
Due after 5 years	-	-
Total	-	**1,154**
Future interests	-	**-48**
Lease liabilities	-	**1,106**
Present value of minimum lease payments		
Due within 1 year	-	438
Due in 1-5 years	-	668
Due after 5 years	-	-
Total	-	**1,106**

The finance leasing arrangements only cover motor vehicles. The lease liabilities are contained in financial liabilities. If Repower uses the vehicles beyond the agreed km limit, it must pay a standard market surcharge. Repower does not intend to acquire the leased vehicles at the end of the lease agreement.

33 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 60 to 63 of the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

Notes to the consolidated financial statements

34 Events occurring after the balance sheet date

Efficiency programme
On 23 January 2013, Repower informed about an efficiency programme which will focus on adjusting the company structure, reviewing the project portfolio and introducing cost-cutting measures. These measures have no impact on the 2012 financial year.

Smart energy systems integration
In a joint press release on 29 January 2013, Repower and Swisscom announced that Repower would acquire a 35 per cent stake in Swisscom Energy Solutions AG. The goal is to develop innovative solutions to enable electricity consumption to be managed sustainably and intelligently. This stake has no impact on the 2012 financial year.

Approval of consolidated financial statements
On 27 March 2013 the Board of Directors approved the consolidated financial statements for publication. This is subject to the approval of the Annual General Meeting, which takes place on 15 May 2013.

CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

Notes to the consolidated financial statements

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 consolidated financial statements of Repower AG, which comprise the consolidated balance sheet, consolidated statement of comprehensive income, consolidated cash flow statement, changes in consolidated equity and notes to the consolidated financial statements (pages 45 to 104), for the year ended December 31, 2012.

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 31 December 2012 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.

PricewaterhouseCoopers AG, Gartenstrasse 3, Postfach, 7001 Chur
Telephone: +41 58 792 66 00, Telefax: +41 58 792 66 10, www.pwc.ch

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 article 11 AOA) 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 Ltd

Beat Inauen
Audit expert
Auditor in charge

Martin Bettinaglio
Audit expert

Chur, March 27, 2013

2012 FINANCIAL STATEMENTS
REPOWER AG

Income statement

CHF thousands	Note	2011	2012
Total net revenue		668,045	665,303
Other operating income		31,373	32,613
Total operating revenue	1	**699,418**	**697,916**
Energy procurement		-559,586	-537,515
Material and third-party services		-8,040	-7,098
Personnel expenses		-45,264	-51,808
Concession fees		-9,141	-8,287
Depreciation/amortisation and impairment	2	-30,914	-26,181
Other operating expenses		-37,127	-36,380
Operating expenses		**-690,072**	**-667,269**
Operating income before interest and taxes		**9,346**	**30,647**
Financial income		16,621	15,962
Financial expense		-32,755	-24,462
Non-operating income		143	169
Income before taxes		**-6,645**	**22,316**
Gains on the sale of assets		1,553	490
Extraordinary income		27,283	-
Extraordinary expenses		-5,679	-57
Profit before taxes		**16,512**	**22,749**
Taxes		-1,367	-1,642
Net income for the year		**15,145**	**21,107**

2012 FINANCIAL STATEMENTS
REPOWER AG

Balance sheet

Assets CHF thousands	Note	31.12.2011	31.12.2012
Property, plant and equipment		158,560	149,918
Intangible assets	3	16,700	27,480
Financial assets	4	526,131	662,604
Non-current assets		**701,391**	**840,002**
Inventories		4,126	3,615
Trade accounts receivable	5	394,981	361,898
Other receivables	5	120,592	83,573
Prepaid expenses and accrued income	6	1,509	10,143
Capital assets in current assets		3,067	1,548
Cash and cash equivalents		248,829	181,283
Current assets		**773,104**	**642,060**
Total assets		1,474,495	1,482,062

Liabilities and shareholders' equity CHF thousands	Note	**31.12.2011**	**31.12.2012**
Share capital		2,783	2,783
Participation capital		625	625
Reserves for treasury shares		4,688	4,688
Other legal reserves		52,276	52,276
Other reserves		452,273	477,273
Retained earnings		52,500	31,648
Equity	7	**565,145**	**569,293**
Provisions	8	**51,099**	**52,506**
Non-current liabilities	9	**460,925**	**490,060**
Trade accounts payable		350,101	319,305
Other current liabilities		21,626	21,796
Deferred income and accrued expenses		25,599	29,102
Current liabilities	10	**397,326**	**370,203**
Liabilities		**909,350**	**912,769**
Total liabilities and shareholder's equity		**1,474,495**	**1,482,062**

2012 FINANCIAL STATEMENTS
REPOWER AG

Notes to the financial statements

Notes

1 Total operating revenue CHF thousands	31.12.2011	31.12.2012
Revenue from energy sales	678,786	649,626
Profit from held-for- trading positions	-8,602	24,592
Profit from held-for- trading positions to Group companies	-2,139	-8,915
Total net revenue	**668,045**	**665,303**
Own costs capitalised	**6,361**	**4,430**
Revenue from other operating activities	25,012	28,183
Other operating income	**25,012**	**28,183**
Total operating revenue	**699,418**	**697,916**

2 Depraciation/amortisation and impairment CHF thousands	31.12.2011	31.12.2012
Depreciation of property, plant and equipment	8,457	7,888
Amortisation of intangible assets	2,621	3,761
Impairment of property, plant and equipment	1,857	11,267
Impairment of intangible assets	10,979	-
Impairment of financial assets	7,000	3,265
Total	**30,914**	**26,181**

3 Intangible assets CHF thousands	31.12.2011	31.12.2012
Reversion waiver compensation	30,825	30,825
Value adjustment reversion waiver compensation	-16,953	-18,495
Software	2,828	15,150
Total	**16,700**	**27,480**

4 Financial assets CHF thousands	31.12.2011	31.12.2012
Investments	372,362	389,425
Long-term prepayments	55,379	50,947
Loans to Group companies	66,395	191,725
Other financial assets	31,995	30,507
Total	**526,131**	**662,604**

5 **Receivables** CHF thousands	31.12.2011	31.12.2012
Of which:		
Related parties (shareholders)	33,996	45,521
Group companies	168,004	115,572
Other receivables	313,573	284,378
Total	**515,573**	**445,471**

6 **Prepaid expenses and accrued income** CHF thousands	31.12.2011	31.12.2012
Of which:		
Group companies	973	9,688
Other	536	455
Total	**1,509**	**10,143**

2012 FINANCIAL STATEMENTS
REPOWER AG

Notes to the financial statements

7 Equity CHF thousands	31.12.2011	31.12.2012
Share capital		
2,783,115 shares at a par value of 1 CHF per share	2,783	2,783
Participation capital		
625,000 participation certificates at a par value of 1 CHF per share	625	625
Share capital	**3,408**	**3,408**
Reserves for treasury shares	4,688	4,688
Capital reserves[1)]	37,112	35,153
Other legal reserves	15,164	17,123
Other reserves	452,273	477,273
Reserves	**509,237**	**534,237**
Retained earnings carried forward	37,355	10,541
Net income for the year	15,145	21,107
Retained earnings	**52,500**	**31,648**
Equity	**565,145**	**569,293**

1) The level of capital reserves was adjusted in line with the decision of the Swiss Federal Tax Administration.

Share capital

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

Canton of Graubünden	46.0 %
Alpiq AG, Olten	24.6 %
Axpo Trading AG, Dietikon (formerly: Elektrizitäts-Gesellschaft Laufenburg AG, Laufenburg (EGL))	21.4 %

Subject to official approval, Axpo and the Canton of Graubünden will temporarily each assume the shares (split equally) in Repower held by Alpiq in the first half of 2013 and then sell the acquired shares to a new strategic partner in the short- to medium term.

Treasury shares	Number of shares	Average price in CHF	Number of participation certificates	Average price in CHF
At 31 December 2010	12,156		4,107	
Purchases	60	462	-	-
Disposals	-60	501	-	-
At 31 December 2011	12,156		4,107	
Purchases				
Disposals				
At 31 December 2012	**12,156**		**4,107**	

8 **Provisions** CHF thousands	31.12.2011	31.12.2012
For reversion	25,375	25,375
For reversion waiver compensation	7,800	7,800
For contract risks	4,800	4,800
For other risks	12,729	14,531
For residual purchase price obligation	395	-
Total	**51,099**	**52,506**

9 **Non-current liabilities** CHF thousands			31.12.2011	31.12.2012
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	44,648
Lease liabilities			-	412
Total			**460,925**	**490,060**

2012 FINANCIAL STATEMENTS
REPOWER AG

Notes to the financial statements

10 Current liabilities CHF thousands	**31.12.2011**	**31.12.2012**
Of which:		
Related parties (shareholders)	31,889	2
Group companies	35,130	18,208
Deferred income and accrued expenses third parties	25,599	27,338
Deferred income and accrued expenses Group companies	-	1,764
Other obligations	304,708	322,891
Current liabilities	**397,326**	**370,203**

Liabilities in respect of pension plans TCHF 0 (previous year: TCHF 272). 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 56 million (previous year: CHF 53 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 1,156 million (previous year: CHF 1050 million).

Investments
The list on pages 65 to 67 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 7 million (before deferred taxes; previous year: CHF 19.2 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 336 million (CHF 406 million) were concluded (previous year: EUR 303 million, CHF 368 million). Recognised lease liabilities totalled TCHF 697.

No other sureties, guarantee obligations or pledge agreements exist.

Changes in accounting principles / consistency of presentation
In the 2012 financial year, income and expenses from held-for-trading positions are now shown net as disclosed in the consolidated financial statements. The held-for-trading positions are explained in detail in the Notes to the consolidated financial statements. These income statement reclassifications have also been implemented for reasons of comparability with prior-year figures. Based on the old methodology, total net revenue in 2012 amounted to TCHF 4,442,367 (previous year TCHF 4,069,884).

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 60 to 63.

2012 FINANCIAL STATEMENTS
REPOWER AG

Disclosures in accordance with Art. 663b^{bis} of the Swiss Code of Obligations:

Board of Directors		Total comp. 2011	Total comp. 2012	Compensation[1]	Compensation for additional services
CHF					
Dr Eduard Rikli, Chairman		125,375	133,875	133,875	-
Dr Reto Mengiardi, Vice Chairman	until 04.05.11	49,410	-	-	-
Kurt Baumgartner, Vice Chairman[2]	from 04.05.11	76,000	96,000	96,000	-
Placi Berther	from 04.05.11	37,874	48,769	48,769	-
Christoffel Brändli		35,937	40,143	40,143	-
Dr Guy Bühler[2]		76,000	82,000	82,000	-
Rudolf Hübscher	until 09.05.12	37,188	15,872	15,872	-
Claudio Lardi	from 04.05.11	28,422	41,438	41,438	-
Guido Lardi	until 04.[2]05.11	12,827	-	-	-
Rolf W. Mathis[2]		37,600	43,900	43,900	-
Dr Martin Schmid[2]		87,309	118,787	118,787	-
Dr Hans Schulz[2]		39,300	45,900	45,900	-
Daniel Spinnler[2]	from 09.05.12	-	24,062	24,062	-
Antonio Taormina[2]	until 09.05.12	47,900	17,828	17,828	-
Roger Vetsch[2)]	from 09.05.12	-	25,566	25,566	-
Michael Wider[2]		33,000	29,000	29,000	-
Total		**724,142**	**763,140**	**763,140**	**-**

1) The compensation amount includes a Board of Directors fee and meeting expenses.
2) 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	Total comp. 2011	Total comp. 2012	Gross salaries (fixed)	Gross salaries (variable)	Retirement provision and other services
CHF					
Kurt Bobst, CEO	834,533	776,452	476,861	138,000	161,591
Other Executive Board members	3,174,157	2,988,662	1,747,919	516,915	723,828
Total	**4,008,690**	**3,765,114**	**2,224,780**	**654,915**	**885,419**

In the 2007 financial year, a profit-sharing model was introduced for members of the Executive Board which led to the first bonus payments in 2010. The model is explained in the Corporate Governance section of the Annual Report. At 31 December 2012 there are no obligations arising from this renewed profit-sharing model (previous year: TCHF 268). In the 2012 financial year, payments in kind for car allowances were paid to members of the Executive Board in the amount of TCHF 44 (previous year: TCHF 28). These items are reported in the category "Gross salaries (fixed)".

No other compensation or loans exist in accordance with Art. 663b^{bis} of the Code of Obligations.

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

Board of Directors	Shares 2011	Shares 2012	PC 2011	PC 2012
Dr. Eduard Rikli, Chairman of the Board of Directors	100	100	-	-
Placi Berther	9	9	-	-
Christoffel Brändli	14	14	-	-
Rudolf Hübscher	5	-	-	-
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 2011	Shares 2012	PC 2011	PC 2012
Kurt Bobst, CEO	50	50	100	100
Felix Vontobel	50	50	50	50
Fabio Bocchiola	5	5	-	-
Rino Caduff	7	-	-	-
Giovanni Jochum	25	25	240	300

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 2012	CHF	21,106,575
Retained earnings carried forward[1)]	CHF	10,540,347
Retained earnings	**CHF**	**31,646,922**
Allocation to other reserves	CHF	-20,000,000
Balance carried forward	**CHF**	**11,646,922**

Furthermore, the Board of Directors proposes to the Annual General Meeting a dividend of CHF 2.50 per share or participation certificate, to be paid from capital reserves:

Capital reserves carried forward		35,153,066
Dividend on share capital of CHF 2.8 million[2)]		-6,957,788
Dividend on participation capital of CHF 0.6 million[2)]		-1,562,500
Capital reserves carried forward to new account	**CHF**	**26,632,778**

Dividend per share/participation certificate, gross	CHF	2.50
./. 35% withholding tax	CHF	-
Net payment	**CHF**	**2.50**

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 81,315.

2) Qualified as tax-neutral repayment of capital in accordance with Art. 20 of the Federal Law on Direct Federal Tax, and Art. 5 of the Federal Law on Withholding Tax.

No dividend is paid on shares or participation certificates held by Repower AG on the payout date. This can reduce the actual dividend payout accordingly.

Subject to the approval of the Annual General Meeting, the dividend will be paid from capital reserves starting on 23 May 2013 on presentation of coupon No. 10 for a share with a par value of CHF 1.00 or coupon No. 10 for a participation certificate with a par value of CHF 1.00.

Poschiavo, 27 March 2013

For the Board of Directors:

Dr Eduard Rikli
Chairman of the Board of Directors

REPORT OF THE **AUDITORS**

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 financial statements of Repower AG, which comprise the balance sheet, income statement and notes (pages 109 to 120), for the year ended December 31, 2012.

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, 2012 comply with Swiss law and the company's articles of incorporation.

PricewaterhouseCoopers AG, Gartenstrasse 3, Postfach, 7001 Chur
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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 article 11 AOA) 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 Ltd

Beat Inauen
Audit expert
Auditor in charge

Martin Bettinaglio
Audit expert

Chur, March 27, 2013

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Repower employees passing through the lobby of the Prime Tower in Zurich where Repower has had offices since September 2011.

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KEY DATES

15 May 2013	Annual General Meeting in Poschiavo
27 August 2013	First Half Year Results
14 May 2014	Annual General Meeting

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