

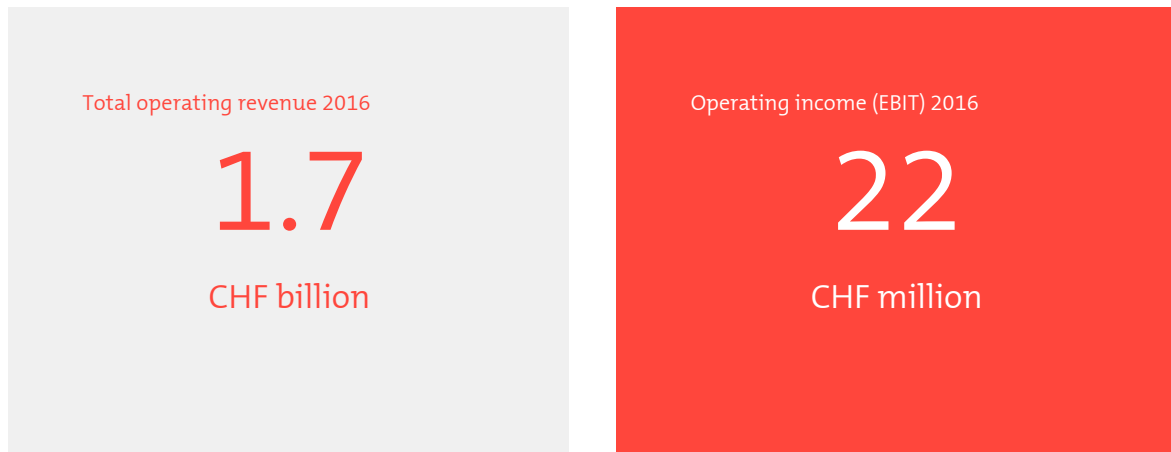
A utility worker with a beard, wearing a grey helmet and a high-visibility yellow and black safety vest, is climbing a wooden utility pole. He is smiling and looking towards the camera. Another person's hand is visible in the foreground, holding a metal tool against the pole. The background shows a vast, snowy mountain landscape under a blue sky with scattered clouds. Power lines run across the top of the frame.

ANNUAL REPORT  
2016



# Overview

## OVERVIEW OF THE YEAR 2016



## THE MOST IMPORTANT EVENTS OF 2016

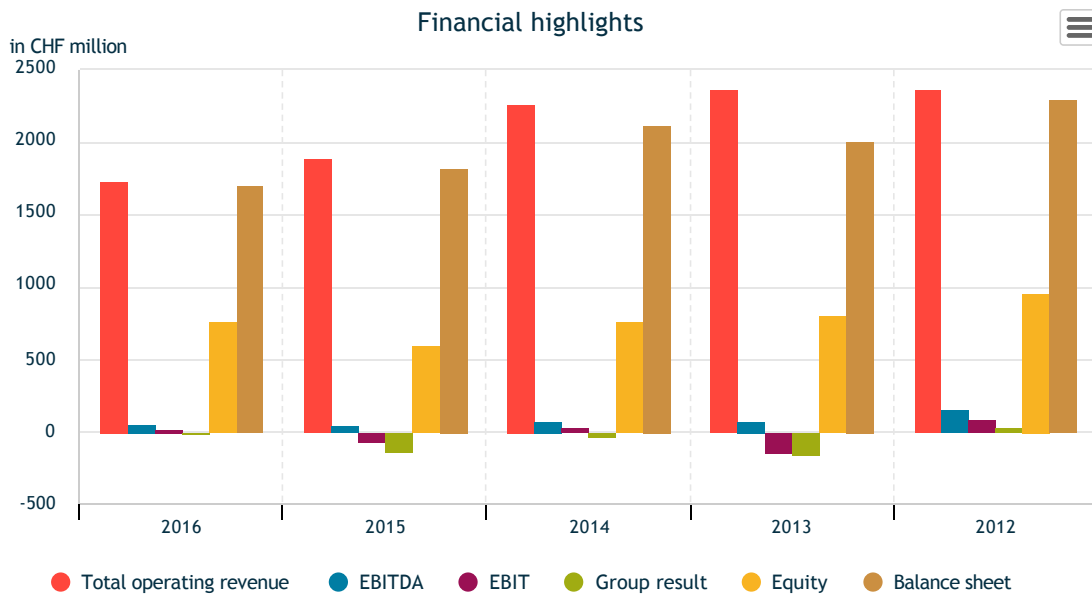
- Last year Repower increased its capital by CHF 171 million and extended its shareholder structure. The shareholders are now as follows: Elektrizitätswerke des Kantons Zürich (EKZ) 28.32%, Canton Graubünden 21.96%, UBS Clean Energy Infrastructure KGK (UBS-CEIS) 18.88%, Axpo Holding AG (Axpo) 12.69%, free float 18.15%.
- Repower also had its securities delisted from the SIX Swiss Exchange and introduced a unified registered share in place of bearer shares and participation certificates. These registered shares are traded over the counter on Berner Kantonalbank's OTC-X platform.
- In 2016 Repower positioned itself even more firmly as a sales and service organisation. Examples of this orientation are the numerous energy services it provides to other energy utilities, and the official market launch of the Plug'n Roll electric vehicle charging network.
- In the year under review Repower was able to take Repartner Produktions AG, the production investment company it has established, a decisive step further: from 2017 the ten energy utilities involved will take around 240 gigawatt hours of electricity per year from four hydropower plants in the Prättigau.
- Finally, it should also be mentioned that in 2016 Repower completely renewed the Morteratsch power plant near Pontresina in record-quick time. For this project Repower devised an innovative financing and operating model and entered into partnership with an infrastructure fund.

## FINANCIAL HIGHLIGHTS

|   | 2016  | 2015      | 2014  | 2013  | 2012     |
|---|-------|-----------|-------|-------|----------|
|   |       | Restated* |       |       | Restated |
| CHF million   |       |           |       |       |          |
| <b>Revenue and income</b>   |       |           |       |       |          |
| Total operating revenue   | 1,740 | 1,890     | 2,273 | 2,365 | 2,372    |
| Income before interest, taxes, depreciation and amortisation (EBITDA) | 52    | 41        | 77    | 74    | 148      |
| Depreciation/amortisation, impairment and reversal of impairment      | -31   | -109      | -51   | -224  | -65      |
| Income before interest and taxes (EBIT)                               | 22    | -69       | 26    | -150  | 83       |
| Group result  | -13   | -136      | -33   | -152  | 31       |
| <b>Balance sheet</b>  |       |           |       |       |          |
| Balance sheet total at 31 December                                    | 1,705 | 1,828     | 2,126 | 2,043 | 2,302    |
| Equity at 31 December   | 763   | 600       | 766   | 805   | 957      |
| Equity ratio  | 45%   | 33%       | 36%   | 39%   | 42%      |
| <b>Further key figures</b>  |       |           |       |       |          |
| Energy gross margin   | 195   | 178       | 240   | 255   | 351      |
| Economic value added  | -33   | -112      | -57   | -188  | -29      |
| Operating cash flow   | 69    | 17        | 98    | 69    | 54       |
| Net debt  | 41    | 270       | 234   | 328   | 365      |
| Net debt  | 0,5   | 4,5       | 2,6   | 2,6   | 2,5      |
| FFO / Net debt  | 55%   | 4,1%      | 26,8% | 25,4% | 24,4%    |
| CAPEX**   | 24    | 24        | 28    | 53    | 114      |
| Headcount (FTE)   | 563   | 632       | 666   | 707   | 746      |

\* See «Correction of errors and changes in presentation» section

\*\* Includes investments in tangible assets, intangible assets and associates, and loans for investment purposes



## STOCK STATISTICS

There was a fundamental change in Repower's capital structure in 2016. More information can be found in the footnotes to the tables.

|   |           |                                 |        |      |                 |
|---|-----------|---------------------------------|--------|------|-----------------|
| Share capital to 22 May 2016 <sup>1</sup>                     | 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 |
| Sharecapital from 23 May 2016 <sup>1</sup>                    | 3,408,115 | registered shares               | at CHF | 1.00 | CHF 3.4 million |
| Share capital from 5 July 2016<br>bzw. 14.7.2016 <sup>2</sup> | 7,390,968 | registered shares               | at CHF | 1.00 | CHF 7.4 million |

| Prices (CHF) on SIX Swiss Exchange and OTC-X, Berner Kantonalbank <sup>3</sup> |  |      | 2016 <sup>4</sup> | 2015 |
|--|--|------|-------------------|------|
| Bearer share   |  | High | 55                | 118  |
|  |  | Low  | 36                | 55   |
| Participation certificates   |  | High | 56                | 95   |
|  |  | Low  | 36                | 55   |

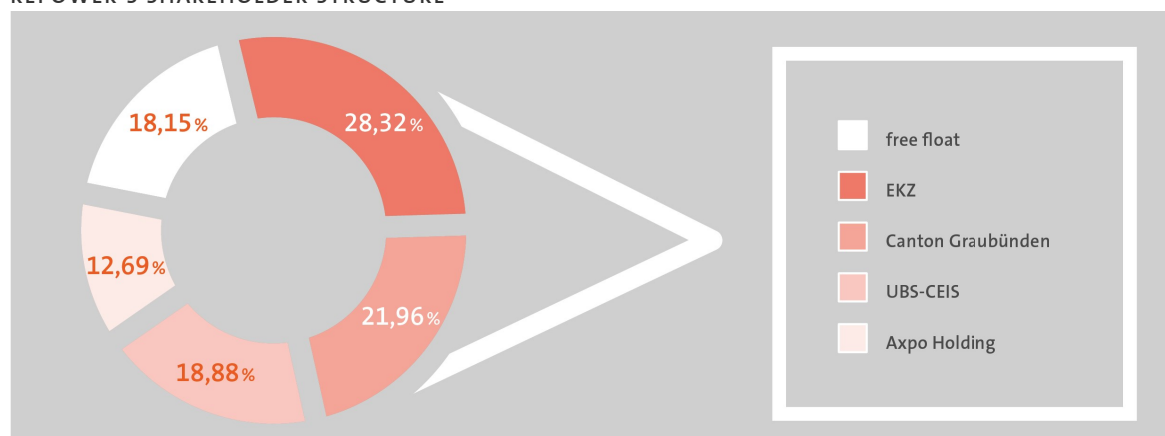
| Prices (CHF) on OTC-X, Berner Kantonalbank |  |      | 2016 | 2015 |
|--|--|------|------|------|
| Registered share                           |  | High | 57   | -    |
|  |  | Low  | 41   | -    |

- 1 On 23 May, Repower AG bearer shares and participation certificates were converted into registered shares on a one-for-one basis.
- 2 At the extraordinary general meeting on 21 June 2016, Repower AG shareholders approved the motion of the Board of Directors to increase the company's capital. This was done by means of a rights issue consummated on 5 July and 14 July 2016.
- 3 Repower AG bearer shares and participation certificates were delisted from the SIX Swiss Exchange on 29 April 2016. Since 29 April 2016, Repower AG securities have been traded over the counter on Berner Kantonalbank's OTC-X platform.
- 4 Information is for the period from 1 January to 23 May 2016, in other words from the start of year to the date the registered shares were introduced.

| Dividend (CHF)                              | 2016 <sup>1</sup> | 2015 | 2014 | 2013 |
|---|-------------------|------|------|------|
| Bearer share <sup>2</sup>                   | 0.00              | 0.00 | 0.00 | 2.00 |
| Participation certificate (PC) <sup>2</sup> | 0.00              | 0.00 | 0.00 | 2.00 |

- 1 2016 dividend subject to decision by the Annual General Meeting. There are no restrictions on transferability or voting rights.
- 2 Since 24 May 2016 registered shares

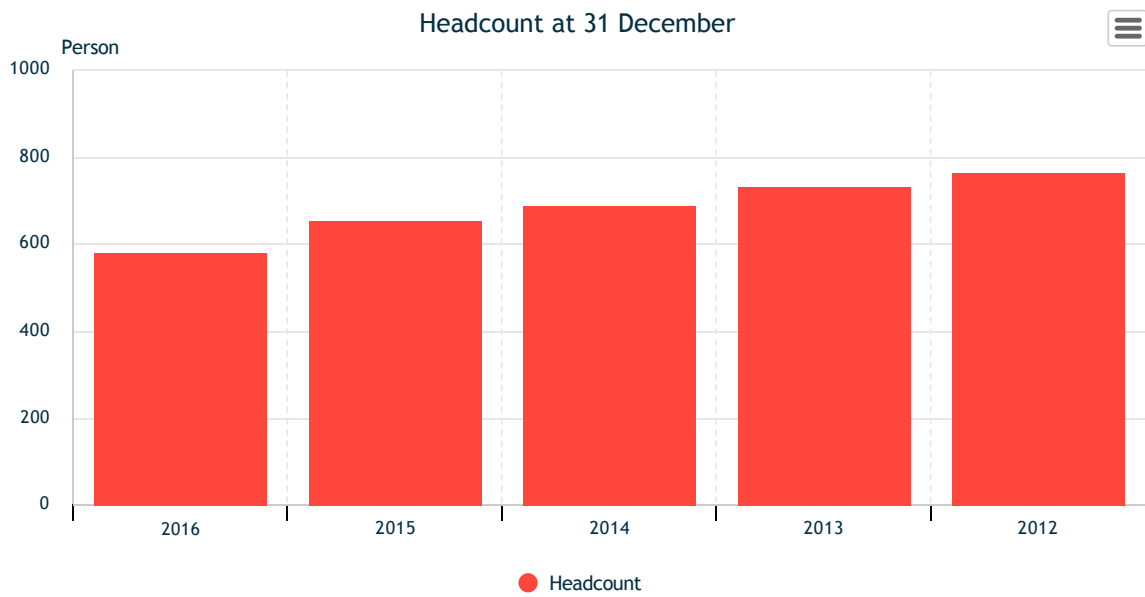
#### REPOWER'S SHAREHOLDER STRUCTURE



## HEADCOUNT

| at 31 December          | 2016       | 2015       |
|-------------------------|------------|------------|
| Switzerland             | 423        | 446        |
| Italy                   | 159        | 159        |
| Romania                 |            | 30         |
| Czech Republic          | 1          | 21         |
| <b>Total*</b>           | <b>583</b> | <b>656</b> |
| Trainees                | 30         | 30         |
| Sales consultants Italy | 582        | 465        |

\* For the numbers in full-time equivalents (FTEs) see table "Financial highlights" above on this page.





Annual report

## Foreword from the Chairman of the Board of Directors and CEO



The year 2016 saw continued change for Repower. The company increased its capital, extended its shareholder structure, and realigned itself as a sales- and service-oriented organisation. Operating income (EBIT) was substantially higher than the previous year at CHF 22 million.

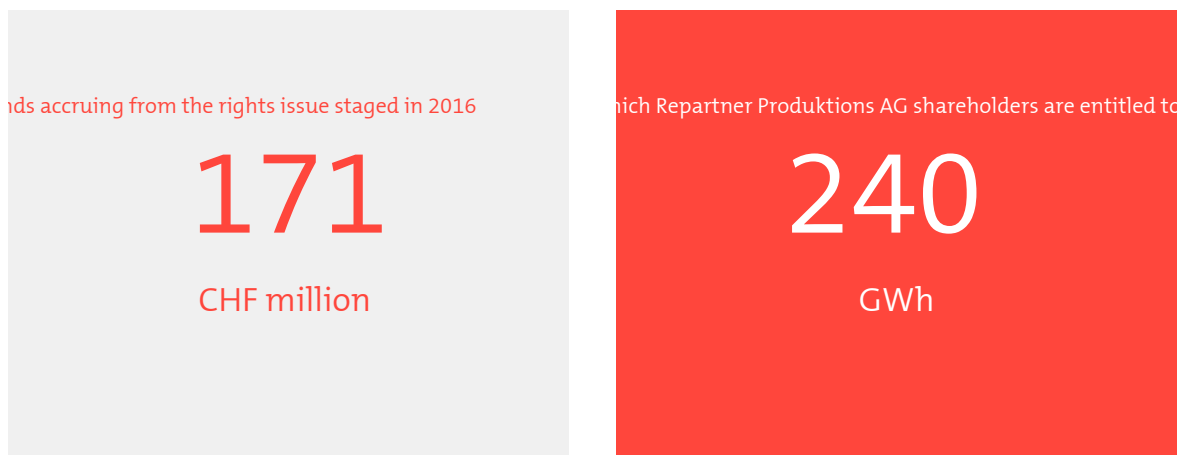
### HIGHLIGHTS OF 2016

In the year under review Repower successfully increased its capital with a rights issue generating proceeds of around CHF 171 million. A key component of this was the involvement of two new investors, Elektrizitätswerke des Kantons Zürich (EKZ) and UBS Clean Energy Infrastructure Switzerland KGK (UBS-CEIS), which now hold interests of 28.32 per cent and 18.88 per cent respectively in Repower AG. The existing shareholders now hold 21.96 per cent (Canton Graubünden) and 12.69 per cent (Axpo Holding AG), while the free float comes to 18.15 per cent. Added to this, Repower further simplified its structures by delisting its securities from the SIX Swiss Exchange and introducing a unified registered share in place of bearer shares and participation certificates.

Since June 2016 Repower has also had a new chairman, with Dr Pierin Vincenz taking over the chair of the Board of Directors from Dr Eduard Rikli.

Last year was shaped by efforts to strengthen Repower's orientation to sales and services. The aim is to penetrate new fields of business to become less dependent on the absolute price of electricity. Repower professionalised its service offering for customers, while at the same time systematically trimming its internal structures to the requirements of a sales organisation; the new organisation takes effect at the beginning of 2017. Trading, Grid, Generation and Repower's participations now run together under a new division, Service Provision. This new division delivers the services that are then sold by the teams at the Market division. The company has also created a new Product Management unit, with effect 1 January 2017.

Repower notched up a major success with Repartner Produktions AG, the production investment company it established in 2012. Repower and the nine other energy providers that hold an interest in Repartner Produktions AG signed a joint long-term energy supply agreement under which the partners are granted the right, running until 2085, to take energy totalling around 240 gigawatt hours on the basis of the power generation of Repower's Klosters, Küblis and Schlappin hydropower plants in the Prättigau. This welcome move to extend cooperation was one factor that enabled Repower to reduce its long position. It also marks a strengthening of the company's partnership strategy and a clear vote of confidence in renewable hydropower from Graubünden.



For the first time Repower used an innovative financing model for the renovation of the Morteratsch power plant in the Engadine. Repower's partner, an infrastructure fund, provided around CHF 10.5 million to largely finance the plant, while Repower is responsible for construction, operation and deployment.

Finally, in 2016, as announced, Repower withdrew from Romania, selling its business there to the MET Group.

Another important development was the market launch of Plug'n Roll, a service for electric vehicles. Repower is working with its customers to set up a broad charging network for electric vehicles, plus related services.

#### OPERATING ENVIRONMENT

From autumn 2016 signs emerged of a slight increase in energy market prices. Despite this, it is too early to speak of a sustained recovery.

While the importance of hydropower was acknowledged on the political level during the parliamentary debate on the federal government's Energy Strategy 2050, the goal of giving this home-produced renewable energy resource a sustained boost is a long way off, because the necessary framework for electricity producers is lacking. In 2016 further debate on energy policy issues such as the phase-out of nuclear power continued to disconcert the industry.

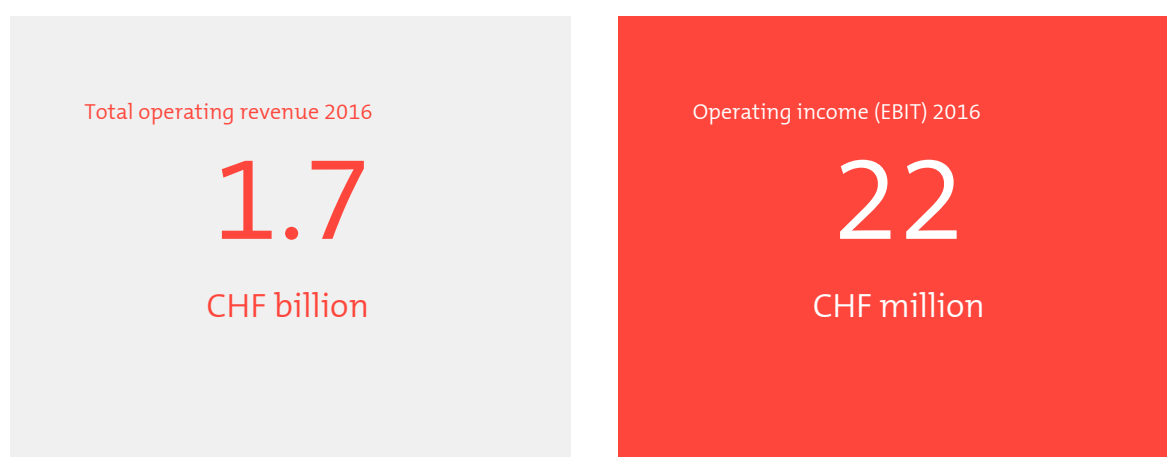
The EUR/CHF exchange rate remained at a low level, which posed a major challenge for companies like Repower that conduct a large part of their business in euros.



A great deal of turmoil and political instability in the global arena also added to the economic uncertainty.

## RESULTS

Given the lower prices over the year as a whole and the difficult market environment, at CHF 1.7 billion Repower's 2016 total operating revenues were 8 per cent down on the previous year's figure. On the other hand operating income (EBIT) was considerably higher than in 2015 at CHF 22 million. The reasons for this were a gratifying performance on the day-ahead and balancing energy market in Italy (income of CHF 25 million), disposals of non-operational properties, and the sale of the subsidiary connecta ag (totalling CHF 12 million). A number of exceptional items had a negative impact overall. They included impairment gains on generation assets (CHF +15 million), an increase in provisions for long-term agreements (CHF –1.5 million) and impairments on overdue receivables at Sales in Italy (CHF –22 million). Group profit came to CHF –13 million.



A number of different factors had a negative impact on financial results (see comments on financial results). Thanks to the increase in capital, however, there was a sharp increase in equity to CHF 763 million, and the equity ratio is a solid 44.8 per cent. At CHF 69 million, operating cash flow was substantially better than the previous year and several times greater than investment.

## STRATEGY

Repower's strategy is systematically geared to sales and services. In Switzerland, in addition to its retail business the group focuses primarily on customers in the energy utility segment and other partners to which it supplies services and products. In Italy the company is also endeavouring to substantially step up its sales business. The recruitment of additional salespeople for the Italy-wide sales network in 2016 was the first step in this direction.

Repower is also working hard to drive its partner strategy forward. One example is the cooperation described above within the framework of Repartner Produktions AG.

A cornerstone of Repower's strategy is safeguarding the value of its hydropower generation assets. In 2016 Repower achieved important milestones along this path with plans to bring the Prättigau cascade under Repartner Produktions AG, the use of a new financing model for the rebuilding of the Morteratsch power plant, and the inclusion of various installations in the feed-in remuneration at cost (KEV) scheme.

In the year under review, Repower also prepared for the issue of two "green" SSD bonds to refinance parts of its renewable generation portfolio. The transaction was brought to a successful conclusion in January 2017.

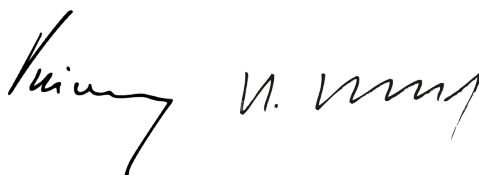
Some of the disposals previously announced by the company took place in 2016 (the business in Romania), and others are still being looked into.

## THANK YOU

The continued development of Repower last year would not have been possible without the hard work and commitment of the group's entire staff, and we would like to express our warm thanks for their contribution. We would also like to thank our customers, partners and shareholders for the trust they have placed in us.

## OUTLOOK AND OBJECTIVES

With the sales strategy, which has been implemented in large part already, and efforts to systematically realign its corporate structure accordingly, Repower is well positioned for the future. There should be no doubt, however, that the market environment will remain challenging in the next few years. For 2017 Repower anticipates operating results at around 2015 levels. All other things being equal, however, given that generation capacity will be taken off the grid in Germany, which should have a positive impact on prices, there are indications that a slight recovery might take place from 2019. Repower will continue to develop its focus on sales and at the same time work to safeguard the value of its hydropower assets. With this strategy and the successful increase in capital, in 2016 Repower laid a good foundation for the future development of the business.



Dr Pierin Vincenz  
Chairman of the  
Board of Directors

Kurt Bobst  
CEO



Annual report

## Market Switzerland segment

### OVERVIEW

In 2016, **Sales** at Repower focused on structuring and professionalising the grid, trading and generation service offerings. Repower offers these services to other energy companies as well as to industrial and commercial customers.

Repower also decided that in future it would be supplying its end-consumers with 100 per cent renewable electricity. In line with this policy the product range now encompasses Aquapower (100 per cent Swiss hydropower), the green power mix Purepower, and Solarpower, pure solar energy from the region. Repower delivers these products to around 46,000 end-consumers ranging from private households and commercial customers to downstream municipal utilities.

On both the Swiss and German markets Repower offers municipal electricity companies, large customers and other energy utilities structured energy supply, guarantees of origin and certified power products.

Last year also saw the market launch of the Plug'n Roll electric vehicle service. Together with its customers Repower has already installed more than 60 charging stations, and the Plug'n Roll charging network covers over 1,000 registered drivers of electric vehicles. The company is endeavouring to extend this service across Switzerland.

On the **Grid** side, in 2016 Repower invested around CHF 11.5 million in its assets. Expenditure on regular maintenance came to CHF 8.3 million. These investments help improve the security of supply and make a substantial contribution to the implementation of the federal government's Energy Strategy 2050. Repower plans to further extend its pan-regional high-voltage grid in areas including Landquart-Prättigau-Davos.

Grid is also engaged in innovation. In the year under review Repower continued to develop its Smart Home solution. This is designed to give customers incentives to adapt their energy use and help them manage their electricity consumption intelligently and efficiently.

Repower also has an innovative solution called Asset Monitor for infrastructure operators. The tool simplifies maintenance and planning by digitising and bundling all the relevant asset data.

In 2016 Grid also worked on numerous maintenance and service contracts for third parties. Added to this it provided services in connection with public lighting, grid management and regulatory management.

For **Trading**, 2016 was a year dominated by very volatile forward prices, which made trading operations very challenging. For this reason the focus was on asset optimisation and providing ancillary services. In addition to this, Repower continued to extend its service offering to other energy utilities. This includes services related to market access, market information, balance group management, portfolio management, energy procurement and forecasting.

The approval process for the project to build a merchant line between Val Bregaglia (Bergell) and Italy was driven forward in 2016.

On the **Generation** side, electricity produced by Repower's own hydropower plants came to 622 gigawatt hours, an average result by the standards of recent years.

At the end of the year Repower connected the completely refurbished Morteratsch power plant in the Engadine to the grid. The building work was completed in record time, and for the first time Repower joined forces with an infrastructure fund to finance the project. This marked a further step in safeguarding the value of Repower's hydropower assets – particularly as the Morteratsch plant as well as the Cavaglia installation in the Valposchiavo and Trun in the Surselva now qualify for the feed-in remuneration at cost scheme.

In autumn 2016 Canton Graubünden granted project approval for the Lagobianco pumped storage power plant project. This approval also creates the basis for the renovation and continued operation of the existing power plants in the Valposchiavo. The two hydropower projects, Chlus and Taschinas 2, are still at the concession and project approval phase respectively.

Last year the Repartner production investment company made significant progress: from 2017 the ten energy utilities involved will take around 240 gigawatt hours of electricity per year from four hydropower plants in the Prättigau.

In 2016 Repower's Market Switzerland segment posted **operating income (EBIT)** of CHF 13 million.

## SALES

In line with its role as a sales-oriented energy company with a great deal of know-how in grids, trading and generation, in 2016 Repower increasingly focused on providing services for other energy companies and industrial and commercial customers. Its offering runs from generation-related services such as operating, maintaining and engineering power plants through grid services such as grid planning and lighting management to trading-related services such as balance group management, market access and portfolio management. While individual units take care of the technical aspects, the role of Sales is to structure and professionalise the service offering and position it in the market. In 2016 Repower took important steps in this direction, and will continue to expand its service business in the future (see also the box on works and services for third parties below).

Repower provides electricity to around 46,000 private and commercial customers in its supply area in Southeast Switzerland. Last year the company decided that in future it would only be offering electricity generated from renewable resources. For this reason from 2017 it will stop offering Mixpower, a product consisting of electricity from indeterminate European sources. The product range now comprises Aquapower, Purepower and Solarpower. The standard product Aquapower is Swiss hydroelectric power; Purepower is a certified green power mix from the Swiss mountains; and Solarpower is certified solar energy from the region. This move underscores Repower's commitment to sustainability also when supplying electricity to end-consumers.

In 2016 Repower also continued to operate on the market for structured energy supply, certified power products (for example with Verdepower, a newly launched product comprising certified green power from Graubünden) and providing guarantees of origin to large customers. In addition to marketing these offerings in Switzerland, Repower also does business in Germany, particularly with numerous municipal utilities and industrial customers.

In 2016 Repower also staged an advertising campaign to successfully launch the Plug'n Roll service. Plug'n Roll is an intelligent network of electric charging stations designed to make travelling in electric vehicles easier. The service is offered on the one hand to drivers of electric vehicles who, thanks to Plug'n Roll, can find stations where they can charge their car all over Europe. They do this via an app which shows all operators of charging stations, including the relevant information. Plug'n Roll is also geared to so-called hosts: companies, restaurants, hotels and municipalities that operate one or more charging points for use by their guests. To do this hosts pay a monthly subscription including PALINA or BITTA charging stations plus all the relevant services such as maintenance, troubleshooting, billing management and network membership. PALINA and BITTA charging stations can also be bought without a subscription. Last but not least, Repower also offers Plug'n Roll as a so-called white label solution enabling companies to sell the finished product to their customers under their own name. Since launch, more than 60 charging points have already been installed at around 30

different locations in Canton Graubünden and the surrounding area. Added to this, more than 1,000 electric vehicle drivers have already signed up on the Plug'n Roll app. Repower plans to extend the service beyond the canton.



Electric vehicle drivers can use Repower's Plug'n Roll app to find the nearest charging station.

Repower holds a 35 per cent interest in the tiko storage network. In the year under review, the operator of the network, Swisscom Energy Solutions, got new partners on board. Not only did the company make contact with regional energy providers to raise awareness of tiko among their customers, but it managed to forge new partnerships with a major German battery manufacturer and a large French energy provider. tiko connects a large number of electric heating systems to create a storage network that can provide balancing energy for the market. By the end of 2016 more than 6,500 households were part of the tiko network. As a supplement to this customer pool, Repower is also involved in providing balancing energy in the form of hydropower.

## GRID

Electricity grids will play a key role in implementing the Swiss federal government's Energy Strategy 2050. The ability to integrate distributed energy resources such as photovoltaic installations and sustainable power applications such as electric vehicles and batteries into the system will depend on expanding and strengthening electricity grids. Repower contributes to this development through ongoing investment in its grid assets. In 2016 this investment came to CHF 11.5 million. Added to this was regular maintenance to the tune of a good CHF 8 million.

The grid association in northern Graubünden which Repower created in 2015 with Axpo and ewz is also designed to improve efficiency and security of supply. In concrete terms this means that the three companies exploit synergy in grid operation and expansion. This set-up has been operating successfully for two years already. Last year the focus was on optimisation on the operational side.

Repower is planning its next project to strengthen and extend the high-voltage grid, this time in the Landquart, Prättigau and Davos area. The first phase in 2017 will involve enhancing the level 3 high-voltage grid between the Sarelli substation near Landquart, the Landquart substation and the substation at Landquart paper factory. A large part of the existing overhead lines, along with the Rhaetian Railways transmission line that runs parallel, will be run underground. The first stage of the extension will involve investment of around CHF 7.3 million. In the next stages, slated for the years that follow, the grid in the Klosters-Davos area will also have to be expanded. In parallel to this, plans to extend the high-voltage grids in the Upper Engadine and Surselva are already under way.

Last year, on the basis of a Federal Administrative Court ruling, the Federal Electricity Commission (ElCom) set the provisional compulsory purchase value of the transmission grid transferred to Swissgrid ownership in 2013. This would mean Repower would receive around CHF 4.6 million in additional compensation for the transmission grid it handed over. The final regulatory value, however, will only be available following a further adjustment to the valuation. ElCom will make this adjustment once all pending proceedings related to the valuation of the transmission grid have been completed.

Repower launched Switzerland's first true smart grid tariff back in 2014. Under the innovative solution, called Repower Smart Home, the grid price is determined by the electric power (the rate per unit time at which the energy is delivered) utilised by the customer rather than the absolute volume of electricity used, as is currently usually the case. This creates clear incentives for customers to limit the grid power output they utilise and thus limit the expansion of the grid. Alongside the tariff (Smartpower), the Smart Home package also includes a smart meter and Smart Manager, a device for automatically managing electrical appliances. There is a pilot currently under way with test customers to find out whether the tariff creates the right incentives and how it could be further optimised. The goal is to rapidly turn the solution into a marketable product that can be made available to other grid operators.

Another innovative development from Repower is the Asset Monitor. The tool makes it possible to digitise the process for inspecting and managing maintenance work on infrastructure assets and thus avoid inefficient paperwork with a lot of duplications. The Asset Monitor bundles all the important technical, financial and accounting data related to the asset to enable more efficient maintenance and facilitate strategic multi-year planning. Repower has been using the tool for its own assets since the beginning of 2016. At the end of the year it got its first outside customer, the Rhaetian Railway, on board.



Asset Monitor: Digitally captured inspection data, financial data and geoinformation help optimise maintenance and future investment.

## TRADING

Market conditions for trading were challenging last year. Prices on the forward markets were highly volatile. At the beginning of the year prices declined sharply before climbing substantially again between April and November. There was another sharp fall towards the end of the year. This meant that despite a number of opportunities, the market access business was tough. While this business made a positive contribution, it lagged behind expectations.

Under the circumstances the focus was on short-term asset optimisation and ancillary services. The effects of cost-savings at various partner plants and various items of extraordinary income helped reduce the procurement costs of energy from participations and limit the losses. On the other hand, cross-border trading between Switzerland and Italy was a lot less profitable than it had been the previous year.



Poschiavo trading floor

In 2016 Repower expanded its offering of trading services related to market access, balance group management and portfolio management. These efforts were particularly helped by the development of web applications that allow further improvements in transparency, structure and timing of the information exchange with partners. This enabled Repower to acquire new partners for the years to come. The company currently has trading relationships with more than 60 medium-sized energy providers in Switzerland, and is endeavouring to further build this portfolio.

The approval process for the project to build a merchant line between Val Bregaglia (Bergell) and Italy moved forward in 2016. The Swiss authorities granted the construction and operating licence, and the corresponding procedures are still under way on the Italian side. The project was also included in the Ten Year Network Development Plan (TYNDP) drawn up by the European Network of Transmission System Operators (ENTSO-E) and registered as a Project of Common Interest (PCI). Once the construction and operating licence has also been granted for the Italian section of the line, the procedure for the temporally limited exclusive use of cross-border capacity will be initiated.

## GENERATION AND PROJECTS

In 2016 the electricity generated by Repower's own hydropower plants came to 622 gigawatt hours, an average figure by the standards of the last ten years. Last year Repower invested a total of CHF 4.1 million in its assets (not including the newly constructed Morteratsch power plant). Owing to less favourable wind conditions, the two wind farms in Germany that are part of the Repartner production investment company's portfolio generated significantly less electricity than in previous years.

A highlight of 2016 was construction of the new Morteratsch hydropower plant near Pontresina, which was connected to the grid at the end of the year after a record-short period of construction. The new plant completely replaces the old installation and doubles expected power generation to 7 gigawatt hours. For this project Repower developed an innovative financing and operating model, entering into partnership with Reichmuth Infrastruktur Schweiz AG to establish Kraftwerk Morteratsch AG. Reichmuth holds a majority interest in the power plant company and via its infrastructure fund has provided the lion's share of the financing for the installation, which cost around CHF 10.5 million. Repower is responsible for operating and maintaining the plant. The Morteratsch plant receives feed-in remuneration at cost (KEV).



The recently completed Morteratsch power plant in the Engadine.

The Cavaglia power plant in Valposchiavo also underwent partial renovation for around CHF 2.9 million and was optimised to be eligible for the KEV scheme. In 2016 the Trun plant in the Surselva also received feed-in remuneration at cost for the first time.

In October the Canton Graubünden administration granted project approval for the Lagobianco pumped storage power plant. This approval also creates the basis for the renovation and adaptation of the existing installations in the Valposchiavo.

The procedure for approval of the concession for the Chlus project in the Prättigau/Rhine Valley area by Canton Graubünden is also under way. At the same time the authorities are looking into upgrading the River Landquart, which has been impacted by the excessive fluctuations in water level from the Küblis power plant, by building the Chlus power plant stage.

The cantonal approval procedure for the Taschinas 2 hydropower project in Vorderprättigau is also under way.

Last year the Repartner Produktions AG production investment company, established by Repower in 2012, underwent a crucial development, as Repower agreed a long-term energy supply agreement with the nine other energy providers involved in Repartner. Under this agreement, from 1 January 2017 energy will be supplied on the basis of the electricity generated by the Klosters, Küblis and Schlappin plants in the Prättigau, a total of around 240 gigawatt hours per year. This move to expand cooperation is very welcome and shows that Repower's partner strategy is bearing fruit.

## EBIT CONTRIBUTION

In 2016 the Market Switzerland segment's contribution to group operating income (EBIT) came to CHF 13 million. Among other things this includes a negative exceptional item resulting from an increase in the provision for long-term agreements. There was also a negative impact from hedges on fixed supply contracts that had to be done at unfavourable prices under the hedging strategy. An impairment gain on the Taschinas plant led to a positive exceptional item. Another positive factor was the sale of subsidiary connecta ag.



# Work and services for third parties

In 2016 Repower geared its organisation to the requirements of a sales and service-based company. The role of Grid, Trading and Generation is to deliver the necessary technical know-how and services for Sales. Work and services for third parties, an integral part of this strategy, were stepped up in 2016.

## Grid

In 2016 Grid was commissioned by other power providers to do a variety of maintenance and service work on their grids. One example is Engadiner Kraftwerke, where Repower has a contract running several years to maintain and extend assets.

Repower's offering also includes optimising public lighting systems. The company's service offering includes advice, planning and calculation, construction and fitting for new assets. In the year under review Repower delivered major projects in the communities of Falera, Schluein, Ilanz and Surrein in the Bündner Oberland, equipping them with intelligent LED lighting. Smart control can significantly boost efficiency. After fitting Repower can also operate and maintain the equipment and conduct the checks and controls required by the law.

Other services involved grid and regulatory management. Smaller distribution grid operators in particular are seeking partnerships to be able to address increasingly stringent requirements in these areas. In 2016 Repower was already able to support a number of customers with the corresponding services.

## Trading

Repower offers market-oriented trading services for other energy utilities and commercial customers. This includes support with energy procurement as well as portfolio and risk management, where Repower provides customers with market information, specific advice, forecasts and analysis. Repower also provides access to wholesale markets and takes care of balance group and ancillary services management on behalf of its customers.

## Generation

National grid operator Swissgrid AG has commissioned Repower with the job of planning, tendering for and managing construction of the new 220-kV Avegno substation in Canton Ticino. Construction started in autumn 2016 after completion of the planning work and approval procedure.

In Pradella in the Lower Engadine, Repower commissioned a new 110-kV substation, and completed the second of four stages of the 400-kV substation. In 2017 Repower will supply and fit various technical components for the renovation of the Martina power plant. The work at Pradella and Martina is being done on behalf of Engadiner Kraftwerke (EKW).

Last year Repower completely overhauled the remote control for five of 14 substations on behalf of the Rhaetian Railway. This work will continue in 2017.



Annual report

## Market Italy segment

### OVERVIEW

The dominant theme in **Sales** in 2016 was expansion of the sales network throughout Italy. The number of sales consultants increased by more than 100. Recruiting additional consultants, and training, will continue to be a focus in the future. Last year the sales network supplied more than 23,000 business customers with electricity and a further 10,000 with gas. In addition to existing energy and service offerings and solutions for electric vehicles such as Verde Dentro, VAMPA, eFFettiva, PALINA, BITTA and FOCUS, all of which were developed further in 2016, Repower also officially launched its DIODA product. DIODA delivers significant benefits for customers on the basis of efficient LED lighting. Added to this, Repower moved forward successfully with BIG, a project aimed at acquiring large customers for gas. Repower was able to optimise its processes and systems for managing accounts receivable and reduce outstanding accounts across the board by means of additional provisions.

The **Milan trading** business made a positive contribution to earnings with electricity, even though the market situation presented traders with few opportunities. A slump on the international markets meant that the results for gas were negative. Repricer, a direct electricity and gas contract platform for large consumers, continued to generate numerous deals last year.

The Teverola combined-cycle gas turbine plant exceeded expectations, making a substantial contribution to the good results posted by the **generation business in Italy**. The same applies to the three wind farms, Lucera, Corleto Perticara and Giunchetto, which generated more electricity than in previous years.

In terms of **innovation**, the Ricarica 101 project is particularly deserving of mention. The plan is to set up a nationwide network of charging stations for electric vehicles. Since the project was launched in early autumn, more than 120 customers from the target audience of high-end businesses such as hotels, restaurants and golf resorts have signed up to operate a charging station. They will add value for customers with electric vehicles by installing PALINA 2.0, a refined and higher-capacity version of the PALINA charging point.

Last year Repower also launched three new tariff models primarily geared to large customers: Unica, Viscontea and Fibonacci. Last but not least, the company introduced the Pro Sisma tariff, part of which goes to earthquake victims in central Italy.

In 2016 Repower Italy scored very highly in the annual energy business survey conducted by the Eurisko research institute, earning extremely high customer satisfaction ratings by comparison with the main players on the Italian market.

The Market Italy segment's contribution to the Repower Group's **operating income** in 2016 came to CHF 10 million.

### SALES

Last year Repower supplied more than 23,000 business customers in Italy with electricity. It also supplied gas to more than 10,000 small and medium-sized enterprises. Customers in Italy receive expert advice via an extensive network of highly qualified sales consultants.

In 2016 Repower significantly expanded this network and optimised its presence in all regions of the country. By the end of the year almost 600 consultants were working for Repower. Besides increasing the number of consultants, during the year under review Repower provided targeted training designed to enable the sales force to deepen and broaden their knowledge and skills in energy efficiency, electric vehicles (EV) and the EV charging infrastructure. The gratifying results of this training prompted Repower to continue recruiting new sales consultants and offering further training to existing consultants in 2017. The goal is to further professionalise and step up the company's presence all over Italy. As Repower has pursued this consultant approach ever since it began selling in Italy, the set-up is to be further consolidated. In 2017 advanced training will focus on the individual needs of the various customer groups and how to recognise and satisfy them.

The Verde Dentro offering, originally launched by Repower as a package consisting of green power, certificates, electric vehicles and energy efficiency services, now boasts almost 500 customers and a volume of around 90 gigawatt hours. In 2016 customers displayed growing interest in TÜV-certified electricity, independently of the combination with electric vehicle and energy efficiency services. Repower augmented its range of offerings accordingly.

The innovative VAMPA services, an energy check-up on the basis of thermal imaging, was very well received during the year under review. More than 300 corporate customers have chosen VAMPA to check their equipment for potential faults.



VAMPA: using thermal imaging to prevent equipment faults

In 2016 Repower refined its product eFettiva, also designed to help companies boost their energy efficiency. Now, thanks to more flexible contracts, customers can use precisely the services they require, and Repower can address their needs even more individually. eFettiva uses software to record and visualise energy consumption. Repower then analyses these measurements as the basis for giving customers recommendations on how to use energy even more efficiently.

In July last year, following a test phase, Repower officially launched its DIODA product, and has already acquired more than 70 customers. DIODA replaces conventional lamps with energy-saving LED lighting. Repower also offers customers an installation service.



Efficient LED lighting with DIODA

The origins of Repower's FOCUS service go back to 2015, when a law was introduced in Italy obliging companies to analyse their energy consumption and undergo energy certification. Under FOCUS, Repower carried out this service on behalf of its customers. Once the legal requirement had elapsed, Repower launched FOCUS light, a less comprehensive analysis for corporate customers wishing to continue with the energy diagnosis on a voluntary basis or adopt it for the first time.

Last year was a good year for electric vehicles. After several months of testing, in June Repower brought the PALINA 2.0 charging station to market. This is a refined and technically optimised version of the original PALINA. Also in 2016 Repower launched the nationwide Ricarica 101 project (see the section on innovation below). Last year the company sold a total of around 15 PALINAs and 45 BITTAs (another charging station also developed by Repower) in Italy. It also concluded more than 100 rental agreements for PALINA charging stations.

In addition, in the year under review Repower continued with BIG, a project designed to expand the portfolio of large customers that has so far focused on the sale of gas (consumption of more than 1 million cubic metres). In 2016 the company got ten more such customers on board. Repower plans to extend the project to cover sales of electricity.

Last year the company made considerable progress on the accounts receivable side, introducing an automated process for sending reminders for short-term outstanding accounts. This way it was possible to recoup an average of 70 per cent of outstanding accounts in an early phase. The company also improved all its debt collection processes and systems, in some cases with specialist consultants. Repower also continued the practice of analysing the creditworthiness and reliability of large prospective customers at the start of the acquisition process.

Last year Repower again ran the Organismo Perfetto campaign across the whole of Italy, presenting itself and its consultants as "personal trainers" for business customers seeking to improve their energy efficiency. The campaign featured particularly prominently on digital platforms, television and the radio. A similar type of campaign is planned for 2017.

## TRADING IN MILAN

In 2016 Repower sold almost 1.2 terawatt hours of electricity via trading in Milan, and almost 2.4 billion cubic metres of gas.

As for the development of the market in general, sales margins could be maintained even though the market got tighter. Results on the electricity side were positive, thanks particularly to the Teverola plant. Gas, by contrast, posted negative results because of lower prices on the European markets.

The Repricer procurement platform was again in great demand during the year under review. Large electricity

and gas customers can use the web-based system to get a quote for their requirements and conclude the deal immediately if they are interested.

## GENERATION

The Teverola combined-cycle gas turbine plant in the Italian region of Campania posted very good results in the year under review, successfully deployed for both the ancillary services and day-ahead markets. After a fairly difficult year in 2015, the so-called spark spread between the proceeds from the power generated and the costs of gas was encouraging, and together with revenues for balancing energy led to a very good result overall.

The three wind farms – Lucera (Apulia), Corleto Perticara (Basilicata) and Giunchetto (Sicily) – also put in an extremely good performance, with yields well in excess of previous years. The Lucera and Corleto Perticara farms are wholly owned by Repower; the company holds a 39 per cent interest in the Giunchetto farm.



Corleto Perticara wind farm

## INNOVATION

In the year under review Repower launched an innovative new project called Ricarica 101. Even in the first few months it developed surprisingly quickly, getting a positive response from customers. Ricarica 101 aims to set up an extensive network of electric vehicle charging stations in Italy. The plan is to install at least one charging point in 101 defined zones across the country to enable travel with electric vehicles in all regions of Italy. The charging station is sustained by businesses in the premium segment, with hotels, restaurants, golf resorts and other establishments operating one or more PALINAs while at the same time catering to guests who stop to charge their vehicle. Since the project was launched Repower has acquired more than 120 customers and has already covered 68 of the designated 101 zones. Repower plans to pursue this business-to-business model with other customer groups on the regional level.



BITTA is one of two EV charging stations from Repower.

Last year Repower developed three new and innovative tariffs for the Italian market called Unica, Viscontea and Fibonacci. Under the Unica tariff, the price of electricity used is always the same, regardless of the time of day. However, it is adjusted in line with the Brent oil price index every month. Under the Fibonacci model, the price of the electricity gets lower and lower as the cumulative volume consumed increases. This tariff, geared particularly to medium-sized consumers (more than 300 MWh/year), is designed to reward loyal customers and consolidate long-term partnerships. Under Viscontea there is a fixed price for half of the customer's monthly consumption and a variable price based on market numbers for the other half.

Repower's latest product, launched in November 2016, is called Pro Sisma. It is designed for companies that want to support charitable causes. Repower invests part of the revenues from the product in projects working for victims of the recent earthquakes in central Italy.

#### EBIT CONTRIBUTION

The Market Italy segment posted operating income (EBIT) of CHF 10 million in 2016. CHF 25 million in revenues from balancing energy gave a significant boost to income. Impairment gains of CHF 13 million at the Teverola combined-cycle gas turbine plant made another positive contribution, while impairments on overdue receivables (CHF –31 million) had a negative impact.



Annual report

## Other segments and activities

### GROUP FUNCTIONS

Last year the group functions (Legal & Risk, Human Resources & Business Support, Marketing & Communications, Finance and IT) channelled their expertise to provide support in the set-up of the new Repower sales organisation. Processes were streamlined further and synergy harnessed where available.

In the year under review Repower continued to sell off non-operational properties. For example it sold a number of properties in various regions for a total of more than CHF 15 million.

### ROMANIA

As already announced at the end of 2015, in the course of 2016 Repower looked into the sale of its Romanian business to enable it to concentrate on the key markets Switzerland (including the trading and sales business in Germany) and Italy in accordance with its new strategic alignment. A suitable buyer was found in the form of MET Group, a company with international operations domiciled in Switzerland, which acquired Repower's entire business in Romania. The staff also transferred to the MET Group, assuring a smooth transition. The sale was completed on 8 November 2016.

### EBIT CONTRIBUTION

Other segments and activities posted operating income (EBIT) of CHF –2 million in 2016 (2015: CHF –24 million). This includes the costs of assuring group functions and income from the sale of the non-operational properties mentioned above.



Annual report

## Sustainability

Any business activity has an impact on staff and the environment. Repower is committed to keeping this impact under control, improving it as far as possible on an ongoing basis, and creating sustainable offerings for its customers.

### ENVIRONMENTAL AND WORKPLACE SAFETY

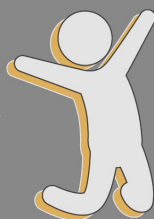
Repower sees its responsibility to its people and the environment as an integral component of the way the entire company is managed.

To maximise employee health and safety, the company has a corresponding management system in place that is certified in accordance with OHSAS 18001:2007 (Occupational Health and Safety Assessment Series).

In recent years Repower's efforts with regard to workplace health and safety have borne fruit. Not only have sickness-related absences declined, but there has been a substantial fall in occupational accidents. Back in 2009 occupational accidents resulted in 0.9 days of absence per full-time equivalent; Repower has managed to reduce the figure to just over 0.1. In other words, there are just over 90 per cent fewer absences as a result of accidents than six years ago. In its annual assessment, employee insurer SUVA concluded that Repower was one of the best companies in the industry in terms of the incidence of occupational accidents. Regular safety training for staff working on power plants and grid installations has undoubtedly helped. These courses are a permanent feature of measures at Repower designed to raise employees' awareness of safety and make them more conscious of everyday risks. In 2016, 380 employees took part in training of this sort.

**-90%**

decline in occupational  
accidents over the last  
six years



**380**

staff with safety  
training (2016)





Last year Repower became one of the first companies in the Graubünden energy industry to sign SUVA's safety charter. The charter is designed to improve safety at work and prevent occupational accidents. It was initiated by SUVA in collaboration with employers' associations, planners and the trade unions.

Repower has a ISO 14001:2004-certified environmental management system for handling environmentally-relevant processes. In recent years this system has helped the company reduce emissions continuously. Transport also plays a key role here, which is why the company's in-house environmental specialists are actively involved in the issue.

Repower pursued an exemplary environmental policy in connection with the project to renovate the Morteratsch power plant. Following the rebuilding, additional water piping has supplied the precious system of waterways and bodies of water with more water. Another improvement is that the lakes and streams affected are subject to less extreme fluctuations in water level.

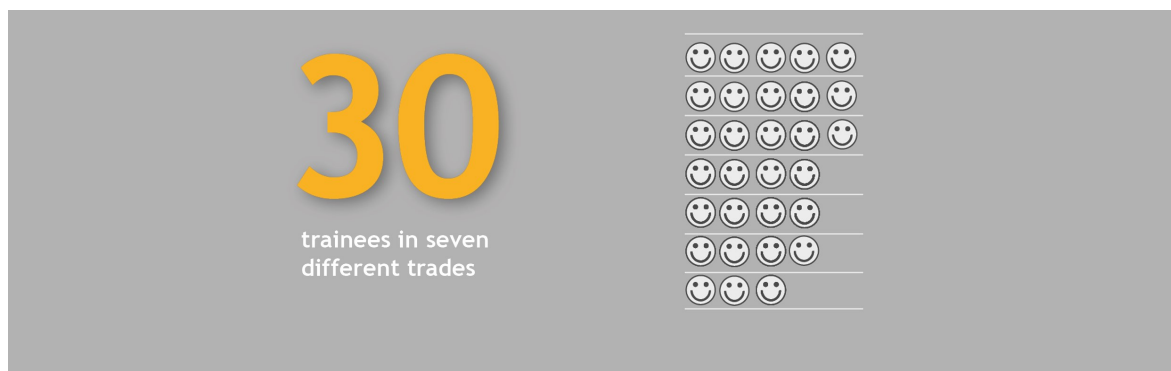
When renovating high-voltage lines Repower lays cables underground wherever it is possible and makes sense to do so. This is preferable in terms of conserving the landscape and limiting the effects of electromagnetic fields, but often also involves extra expense.

Repower now also markets its health and safety know-how to other energy utilities. Besides advice and training it provides support with introducing and running health and safety and environmental management systems.

## EMPLOYEES

Repower employs a total of 583 people in Switzerland and Italy (as of 31 December 2016). In Switzerland, Repower offers young professionals 30 apprenticeships in seven trades spread over different areas of Canton Graubünden. The group aspires to be an attractive employer and to offer fair conditions of employment. To limit staff turnover Repower endeavours to develop and retain its staff. It also pursues an active employer branding policy to position itself externally as an employer and acquire new staff with the right skills. The company offers competitive compensation in line with each employee's skills and experience. Repower places the emphasis on systematic management development and transparent internal communications. It also fosters an innovative corporate culture. Employees can help shape the future of the business by actively contributing to projects set up to develop new prototypes and products.

Every two years Repower conducts a groupwide staff survey to get a feel for the mood of its employees. The survey findings are compared with previous findings and measured against an external benchmark. The next survey will take place in 2017.

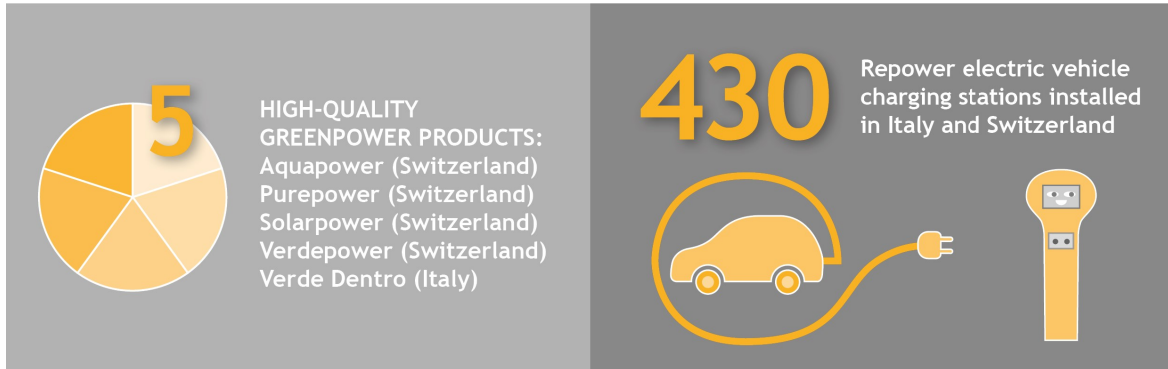


## COMPLIANCE

Repower complies with the provisions of the law and keeps close track of upcoming changes in the relevant legislation. Compliance is one of the units responsible for this. The Compliance unit is not just charged with performing regular controls to ensure compliance with the law, but also with identifying compliance risks, doing prevention, and providing advice. Compliance provides training to raise staff awareness of issues such as data and information protection, insider trading, fair market behaviour, correct accounting and dealing with conflicts of interest. It is also the first point of contact for staff wishing to report concerns or violations. The work of the Compliance function is documented in regular reports.

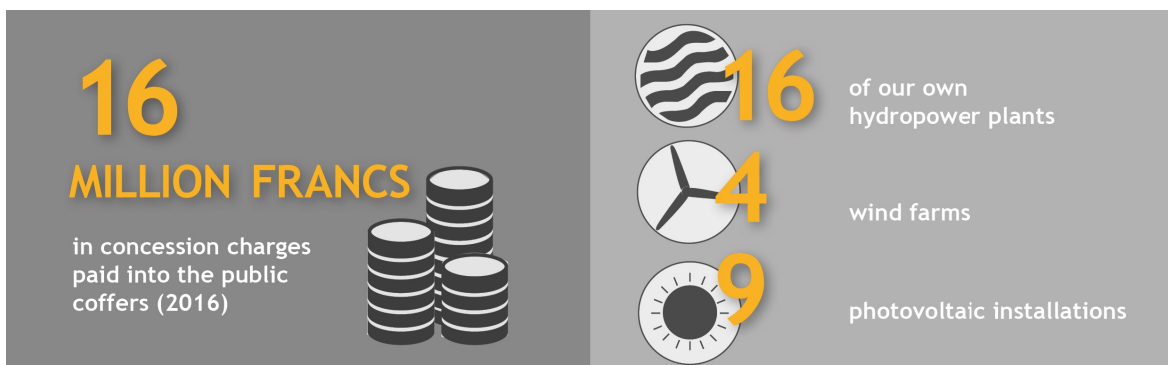
## PRODUCTS AND GENERATION

In 2016 Repower decided that in future it will supply customers in Switzerland exclusively with electricity generated from renewable resources. Since 1 January 2017 the retail product portfolio has consisted of the standard product Aquapower (100 per cent Swiss hydropower), Purepower (at least 5 per cent electricity from photovoltaic, biomass or wind installations; the remainder Swiss hydropower) and Solarpower (100 per cent solar power from Graubünden). Last year Repower also launched the certified Graubünden green power product Verdepower for large customers.



In Italy, in addition to supplying business customers with TÜV-certified green power, Repower focuses on offering solutions to enable them to boost their energy efficiency. These offerings include eFFettiva (reducing electricity consumption), VAMPA (thermal imaging), DIODA (LED lighting) and FOCUS (analysing energy consumption).

During the year under review Repower continued to develop offerings in connection with electric vehicles in both Switzerland and Italy. In Switzerland it started setting up Plug'n Roll, a charging network that already includes more than 60 charging points (PALINA and BITTA), most of them in Graubünden. The network also includes more than 1,000 registered electric vehicle drivers. In Italy, in addition to selling PALINA and BITTA charging stations, Repower has also started to set up a charging network. In future the plan is for Ricarica 101 to provide charging stations covering 101 defined zones in Italy to enable travel by electric vehicle throughout the entire country.



Hydropower is the mainstay of Repower's own generation business. For this reason safeguarding the value of these hydropower assets and harnessing existing promotional schemes such as feed-in remuneration at cost (KEV) is an integral part of the company's strategy. Repower is also looking into selling its rights to purchase electricity from nuclear holding companies and the Teverola combined-cycle gas turbine plant in Italy.

100%



renewable generation  
under Repower's  
2025 strategy