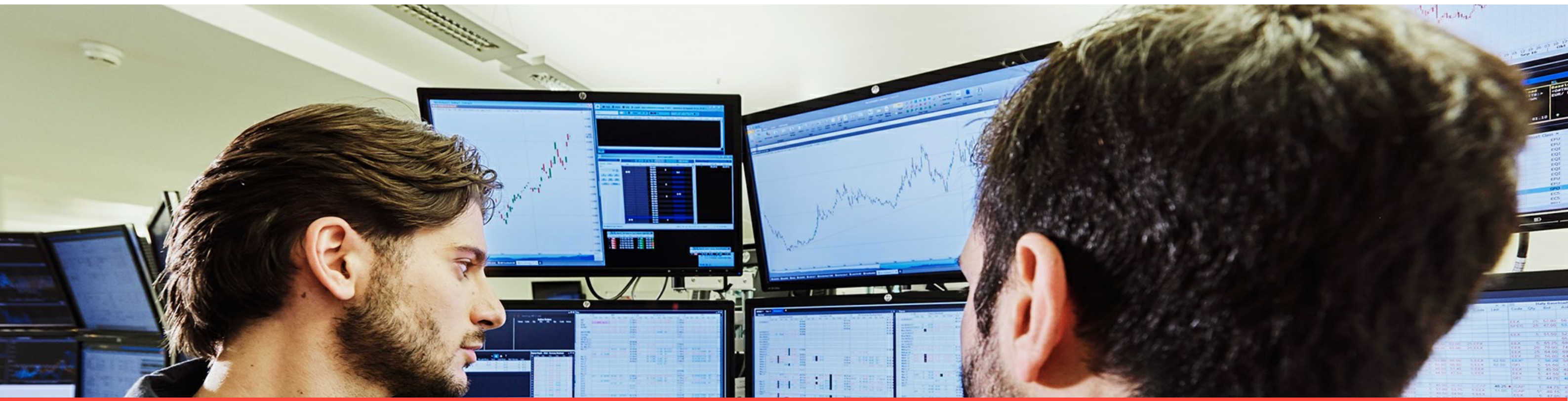

Comments on the consolidated financial statements

OPERATING INCOME PICKS UP IN A MARKET STILL BESET BY CHALLENGES

NEW SHAREHOLDERS ENABLE CHF 171 MILLION INCREASE IN CAPITAL – 2016 RESULTS UNDERPINNED BY ONE-TIME FACTORS AND BUSINESS NOT DIRECTLY DEPENDENT ON ENERGY PRICES – LOW LEVEL OF PRICES CONTINUES TO HIT ENERGY TRADING HARD

Despite persistently low wholesale prices and their negative impact on earnings, Repower's 2016 results exceeded expectations. This was partly due to stable earnings contributions from the energy supply business and the sale of properties in Switzerland that were no longer operational. In Italy sales of electricity and gas developed well, and the Teverola combined-cycle gas turbine plant generated very gratifying earnings, especially on the balancing energy market. The year was dominated by the successful rights issue that increased the company's capital by around CHF 171 million, and the acquisition of new anchor shareholders.

Extraordinary items also played a role in the 2016 results, albeit to a much less significant extent than in 2015. A further CHF 22 million in impairments on overdue receivables in Italy, plus CHF 1.5 million in additional provisions for energy purchase agreements in Switzerland, had a negative impact. On the positive side were impairment gains of CHF 15 million on generation assets.

The 2016 financial year ended with earnings before interest and tax (EBIT), after exceptional items, of CHF 22 million. Income before income taxes came to negative CHF 10 million, with an annual loss of CHF 13 million for 2016.

To give a realistic picture of financial performance during the year under review, the comments on the Repower Group's financial results for 2016 refer primarily to operating earnings before exceptional items. Comparisons with the prior year are also made on the basis of results before exceptional items. Comments relating to the balance sheet, however, are based on figures after exceptional items. Remarks related to the IFRS financial reporting standards and more detailed explanations in this context can be found on the following pages of the 2016 financial report.

In the year under review the Repower Group saw total energy sales fall 8 per cent to CHF 1,688 million from CHF 1,838 million the previous year. In both Switzerland and Italy there was a decline in sales revenues, particularly in energy trading. The disposal of the sales business in Romania also eroded revenues. Gross energy margin before exceptional items improved, up CHF 11 million from CHF 185 million to CHF 196 million, due in significant part to the gratifying performance of the Teverola plant mentioned above.

Operating expenses (without energy procurement) declined by around CHF 8 million year on year to CHF 173 million (from CHF 181 million the year before), owing primarily to a renewed decline in personnel costs (down CHF 4 million) and a slight reduction in expenses related to concession-related charges (down CHF 1 million). As previously, the reductions in personnel expenses are due to the efficiency programme that commenced in the 2013 financial year in addition to restructuring measures and business disposals that have been initiated and implemented since then.

Scheduled depreciation/amortisation came in at CHF 45 million for 2016, a decline of around CHF 3 million versus the previous year (CHF 48 million) due to one-time impairments on generation assets in previous years. One-time impairment losses and gains had a net positive effect of CHF 15 million in 2016.

Repower Group posted earnings before interest and taxes (EBIT), before exceptional items, of CHF 30 million, CHF 18 million (150%) higher than the CHF 12 million in EBIT before exceptional items recorded the previous year.

There was CHF 43 million year-on-year improvement in financial results, including the share of results of associates item, with a loss of CHF 32 million versus a loss of CHF 75 million the previous year. There was a massive year-on-year decline in currency translation losses (down to CHF 2 million in 2016 from CHF 34 million in 2015). The premature repayment of two registered bonds in summer 2016 resulted in a loss of CHF 5 million. Currency forwards and forward rate agreements for hedging purposes generated a positive contribution of CHF 2 million.

Group profit came in at negative CHF 5 million (previous year: negative CHF 46 million).

Cash flow from operating activities improved significantly, from CHF 17 million in 2015 up to CHF 69 million in 2016. The reasons for this gratifying result included an improved operating performance and a substantial year-on-year decline in financial expense.

INFORMATION ON THE BALANCE SHEET

There was a CHF 35 million year-on-year decline in non-current assets to CHF 834 million (previous year: CHF 869 million). This decline was due to a slight reduction in tangible assets (CHF 14 million), the sale of an interest in an associate (CHF 4 million), the repayment of a loan granted to third parties (CHF 10 million) and a reduction in deferred income tax assets (CHF 7 million).

There was a CHF 86 million year-on-year decline in current assets to CHF 863 million (previous year: CHF 949 million). The reduction was mainly due to declines in cash and cash equivalents (down CHF 98 million), receivables (down CHF 39 million) and inventories (down CHF 14 million). Increases in positive replacement values (up CHF 44 million) and securities and other financial instruments (up CHF 22 million) had the opposite effect.

The CHF 136 million decline in non-current liabilities was due almost entirely to the premature repayment of two registered bonds in summer 2016. Current financial liabilities were impacted by the repayment of a CHF 200 million bond.

The balance sheet total declined 7 per cent to CHF 1,705 million (previous year: CHF 1,828 million), while equity at the end of 2016 increased to CHF 763 million (previous year: CHF 600 million). This positive effect was brought about by a CHF 171 million increase in capital and the involvement of two new anchor shareholders following the successful rights issue in summer 2016.

Consolidated income statement

CHF thousands	Note	2016	2015 Restated*
Net sales		1,688,080	1,837,992
Own costs capitalised		7,971	7,100
Other operating income		43,807	44,937
Total operating revenue	**1**	**1,739,858**	**1,890,029**
Energy procurement		–1,493,332	–1,660,212
Concession fees		–16,293	–17,251
Personnel expenses	2	–71,610	–75,260
Material and third party services		–27,915	–31,696
Other operating expenses		–78,478	–64,882
Income before interest, taxes, depreciation and amortisation (EBITDA)		**52,230**	**40,728**
Depreciation/amortisation, impairment and reversal of impairment	3	–30,513	–109,267
Income before interest and taxes (EBIT)		**21,717**	**–68,539**
Financial income	4	3,885	11,533
Financial expenses	4	–32,296	–82,197
Share of results of associates and joint ventures	9	–3,246	–12,990
Income before taxes		**–9,940**	**–152,193**
Income taxes	5	–2,813	15,886
Group result		**–12,753**	**–136,307**
Share of Group result attributable to Repower shareholders and participants		–15,782	–120,363
Share of Group result attributable to non-controlling interests		3,029	–15,944
Earnings per share (undiluted)	6	–2.95	–35.32

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

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

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

Consolidated statement of comprehensive income

CHF thousands	Note	2016	2015
Group result		**–12,753**	**–136,307**
Other comprehensive income after taxes, non-recyclable			
Actuarial profit/loss from pension plans of fully consolidated companies	18	–3,687	–12,584
Actuarial profit/loss from pension plans of associates	9	297	–1,002
Income taxes	5	596	2,039
Total Other comprehensive income after taxes, non-recyclable		**–2,794**	**–11,547**
Other comprehensive income after taxes, recyclable			
Currency translation			
Effect from currency translation of fully consolidated companies		–1,157	–14,326
Reclassified into profit or loss statement	25	1,327	–2,135
Effect from currency translation of associates	9	–34	–841
Total Other comprehensive income after taxes, recyclable		**136**	**–17,302**
Other comprehensive income		**–2,658**	**–28,849**
Total comprehensive income		**–15,411**	**–165,156**
Share of profit or loss and other comprehensive income attributable to Repower shareholders and participants		–18,507	–146,526
Share of profit or loss and other comprehensive income attributable to non-controlling interests		3,096	–18,630

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

Consolidated balance sheet

CHF thousands	Note	31.12.2016	31.12.2015
Assets			
Tangible assets	7	756,520	770,768
Intangible assets	8	7,673	8,605
Investments in associates and joint ventures	9	20,528	24,272
Other financial assets	10	7,322	16,414
Deferred tax assets	5	41,614	49,046
Non-current assets		**833,657**	**869,105**
Inventories	11	16,343	30,739
Receivables	12	353,195	391,027
Current income tax receivables		7,869	7,218
Prepaid expenses and accrued income	22	2,161	4,552
Securities and other financial instruments	13	37,285	15,376
Positive replacement values held for trading positions	14	147,772	103,300
Cash and cash equivalents	15	298,420	396,765
Current assets		**863,045**	**948,977**
Assets held for sale	26	8,321	9,805
Total assets		**1,705,023**	**1,827,887**

CHF thousands	Note	31.12.2016	31.12.2015 Restated*
Liabilities and shareholders' equity			
Share capital	16	7,391	2,783
Participation capital	16	-	625
Treasury shares		–1	-
Retained earnings (including Group result)		770,641	623,265
Actuarial profit/loss from pension plans		–6,381	–3,584
Accumulated translation differences		–54,943	–55,283
Shareholders’ equity excluding non-controlling interests		**716,707**	**567,806**
Non-controlling interests		46,715	32,063
Shareholders’ equity		**763,422**	**599,869**
Pension provisions	18	48,541	42,098
Other non-current provisions	19	29,756	28,596
Deferred tax liabilities	5	25,323	28,920
Non-current financial liabilities	17	293,769	433,488
Non-current liabilities		**397,389**	**533,102**
Current income tax liabilities		1,470	6,234
Current financial liabilities	21	19,811	204,563
Negative replacement values held for trading positions	14	141,941	77,154
Other current provisions	19	492	4,569
Other current liabilities	20	362,721	368,024
Deferred income and accrued expenses	22	17,777	23,547
Current liabilities		**544,212**	**684,091**
Liabilities		**941,601**	**1,217,193**
Liabilities held for sale	26	-	10,825
Total liabilities and shareholders’ equity		**1,705,023**	**1,827,887**

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

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

Changes in consolidated shareholders’ equity

CHF thousands	Share capital	Participation capital	Treasury shares	Retained earnings	Actuarial profit/loss from pension plans	Accumulated translation differences	Shareholders' equity excluding non-controlling interests	Non-controlling interests	Total shareholders' equity
Equity at 1 January 2015 Restated*	**2,783**	**625**	**-**	**743,628**	**7,749**	**–40,453**	**714,332**	**51,624**	**765,956**
Group result				–120,363			–120,363	–15,944	–136,307
Other comprehensive income					–11,333	–14,830	–26,163	–2,686	–28,849
Comprehensive income for the period				**–120,363**	**–11,333**	**–14,830**	**–146,526**	**–18,630**	**–165,156**
Dividends							-	–931	–931
Equity at 31 December 2015	**2,783**	**625**	**-**	**623,265**	**–3,584**	**–55,283**	**567,806**	**32,063**	**599,869**
Equity at 1 January 2016	**2,783**	**625**	**-**	**623,265**	**–3,584**	**–55,283**	**567,806**	**32,063**	**599,869**
Group result				–15,782	-	-	–15,782	3,029	–12,753
Other comprehensive income				-	–2,802	77	–2,725	67	–2,658
Comprehensive income for the period				**–15,782**	**–2,802**	**77**	**–18,507**	**3,096**	**–15,411**
Refund of unclaimed dividends				9	-	-	9		9
Dividends							-	–275	–275
Capital increase	3,983			167,280			171,263	-	171,263
Transaction costs of capital increase				–3,183			–3,183	-	–3,183
Reclassification to retained earnings				–5	5		-		-
Purchase/sale of treasury shares			–1	–13			–14	-	–14
Conversion participation capital in share capital	625	–625					-		-
Changes in consolidated companies							-	–177	–177
Purchase/sale of non-controlling interests				–890		263	–627	2,540	1,913
Capital increase, non-controlling interests				–40			–40	9,468	9,428
Equity at 31 December 2016	**7,391**	**-**	**–1**	**770,641**	**–6,381**	**–54,943**	**716,707**	**46,715**	**763,422**

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

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

Consolidated cash flow statement

CHF thousands	Note	2016	2015 Restated*
Income before taxes		–9,940	–152,193
Change in			
Result from sales/liquidations of subsidiaries / disposal groups	9/25	–1,947	–2,910
Own costs capitalised	7/8	–7,971	–7,100
Depreciation/amortisation, impairment and reversal of impairment	3/7/8	30,513	109,267
Net financial result	4	28,411	70,664
Share of results of associates	9	3,246	12,990
Change in pension provisions (without interests)	18	2,536	748
Change in other long term provisions (without interests)		82	2,935
Other income and expenses not affecting cash		–11,058	2,616
Change in net-current assets (excl. securities and other financial instruments)		46,753	5,890
Other financial cash outflow and inflow		–7,344	–23,032
Income taxes paid		–4,050	–2,934
Cash flow from operating activities		**69,231**	**16,941**
Additions of tangible and intangible assets	7/8	–20,338	–19,897
Sales of tangible and intangible assets		16,813	1,971
Disposal of subsidiaries / disposal groups	25/26	21,537	60,685
Additions of investments in associates and joint ventures	9	–100	-
Sales of associates	9	3,877	-
Granting of active loans		–4,300	–14,000
Repayments of non current financial assets		10,649	635
Additions of current and non-current financial assets		–185,000	–14,957
Disposals of current and non-current financial assets		165,165	140,300
Dividends received		253	331
Interest received		406	3,157
Cash flow from investing activities		**8,962**	**158,225**
Increase in financial liabilities		386	59,285
Repayment of financial liabilities		–330,535	–60,903
Capital increase		171,263	-
Transaction costs of capital increase		–3,820	-
Dividend payments		–275	–931
Refund of unclaimed dividends		9	-
Purchase/sale of treasury shares		–14	-
Purchase of non-controlling interests		–133	-
Sale of non-controlling interests		2,046	-
Capital increase done by non-controlling interests		494	-
Interest paid		–17,855	–16,623
Cash flow from financing activities		**–178,434**	**–19,172**
Translation differences		528	–8,562
Change in cash and cash equivalents		**–99,713**	**147,432**
Cash and cash equivalents at 1 January	15	398,133	250,701
Cash and cash equivalents at 31 December	**15**	**298,420**	**398,133**

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

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

Notes to the consolidated financial statements: principles

1 CONSOLIDATED ACCOUNTING PRINCIPLES

Repower AG, Brusio, is a stock company with its registered offices in Switzerland. Repower is a vertically integrated group operating in the generation, management, trading, sales, transmission and distribution of electricity in Switzerland and abroad. The company also trades and sells gas, emission certificates and certificates of origin in selected European markets. Its business activities and main operations are described in detail in this annual report.

The 2016 consolidated financial statements of the Repower Group were authorised by the Board of Directors on 30 March 2017 and are subject to the approval of the annual general meeting on 17 May 2017.

2 SUMMARY OF ACCOUNTING AND VALUATION PRINCIPLES

PREPARATION OF FINANCIAL STATEMENTS

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). The consolidated financial statements provide a true and fair view of the assets, liabilities, financial position and profit or loss of the Repower Group and comply with Swiss law.

The reporting currency for the consolidated financial statements is the Swiss franc (CHF). With the exception of items designated otherwise, all figures are rounded to the nearest thousand Swiss francs (TCHF).

The consolidated financial statements are essentially prepared on the basis of historical costs, with the exception of specific positions such as replacement values in respect of held-for-trading positions, part of inventories, and securities and other financial instruments, for which IFRS requires other valuation methods. These are explained in the following accounting and valuation principles.

The accounting and valuation principles used correspond to the principles applied in the previous year.

SIGNIFICANT NEW AND REVISED ACCOUNTING AND VALUATION PRINCIPLES

New or revised accounting and valuation principles have no significant impact on Repower's financial reporting for the year just passed.

The Repower Group 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 the table.

Standard/ interpretation	Summary of future requirements	Potential impact on the consolidated financial statement
IFRS 9	IFRS 9 Financial Instruments replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. It contains revised guidance on classifying and measuring financial liabilities, including a new expected loss impairment model for financial assets and new general hedge accounting rules. It also carries over from IAS 39 the requirements for recognition and derecognition of financial assets and financial liabilities. The new standard is effective for annual periods beginning on or after 1 January 2018. It is applied retrospectively. Early adoption is permitted.	The Repower Group is currently analysing this standard and the related interpretations and expects to see a change in its reporting at the present time.
IFRS 15	IFRS 15 Revenue from Contracts with Customers and its amendmends specifies in a single standard whether, when, how and in what amount an IFRS reporter will recognise revenue. The underlying rules are represented in a five-step model. The standard still contains guidance on specific themes such as warranties, options to acquire additional goods or services, breakage, loyalty schemes or licensing, guidance on the costs of obtaining and fulfilling a contract, and on the question of when such costs are to be capitalised. The standard also contains new, comprehensive rules related to the disclosures that must be made. The new standard supersedes several standards and interpretations, including IAS 11 Construction Contracts and IAS 18 Revenue. It applies to annual reporting periods beginning on or after 01 January 2018. It is applied retrospectively on the basis of simplified transitional rules. Early adoption is permitted.	The Repower Group is currently analysing this standard and expects to see a change in its reporting at the present time.
IFRS 16	IFRS 16 Leases, published on 13 January 2016, primarily contains changes in accounting by lessees. In future, lessees will recognise a right-of-use asset and a lease liability. A lessee may elect not to separate non-lease components from lease components for short lease terms (less than 12 months) and underlying assets with a low value. There will be more stringent disclosure requirements for both lessees and lessors. IFRS 16 applies to annual reporting periods beginning on or after 1 January 2019. It must be applied with full or modified retrospective effect. Early adoption is possible if IFRS 15 Revenue from Contracts with Customers is applied.	The Repower Group is currently analysing this standard and expects to see a change in its reporting at the present time. The fact that in future more or less all facts relating to leases will have to be presented in the balance sheet will result in changes in financial figures.

In addition to the new or amended standards presented here, for the sake of completeness the following table details further new or amended standards that, as things stand at present, will have no significant impact.

Standard/interpretation	Content	Applicable for annual periods beginning on	Type of application
IFRS	Annual Improvements Cycle 2014–2016	01.01.2017/01.01.2018	retrospective
IAS 7	Amendments to IAS 7 due to the disclosure initiative	01.01.2017	prospective
IAS 12	Amendments to IAS 12 concerning unrealised losses related to recognised assets measured at fair value	01.01.2017	retrospective
IAS 40	Changes related to transfers of property held as financial investments	01.01.2018	retro-/prospective
IFRS 2	Amendments concerning the classification and measurement of share-based payment transactions	01.01.2018	retro-/prospective
IFRS 10/IAS 28	Changes to IFRS 10 and IAS 28 related to sales or contributions of assets between an investor and its associate or joint venture	Not defined yet	prospective
IFRIC 22	IFRIC 22 Foreign Currency Transactions and Advance Consideration	01.01.2018	prospective

3 CORRECTION OF ERRORS AND CHANGES IN PRESENTATION

The income statement item “Depreciation/amortisation and impairment” has been renamed “Depreciation/amortisation, impairment and reversal of impairment”. In 2015 reversals of impairment on tangible assets of TCHF 5,568 were disclosed under other operating income. This balance has now been reclassified to the renamed line item. This impacts the 2015 income statement as follows:

CHF thousands	2015	Restatement	2015 Restated
Impact on the consolidated income statement			
Other operating income	50,505	–5,568	44,937
Total operating revenue	1,895,597	–5,568	1,890,029
Income before interest, taxes, depreciation and amortisation (EBITDA)	46,296	–5,568	40,728
Depreciation/amortisation, impairment and reversal of impairment	–114,835	5,568	–109,267

The reclassification affects the Market Switzerland segment. The disclosure in Note 27, Segment reporting, has been adjusted.

The previous year, impairment gains and losses recognised for the same financial year for individual generation assets were disclosed on a gross basis. The presentation and explanation of impairment gains and losses in Note 7, Tangible assets, and Note 3, Depreciation/amortisation, impairment and reversal of impairment, have now been harmonised from the perspective of the entire financial year. TCHF 3,060 of the impairment gains recognised in the second half of 2015 net out with the impairment losses recognised in the first half of 2015. This now results in impairment losses on tangible assets and impairment gains on tangible assets of TCHF 63,950 (previously TCHF 67,010) and TCHF 2,508 (previously TCHF 0) on balance. The impairment gains disclosed separately in the consolidated cash flow statement the previous year are now presented in the line named “Depreciation/amortisation, impairment and reversal of impairment” to correspond with the income statement, as a reconciliation item to cash flow from operating activities.

With the disposal of SEI S.p.A. in the current financial year, its non-controlling interests were reviewed. In the process it was discovered that losses amounting to TCHF 2,953 had not been attributed to minority interests; this omission was rectified by way of a reclassification in consolidated shareholders’ equity. This impacts the balance sheet as follows:

CHF thousands	1.1.2015	Restatement	1.1.2015 Restated
Impact on the consolidated balance sheet			
Retained earnings	740,517	3,111	743,628
Accumulated translation differences	–40,295	–158	–40,453
Shareholders' equity excluding non-controlling interests	711,379	2,953	714,332
Non-controlling interests	54,577	–2,953	51,624

CHF thousands	31.12.2015	Restatement	31.12.2015 Restated
Impact on the consolidated balance sheet			
Retained earnings	620,154	3,111	623,265
Accumulated translation differences	–55,125	–158	–55,283
Shareholders' equity excluding non-controlling interests	564,853	2,953	567,806
Non-controlling interests	35,016	–2,953	32,063

4 CONSOLIDATION

SCOPE OF CONSOLIDATION

The consolidated financial statements cover Repower AG and all entities over which Repower AG exercises control. Control exists when Repower has the power to decide on the relevant processes and activities of the entity, is exposed to variable returns from its involvement, and has the ability to affect those returns through its decisionmaking authority over the other entity. These entities are fully consolidated and designated as group companies. They are included in the consolidated financial statements from the date on which control has been transferred to the Repower Group, and deconsolidated when such control has ended. For all consolidated companies, the financial year ends on 31 December.

A joint arrangement is a contractual amalgamation of two or more parties that gives the parties joint management of an economic activity. IFRS distinguishes between joint operations and joint ventures. A joint operation is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Assets, liabilities, income and expenses arising from joint operations are recognised in relation to the partner's ownership interest. The (proportionate) inclusion of assets, liabilities, income and expenses is based on the share (e.g. of output) contractually agreed between the parties. This need not necessarily be the same as the parties' share of capital in the legal entity. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint ventures are recognised in accordance with the equity method.

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

Partner plants are power plants which Repower plans, builds, maintains and/or operates in conjunction with partners. By acquiring a stake in a partner plant, both the acquirer and future partners undertake, in accordance with the memorandum of association, to assume a share of the annual costs commensurate with their stake in the authorised capital. In return partners have the right to procure, at cost, a share of the services and energy produced by the partner plant that corresponds to their share of the authorised capital (electricity purchase obligation or electricity purchase right).

The partner plants are accounted for depending on the quality of the potential influence or composition of the entity's articles of association and other agreements between the entity and/or its shareholders. Repower exercises significant influence over the main activities of partner plants AKEB Aktiengesellschaft für Kernenergie-Beteiligungen and Kraftwerke Hinterrhein AG; hence they are classified as associates and accounted for in the Repower Group's financial statements using the equity method. Grischelectra AG is managed jointly with Canton Graubünden. Repower administers all procurement rights related to Grischelectra AG and classifies this joint arrangement as a joint operation; hence 100 per cent of Grischelectra AG's assets, liabilities, income and expenses are included in the Group's consolidated financial statements.

The companies included in the consolidation and any changes in the scope of consolidation are listed in Note 9.

CONSOLIDATION METHOD

The Repower Group accounts for business combinations using the acquisition method. In doing so the acquisition costs are compared with 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 profit or loss as negative goodwill on the date of acquisition. In the case of an acquisition achieved via successive share purchases, the fair value of the interests already held in the acquired entity must be remeasured at the time of acquisition. The resultant gain or loss must be recognised in profit or loss. Non-controlling interests are accounted for in accordance with their proportionate share in identifiable net assets. Acquisition-related costs are recognised as expenses in the period in which they are incurred. Conditional payments are recognised at fair value on the date of acquisition. Changes in fair value are recognised in profit or loss in subsequent periods.

Fully consolidated companies are included in the consolidated financial statements in their entirety (assets, liabilities, income and expenses). A change in the interest in an entity that does not affect its full consolidation is recognised as an equity transaction and recorded by adjusting the carrying amounts of the controlling and non-controlling interests. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent company. It is recognised in profit or loss only if the sale results in a loss of control and the subsidiary is therefore deconsolidated. At the same time, all positions in the statement of other comprehensive income (OCI) requiring reclassification are reclassified (recycling).

Investments in associates and joint ventures are accounted for using the equity method on the basis of the share of equity, whereby shares in an associate are initially recognised at cost. A positive difference between the total purchase price and the share of the acquired equity remeasured at the time of acquisition is capitalised as goodwill within the participating interest position. A negative difference is charged to profit or loss. The carrying amount of the investment subsequently increases or decreases depending on the investor's share of the gain/loss of the investment, which is recognised in profit or loss. Distributions from investments reduce the carrying amount of the shares. Non-cash increases and decreases in the carrying amount in the associate's financial statements are recognised directly in the investor's equity. If Repower's share of losses of an associate equals or exceeds its interest in the associate, Repower discontinues recognising its share of further losses, unless Repower has incurred obligations or made payments on behalf of the associate. If in this case there are long-term assets in relation to the associate for which no collateral has been lodged, these assets are reduced by the amount by which the loss exceeds the carrying value. If there are no such assets vis-à-vis this associate, a provision is recognised. If associates and joint ventures apply accounting and valuation principles that deviate from those adopted by the Repower Group, appropriate adjustments are made in the consolidated financial statements.

INTRAGROUP TRANSACTIONS

All intragroup transactions (receivables and payables, income and expenses) as well as the share of a subsidiary's equity attributable to a parent company are eliminated. Existing shares of equity attributable to minority shareholders, as well as their share in the results of consolidated entities, are recognised separately. Gains arising from intragroup transactions and holdings are eliminated in the income statement.

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

CURRENCY TRANSLATION

Each group company determines the functional currency in which it draws up its individual financial statements. 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 recognised in profit or loss. Non-monetary foreign currency items carried at fair value are translated at the rate that existed on the date on which the fair values were determined.

The consolidated financial statements are drawn up and presented in Swiss francs. The functional currency for the significant 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. The following exchange rates are incorporated in the Repower Group's consolidated financial statements:

Currency	Unit	Closing exchange rate 31.12.2016	31.12.2015	Average exchange rate 2016	2015
BAM	1	0.54280	0.55890	0.55543	0.54641
CZK	100	3.96000	4.02000	4.02804	3.91159
EUR	1	1.07390	1.08350	1.09001	1.06840
GBP	1	1.25740	1.47730	1.33477	1.46996
HRK	100	14.18300	14.23500	14.45855	14.03018
HUF	100	0.34560	0.34400	0.34946	0.34424
MKD	100	1.73040	1.76060	1.76022	1.72957
PLN	100	24.32000	25.53000	24.97157	25.51739
RON	100	23.63954	24.11033	24.29880	24.03459
RSD	1	0.00871	0.00896	0.00887	0.00886
USD	1	1.01780	1.00180	0.98491	0.96200

When translating the functional currency into the reporting currency, 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, a foreign operation or associates are disposed of, the cumulative amount of the translation differences is reclassified to profit or loss.

SEGMENT REPORTING

Repower's segment reporting reflects internal management and reporting structures (management approach) to provide the information used by management for steering and assessing the business performance and development of the individual segments. The CEO of the Repower Group has been designated as the chief operating decision maker. For each business segment, internal steering, performance measurement and capital allocation are carried out on the basis of the segment's income before interest and income taxes (EBIT). Segment income is calculated on the basis of the accounting and valuation principles used at Group level.

Repower's Market Switzerland and Market Italy have been identified as reportable segments.

- Market Switzerland covers the generation of electricity in Repower's own power plants and in plants operated by partners, as well as trading in electricity, gas and other commodities and certificates. Other elements in the value chain comprise the distribution and sale of energy to end-customers and distribution partners in Switzerland. Additional business activities cover the provision of energy services. The unit providing communication services, connecta ag, was disposed of in 2016. Given the disposal of the sales business in Germany, since 2015 German generation activities have been shown in the Market Switzerland segment.
- Market Italy covers the generation of electricity in Repower's own power plants, trading in electricity, gas and certificates, and the delivery of electricity and gas to end-customers. Energy efficiency services are also offered.

No operating divisions were combined to create the reportable business segments. Other Repower Group business operations are combined under the "other segments and activities" segment. The main sources of revenue were the distribution and trading activities of Repower companies in Romania and Eastern Europe. Energy trading in this segment was discontinued at the end of 2015. In November 2016 Repower sold its supply business in Romania. Reconciliation with the consolidated figures of the Repower Group is based on the two reportable business segments plus other segments and activities, which are shown together with the consolidation effects.

5 ACCOUNTING AND VALUATION PRINCIPLES

TANGIBLE ASSETS

Tangible assets are recognised at acquisition or production cost less accumulated depreciation and any impairment losses. The acquisition or production cost of tangible assets covers the asset's purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less government grants. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also considered part of acquisition/production costs. 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 the asset or, at most, over the concession period in the case of energy generating facilities. Any residual values are taken into account when determining an asset's useful life. An asset's useful life and residual value are reviewed annually. If an asset is sold or for any other reason 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 profit or loss in the period in which the asset is derecognised.

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

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

Assets under construction cover property, generation assets and equipment not yet completed. Generally, during the construction phase these items are not depreciated unless impairment is recognised immediately. Borrowing costs related to construction are capitalised along with other acquisition and production costs. Depreciation of the asset commences only when the asset under construction is completed/ready for use and the borrowing costs are no longer capitalised.

Tangible assets 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 an underlying business plan which projects the terms and useful lives of individual projects and assets. These are 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.

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset or funds that are part of a general pool are considered part of the acquisition/production costs of the asset and are capitalised. Other borrowing costs are recognised as an expense.

FINANCE LEASES
Leasing agreements are recognised if all the risks and rewards incident to ownership of the asset are substantially transferred to the company. A leased object and a corresponding liability are capitalised at the lower of the fair value or present value of the minimum leasing payments. They are amortised over the shorter of their estimated useful lives or the duration of the lease if there is uncertainty as to whether ownership of the leased object will be transferred to the Repower Group on expiry of the lease. Any impairment losses are recognised in profit or loss. 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. The lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Interest and amortisation components are charged to profit or loss.

OPERATING LEASES
Income and expenses for operating leases are recognised in profit or loss on a straight-line basis over the lease term.

INTANGIBLE ASSETS
Self-constructed assets are capitalised at production cost if they meet the criteria for recognition. If the criteria for capitalisation are not fulfilled, the costs are recognised as an expense in profit or loss in the year in which they were incurred. Self-constructed intangible assets in the Repower Group primarily consist of software, which are recognised under other intangible assets. Intangible assets acquired against payment are recognised at 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 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 assets 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:

Category	Useful life
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 impairment losses are recognised in profit or loss. The assumption of an 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
Goodwill is allocated to a cash-generating unit from the date of acquisition for the purpose of impairment testing. A cash-generating unit corresponds to the smallest identifiable group of assets that generates cash inflows within a company whose goodwill is monitored by internal management for impairment 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 loss is recognised in profit or loss in the reporting period in question.

FINANCIAL ASSETS
All financial assets are recognised initially at fair value. Purchases are recorded on the settlement date. For financial assets or financial liabilities that are not measured at fair value through profit or loss, transaction costs must also be factored in if they are directly attributable to the acquisition of the asset or financial liability. Transaction costs for assets and liabilities measured at fair value through profit or loss are therefore immediately recognised in profit or loss.

In the event of a premium or discount for assets and liabilities not measured at fair value through profit or loss, the financial asset or liability is measured at its present value and accumulates interest or is discounted in the income statement over its term by applying the effective interest method. The result is recognised in profit or loss in the period in which it was incurred.

Options (conditional forward transactions) are recognised at cost in the amount of the option premium. Other derivatives (unconditional forward transactions) have acquisition costs that are equal to zero and are not recognised on initial measurement.

Different methods are used to measure the various categories of financial assets. Loans and receivables are measured at amortised cost using the effective interest method. If financial assets are classified as short term, the present value is not discounted. The fair value is assumed to be the carrying amount less any necessary impairment losses. For financial assets measured at fair value through profit or loss, the gain or loss that results from a change in the fair value and is not part of a hedge is recognised in profit or loss. A profit or loss that results from a change in the fair value of financial assets classified as available for sale that are not part of a hedge is recognised in other income until the asset is derecognised. Profits or losses entered before the asset is derecognised are reclassified in the income statement on disposal of the asset (recycling). Any impairment losses are recognised in profit or loss. Equity instruments which are neither listed nor permit a reliable estimate to be made of their fair value are recognised at 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.

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

Financial assets are no longer recognised if the rights, obligations, opportunities and risks associated with their ownership have largely been 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 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 through profit or loss, 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 interest loans. If these types of financial instruments exist at the end of the year, they are measured at fair value through profit or loss. For accounting purposes, these and similar financial transactions are treated as derivative financial instruments, 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.

INVENTORIES

Inventories comprise materials used for operating purposes (e.g. operating materials, replacement parts and consumables) as well as certificates for CO2 or electricity quality certificates (origin, generation type). As long as these assets are not held for trading purposes, they are measured at the lower of acquisition/production cost and net realisable value. Acquisition/production costs are measured using the weighted average cost method. 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 of disposal.

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 residual carrying amount is not to be realised through their continued use but primarily from their sale. The prerequisite is that the asset can be sold directly and the sale is sufficiently probable. Non-current assets (or disposal groups) are recognised at the lower of the carrying amount and the fair value less costs of disposal. The value of assets and liabilities held for sale is reported separately under current assets and current liabilities as assets held for sale and liabilities held for sale.

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).

TREASURY SHARES

Treasury shares and participation certificates are deducted from equity. No gain or loss is recognised in profit or loss 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 separately when it is virtually certain that the 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 periodically and revised in line with current developments. Pre-tax interest rates are used as discount rates that reflect current market assessments of the interest effect and the risks specific to the liability.

FINANCIAL LIABILITIES

Financial liabilities are subdivided into financial liabilities held for trading and other financial liabilities. Financial liabilities held for trading are the opposite of financial assets. They consist of financial obligations which are entered into with the intention of repaying them or profiting from them in the short term. This category also includes financial derivatives not included under hedge accounting which are currently accorded a negative market value. They are initially and subsequently measured at fair value. Transaction costs are recognised directly as an expense. Other financial liabilities include all debts not measured at fair value through profit or loss. The debts are initially recognised at fair value on the date of acquisition and measured at amortised cost using the effective interest method.

PENSION FUNDS

On the balance sheet date, employees of the Repower Group in Switzerland were members of the PKE Vorsorgestiftung Energie pension fund. This is a legally independent pension fund operating as a defined contribution plan in accordance with the Federal Law on Occupational Pensions for Old Age, Survivors and Disability (BVG).

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 performed on the balance sheet date, the total cost of a pension plan is based on the regular years of service rendered by the respective employees until retirement, and is charged annually to the income statement. Pension fund obligations are measured according to the present value of estimated future pension benefits based on the yields on corporate bonds with an AA rating or higher and similar residual terms to maturity. The interest rate used to calculate the expected return on plan assets must correspond to the discount rate for pension obligations. At Repower, the net interest rate components calculated in this way are allocated to the financial result. The difference versus the effective return on plan assets, as well as the actuarial gains and losses from adjustments to actuarial parameters (e.g. discount rate, retirement age, life expectancy, changes in salaries and returns), is recognised in other income under equity in the period in which it is incurred. Past service cost is accounted for under pension costs (personnel expenses).

Employees at foreign group companies are insured under state pension plans which are independent of the Group. With the exception of the above pension plans, there are no significant long-term employee benefits provided by the Group.

INCOME TAXES

Income taxes comprise current and deferred income taxes. Current income taxes are calculated based on the current tax rates on the earnings of the individual group companies reported in the consolidated income statement.

Deferred taxes are recognised in the consolidated financial statements based on the measurement of differences between the taxable value of the assets and liabilities and their carrying amounts. Deferred income taxes are calculated 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 netted.

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 of goods or services has been performed.

Energy transactions conducted for the purpose of managing the Group's own energy-generating plants, as well as energy procurement contracts for the physical delivery of energy to customers, are treated as own use transactions 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 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.

CONTINGENT LIABILITIES

Liabilities arising from a past event for which the probability of an outflow of funds is considered possible but not probable, or for which the obligation cannot be reliably estimated, are not recognised in the balance sheet but disclosed in the notes to the consolidated financial statements.

6 CAPITAL AND ENTERPRISE VALUE MANAGEMENT

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

- Optimised allocation of capital, taking returns and risk into account
- Achievement of market-appropriate interest on deployed capital
- Timely availability of sufficient liquidity
- Acceptable cap on debt

These objectives are measured and monitored using the strategic performance indicators of economic value added, the equity ratio and the net debt ratio (net debt/EBITDA). Targets for the strategic parameters are determined by the Board of Directors. The Board of Directors also specifies the risk targets to be monitored by the Executive Board.

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

Positive economic value added means that the company has generated economic added value within a defined period. This is the case if operating income is higher than borrowing costs. The borrowing costs reflect the expected interest on net operating assets (NOA).

Repower calculates economic value added as follows: economic value added = NOPAT – (NOA x WACC).

Operating income corresponds to net operating profit after tax (NOPAT). Borrowing costs are obtained by multiplying average net operating assets by the borrowing rate. This rate reflects the weighted average cost of capital (WACC). The parameters used to calculate WACC are regularly reviewed and adjusted if necessary to take account of significant market developments. In 2016, WACC after tax was 5.2 per cent (previous year: 5.9 per cent). Interest-bearing capital results from current and non-current operating assets, adjusted by cash and cash equivalents not required for operational purposes and available non-interest-bearing capital. The average net operating assets are calculated as a mean between the value at the start and end of the financial year in order to obtain a better picture of tied-up capital throughout the year.

The equity ratio describes the relationship between equity including non-controlling interests and total assets.

The net debt ratio is the ratio between net debt (interest-bearing liabilities plus provisions for pensions and reversions, minus cash and cash equivalents and securities) and EBITDA. This figure indicates the number of years within which the company is likely to be able to meet its financial obligations, assuming the amounts remain unchanged. It expresses a company's ability to reduce debts or raise further loans for the purpose of business development.

The target figure for economic value added is CHF –50 million, accumulated over a period of ten years since the 2013 financial year, while the equity ratio must be kept within the 35–45 per cent range. In principle, the net debt ratio must not exceed 3. These key figures and their individual parameters also have an impact on Repower's credit rating and thus its borrowing costs.

ECONOMIC VALUE ADDED

in CHF millions	**2016**	**2015**
EBIT	21.7	–68.5
Calculatory tax rate	25.0%	30.0%
NOPAT	16.3	–48.0
NOA [1]	954	1,089.3
WACC	5.2%	5.9%
Capital costs	49.6	64.3
Economic Value Added	–33.3	–112.2

1) Average based on start and end of year

EQUITY RATIO

in CHF millions	**31.12.2016**	**31.12.2015**
Balance sheet total	1,705.0	1,827.9
Equity including non-controlling interests	763.4	599.9
Equity ratio including non-controlling interests	44.8%	32.8%

NET DEBT RATIO

in CHF millions	**31.12.2016**	**31.12.2015**
Net debt	41.2	269.5
EBITDA [1]	75.3	59.3
Net debt ratio	0.5	4.5

1) 2016 figure adjusted for exceptional items of CHF 23.1 million (previous year adjusted for exceptional items of CHF 13.0 million).

As in the previous year, negative economic value added was generated. The equity and net debt ratios improved, with the results within the target range.

7 RISK MANAGEMENT AND FINANCIAL RISK MANAGEMENT

PRINCIPLES

The Repower Group identifies and manages risks on the basis of a Group-wide risk management approach. A number of different components are used to put this approach into practice: the enterprise risk management (ERM) function, the concept of three lines of defence against risk, an integrated risk management process, and a specific risk culture fostered throughout the business. There are four main categories of risk to which Repower is exposed: business and strategic risks, market and credit risks, compliance risks, and financial reporting risks.

Repower assesses business risks for each division and the Repower Group on an ongoing basis. The ERM and controlling functions support this process by providing independent assessments. Controls for managing risks are identified, evaluated and improved as part of the risk assessment, or in separate processes.

Internal controls are applied to financial reporting risks. One of the aims of this system of internal controls is accurate, full and reliable reporting. Repower regularly reviews and updates the system.

The group compliance officer helps Repower manage compliance risks. This is the person responsible for propagating Repower's code of conduct and developing additional measures in line with the requirements of the Board of Directors. The group compliance reports direct to the CEO and the chairman of the Board of Directors.

The market and credit risk manager monitors Repower's trading activities in accordance with a dedicated market and credit risk management process. The risk manager analyses market and credit risks on an ongoing basis, reporting on and discussing these risks in meetings with the people responsible for energy trading and members of the risk management committee.

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 capital. Compliance with the parameters set for each risk category is regularly reviewed and reported to the Executive Board and Board of Directors.

This report focuses on market and counterparty risks and liquidity risks as the main risks to which the operating activities of Repower are exposed.

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, including proprietary trading, are conducted for the purpose of procuring energy and fuels in order to cover physical delivery contracts, to sell Repower's own generation volumes and to optimise the overall portfolio. When establishing energy price risks, a distinction is made between positions held for own use and those held for trading. The units responsible for sales and generation conduct transactions on the basis of the internal market model to ensure that a structure is in place 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 in 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 and fixed-rate contracts are maturing, interest rates represent an interest rate risk. Owing to the long investment horizon for capital-intensive power plants and grids, Repower primarily obtains long-term financial loans with phased terms to maturity. The interest situation and hedging options are continuously reviewed. Derivative financial instruments – in particular interest rate swaps – are used and under certain conditions recognised as hedging relationships (hedge accounting). Another interest rate risk exists with regard to variable-rate positions of current assets, in particular in the case of sight deposits. This risk is minimised by pursuing an active cash management policy.

Currency risks

Energy deliveries and services are paid for and sold by the Repower Group 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 its group companies with a functional currency other than the euro. Intragroup loans in particular are subject to currency risks. The currency risk is eliminated in part by agreements for netting receivables and liabilities in the foreign currency. Forward exchange transactions are conducted to reduce the currency risk. Selected refinancing is also done in euros. Net investments in foreign group companies are also exposed to exchange rate fluctuations. However, these long-term commitments are not hedged.

COUNTERPARTY RISKS

Counterparty risks consist of settlement risks and replacement risks:

Settlement risks

Settlement risks arise if customers are unable to meet their financial obligations as agreed. These risks are managed on the basis of ongoing credit checks on counterparties and collateral management.

Replacement risks

Replacement risks arise if, as a result of the counterparty defaulting, the position can only be procured or sold on the market at less favourable conditions.

Settlement and replacement risks are taken into account in the limit system and when measuring risk exposure.

LIQUIDITY RISKS

Liquidity risks arise if the Repower Group cannot meet its obligations as agreed or is unable to do so under economically viable 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 a surplus or a shortfall.

Liquidity risk is based exclusively on financial liabilities. To indicate the effective liquidity risk related to derivative financial instruments, the next table in the section “Derivative financial liabilities” shows cash inflows and outflows from contracts with negative and positive fair values.

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

CHF thousands	Carrying amount	Cash flows	Until 3 months	4-12 months	1-5 years	> 5 years
2016						
Derivative financial liabilities	**12,053**					
Forward foreign currency contracts	–1,852					
Cash inflow		2,159	854	1,305	-	-
Cash outflow		308	112	196	-	-
Energy trading transactions	–5,831					
Cash inflow		1,568,927	423,132	830,299	315,496	-
Cash outflow		1,526,399	398,649	820,274	307,476	-
Interest rate swaps	19,736					
Cash inflow		-	-	-	-	-
Cash outflow		16,140	243	1,224	5,658	9,015
Non derivative financial liabilities	**668,124**					
Non-current financial liabilities	274,033	323,052	-	-	72,686	250,366
Current financial liabilities	19,503	26,919	2,635	24,284	-	-
Other current liabilities	362,721	362,721	358,918	3,803	-	-
Deferred income and accrued expenses	11,867	11,867	8,900	2,967	-	-

CHF thousands	Carrying amount	Cash flows	Until 3 months	4-12 months	1-5 years	> 5 years
2015						
Derivative financial liabilities	**–5,314**					
Forward foreign currency contracts	1,581					
Cash inflow		82	27	55	-	-
Cash outflow		1,663	913	750	-	-
Energy trading transactions	–26,146					
Cash inflow		1,587,560	409,328	872,921	305,311	-
Cash outflow		1,555,425	378,074	882,869	294,482	-
Interest rate swaps	19,251					
Cash inflow		-	-	-	-	-
Cash outflow		19,958	234	1,370	6,414	11,940
Non derivative financial liabilities	**1,003,035**					
Non-current financial liabilities	414,237	527,488	-	-	103,325	424,163
Current financial liabilities	202,900	220,778	1,926	218,852	-	-
Other current liabilities	368,024	368,024	360,350	7,674	-	-
Deferred income and accrued expenses	17,874	17,874	13,405	4,469	-	-

Forward exchange transactions and interest rate swaps are disclosed on the balance sheet under current financial liabilities and non-current financial liabilities.

The stated prior year cash flows from the interest rate swaps were corrected.

Trade accounts receivable include the following overdue and non-impaired amounts:

CHF thousands	31.12.2016	31.12.2015
Less than 30 days overdue	13,533	15,829
31-60 days overdue	3,605	4,941
61-90 days overdue	1,985	1,692
91-180 days overdue	1,149	4,445
181-360 days overdue	659	4,563
More than 360 days overdue	155	16,990

The total amount of receivables which are neither impaired nor overdue is TCHF 292,657 (previous year: TCHF 304,202). There are no indications that would necessitate an impairment loss being recognised for these receivables.

Allowances for doubtful accounts amounted to:

CHF thousands	31.12.2016	31.12.2015
At 1 January	31,014	25,911
Additions	23,640	14,700
Utilisations	–8,319	–6,815
Reversals	–2,272	–214
Reclassifications IFRS 5	-	–3
Translation differences	–256	–2,565
Total	**43,807**	**31,014**

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

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 profit for the year and equity. In the course of this analysis the impact of individual factors is investigated, meaning that mutual dependencies 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

Own use positions are not measured at fair value and, accordingly, net profit for the year and equity are not affected. In the case of positions held for trading, the value at risk (VaR) for the open positions of the next 24 months is calculated with a confidence level of 99 per cent based on the changes in the trading price corresponding to the historical 180-day volatility.

CHF thousands	31.12.2016	31.12.2015
Energy, gas, CO2	11,126	7,288

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 rate swaps held to which the valuation principle of hedge accounting does not apply is shown along with the financial liabilities with variable interest rates. The analysis was performed in 2016 and 2015 for interest rates which were 50 bp higher and lower.

CHF thousands	31.12.2016	31.12.2015
Impact on net income and equity due to a higher interest rate	4,461	4,907
Impact on net income and equity due to a lower interest rate	–4,575	–4,586

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, intragroup loans, open financial instruments from energy trading transactions, and 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 is CHF/EUR 1.0739 (previous year: CHF/EUR 1.0835).

	31.12.2016		31.12.2015	
CHF thousands	Exchange rate EUR/CHF	Impact	Exchange rate EUR/CHF	Impact
Impact on net income and equity due to a higher exchange rate	1.1813	28,539	1.1919	31,009
Impact on net income and equity due to a lower exchange rate	0.9665	–28,539	0.9752	–31,009

8 ESTIMATION UNCERTAINTY

ASSUMPTIONS AND SOURCES
Management makes estimates and assumptions in line with IFRS accounting rules that affect the assets, liabilities, income and expenses of the reported figures and how they are presented. The estimates 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. Estimates and assumptions are periodically reviewed. Changes to 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:

TANGIBLE ASSETS
The Repower Group reported tangible assets at a total carrying amount of CHF 757 million at 31 December 2016 (Note 7). These values are tested for indications of impairment on each balance sheet date. If indications of impairment are identified, the recoverable amount is calculated 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 impairments of parts of assets.

GRIDS

The Swiss Electricity Supply Act (StromVG) and 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 operator (Swissgrid) within five years. The high-voltage grids of Repower AG were fully integrated into Repower Transportnetz AG. Repower Transportnetz AG was transferred to the national grid operator on 3 January 2013. The provisional transfer value of the company is based on the ElCom ruling on 2012 costs and tariffs with value of plant calculated as of 31 December 2012, results of post-closing due diligence, and the financial statements of 31 December 2012. The provisional transfer value of the company came to CHF 73.5 million. The definitive values of the integrated transmission grids are determined taking account of the principle of equal treatment of all former transmission grid owners under the scope of what is known as revaluation 2. The prerequisite here is that all legally enforceable rulings on the still ongoing tariff proceedings of the years 2009 to 2012 and the currently suspended proceedings on margin differences 2011 and 2012 are available. In its ruling of 11 November 2013 relating to "Transaction transmission grid/definitive value", the Swiss Federal Administrative Court upheld the appeals of several former transmission grid owners, particularly their objection to the valuation method used to determine the definitive value for the transfer. ElCom subsequently reviewed the valuation method to be used. The valuation method to be applied was set down firmly and decreed in October 2016. In the 2015 financial year the interests received with respect to Swissgrid in return for the contribution were disposed of at the current carrying value. In the event of a higher valuation, the buyers will acquire the additional interests or loan from Repower. In the event of a lower valuation, Repower will pay the buyers compensation for the redemption of the interest or the reduction in the loan. The final transfer value may differ significantly from the provisional transfer value. Management is of the opinion that the definitive transfer value will not be lower than the transfer value that has appeared so far in the consolidated financial statements.

RECEIVABLES AND LIABILITIES

Trade accounts receivable amounting to CHF 314 million (previous year: CHF 351 million) are measured by applying individual and lump-sum adjustments to the non-impaired positions 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 profit or loss 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. Provisions for onerous energy contracts are recognised if the unavoidable costs of fulfilling a contractual obligation are higher than the economic benefit expected to flow from the contract. The parameters used to calculate onerous energy procurement contracts include anticipated developments in the price of energy on the supply and trading market, the exchange rate used, and the discount rate.

PENSION FUND OBLIGATION

Most employees of the Repower Group are insured with the PKE Pensionskasse Energie pension fund. The liabilities reported for this fund are calculated on the basis of statistical and actuarial assumptions. This is the case with the recognised pension fund obligation, which totalled around CHF 49 million at 31 December 2016 (previous year: CHF 42 million), which 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 insureds are defined by independent actuaries. The assumptions underlying the actuarial calculations can deviate considerably from the actual results owing to changes in the market and economic environment, higher or lower rates of turnover, longer or shorter life expectancy of insureds or as a result of other estimated factors.

Notes to the consolidated financial statements: notes

1 TOTAL OPERATING REVENUE

CHF thousands	2016	2015 Restated*
Revenue from energy sales	1,711,699	1,834,046
Profit from held-for-trading positions	−23,619	3,946
Total net revenue	**1,688,080**	**1,837,992**
Own costs capitalised	**7,971**	**7,100**
Profit from the sale/liquidation of group companies	4,099	3,142
Profit from the disposal of tangible assets	11,178	1,102
Revenue from other operating activities	28,530	40,693
Other operating income	**43,807**	**44,937**
Total	**1,739,858**	**1,890,029**

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

In the 2016 financial year, profits from the sale/liquidation of group companies relate to the disposal of connecta ag (TCHF 1,643) and translation gains of TCHF 2,456 on the winding-up of SEI S.p.A reclassified to profit or loss in the Market Switzerland segment. The prior year profits on disposals essentially comprise proceeds from the sales of Repower GuD Leverkusen Verwaltungs-GmbH and Repower Leverkusen GmbH & Co. KG, also in the Market Switzerland segment (see Note 25).

The profits from the disposal of tangible assets relate in particular to proceeds from the sale of properties in other segments and activities.

The previous year, TCHF 5,213 in revenues accruing on the termination of a contract were recognised under revenues from other operating activities in the Market Switzerland segment.

2 PERSONNEL EXPENSES

CHF thousands	2016	2015
Wages and salaries	54,837	57,779
Social security costs and other personnel costs	16,773	17,481
Total	**71,610**	**75,260**

Headcount	**31.12.2016**	**31.12.2015**
Full-time equivalent employees	563	632
Trainees	30	30

Average	**2016**	**2015**
Full-time equivalent employees	564	643
Trainees	30	30

3 DEPRECIATION/AMORTISATION, IMPAIRMENT AND REVERSAL OF IMPAIRMENT

CHF thousands	2016	2015 Restated*
Depreciation of tangible assets	42,224	44,745
Impairment of tangible assets	570	63,950
Amortisation of intangible assets	3,225	2,791
Impairment of intangible assets	-	289
Total depreciation/amortisation and impairments	**46,019**	**111,775**
Reversal of impairments of tangible assets	–15,506	–2,508
Total reversal of impairment	**–15,506**	**–2,508**
Total depreciation/amortisation, impairment and reversal of impairment	**30,513**	**109,267**

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

Impairments and reversals of impairments of tangible and intangible assets are explained in Notes 7 and 8.

4 FINANCIAL RESULT

CHF thousands	2016	2015
Financial income		
Interest income	1,227	3,547
Dividends income	58	128
Income from sale of investments in associates and financial assets	98	7,825
Other financial income	430	33
Changes in the value of securities held for trading	2,072	-
Financial income	**3,885**	**11,533**
Financial expenses		
Interest expense	–18,004	–20,141
Provisions interest	–1,591	–1,967
Changes in securities held for trading	–633	–22,387
Currency translation	–2,056	–34,377
Impairments	–4	–13
Loss on premature repayment of liabilities	–5,207	-
Other financial expenses	–4,801	–3,312
Total finance expenses	**–32,296**	**–82,197**
Net financial result	**–28,411**	**–70,664**

The loss of TCHF 5,207 on the premature repayment of liabilities relates to the repayment of registered bonds (see Note 17).

The changes in the value of securities held for trading relate to currency and interest rate hedges.

Income from sale of investments in associates and financial assets largely relates to the sale of the convertible loan granted with respect of Swissgrid AG and the shares in Swissgrid AG.

5 INCOME TAXES

CHF thousands	2016	2015
Income taxes charged to the income statement		
Current income taxes	2,061	2,906
Deferred income taxes	752	–18,792
Total	**2,813**	**–15,886**
Income taxes in favour of other income	**596**	**2,039**
Income taxes in favour of the equity	**637**	**-**

The reconciliation between the actual tax burden and the expected tax burden for the financial years ending on 31 December 2016 and 2015 is as follows:

CHF thousands	2016	2015
Reconciliation		
Profit/(loss) before income taxes	–9,940	–152,193
Income tax rate parent company	16.7%	16.7%
Income taxes at expected income tax rate	1,658	25,386
Tax effect from income taxed at other rates	–3,044	8,246
Tax effect from tax-free income	6,885	9,202
Tax effect from non-tax-deductible expenses	–2,923	–3,564
Tax losses in the current year for which no deferred tax assets were recognised	–1,289	–13,202
Tax loss carryforwards for which no deferred tax assets were recognised	3	61
Subsequent capitalisation of previously unrecognised deferred taxes on tax-loss carryforwards	316	-
Value adjustment of previously capitalised tax loss carryforwards	–3,233	-
Tax burden/relief subsequently recognised for previous years	725	–1,685
Regional production tax - Italy (IRAP)	–995	–70
Change in tax rate	908	–7,696
Non-usable withholding tax	–1,276	–635
Other	–548	–157
Income taxes charged to the income statement	**–2,813**	**15,886**
Effective income tax rate	–28.3%	10.4%

DEFERRED INCOME TAXES BY ORIGIN OF DIFFERENCE

CHF thousands	31.12.2016	31.12.2015
Deferred tax assets on		
Tangible assets	25,488	30,755
Other non-current assets	1,050	615
Current assets	12,731	10,259
Provisions	8,245	5,925
Liabilities	22,456	13,616
Loss carryforwards/tax credits	9,163	17,431
Total	**79,133**	**78,601**
Deferred tax liabilities on		
Tangible assets	31,735	32,688
Other non-current assets	613	661
Current assets	21,902	16,285
Liabilities	8,592	8,841
Total	**62,842**	**58,475**
thereof disclosed in the balance sheet as:		
Deferred tax assets	41,614	49,046
Deferred tax liabilities	–25,323	–28,920
Net deferred income tax receivables	**16,291**	**20,126**

CHANGE IN DEFERRED TAXES 2016 BY CATEGORY

CHF thousands	Tangible assets	Other non-current assets	Current assets	Pension and other provisions	Liabilities	Loss carryforwards tax credits	Total
Opening balance 2016	**–1,933**	**–46**	**–6,026**	**5,925**	**4,775**	**17,431**	**20,126**
Changes due to sales	38	-	712	-	–1,153	-	–403
Changes in the consolidated income statement	–4,094	480	–3,915	1,734	10,386	–5,343	–752
Changes in other comprehensive income	-	-	-	596	-	-	596
Translation differences	–258	3	58	–10	–144	6	–345
Other [1]	-	-	-	-	-	–2,931	–2,931
Closing balance 2016	**–6,247**	**437**	**–9,171**	**8,245**	**13,864**	**9,163**	**16,291**

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.

CHANGE IN DEFERRED TAXES 2015 BY CATEGORY

CHF thousands	Tangible assets	Other non-current assets	Current assets	Provisions	Liabilities	Loss carryforwards tax credits	Total
Opening balance 2015	**–16,623**	**2,717**	**–8,394**	**–470**	**21,262**	**4,997**	**3,489**
Changes due to sales	-	-	-	-	-	-	-
Changes in the consolidated income statement	16,883	–2,860	1,666	4,616	–14,513	13,000	18,792
Changes in other comprehensive income	-	-	-	2,039	-	-	2,039
Translation differences	–2,264	96	701	–174	–1,974	–425	–4,040
Other [1]	71	1	1	–86	-	–141	–154
Closing balance 2015	**–1,933**	**–46**	**–6,026**	**5,925**	**4,775**	**17,431**	**20,126**

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.

UNRECOGNISED TAX LOSS CARRYFORWARDS

Individual group companies had tax loss carryforwards totalling TCHF 203,114 (previous year: TCHF 243,275) at 31 December 2016, which they can set off in future periods with taxable profits. Deferred tax assets are recognised only to the extent that it is probable that the tax benefits can be realised. On the balance sheet date the group had not recognised tax loss carryforwards of TCHF 146,746 (previous year: 153,747), since the future utilisation of these amounts for tax purposes is not probable.

These are due on the following dates:

	31.12.2016	31.12.2015
CHF thousands		
Due within 1 year	8,634	-
Due in 2-4 years	38,465	38,101
Due in 5-7 years	56,357	83,174
Due after 7 years or no due date	43,290	32,472
Total	**146,746**	**153,747**

6 RESULT PER SHARE

	2016	2015
Average number of shares in circulation	5,355,054 pieces	3,408,115 pieces
Share of Group result attributable to Repower shareholders and participants (CHF thousands)	-15,782	-120,363
Earnings per share (undiluted) (CHF)	-3.54	-35.32
There are no factors resulting in a dilution of earnings per share.		
Dividends (CHF thousands)	0.00	0.00
Dividend per share (CHF)	0.00	0.00

16 dividend subject to approval by the annual general meeting.

The Board of Directors proposes that no divided be distributed.

In the 2016 financial year the existing bearer shares and participation certificates, each of which entitled the same participation in the profit or loss, were converted into registered shares, and new registered shares were issued as part of a rights issue to increase the capital (see Note 16).

7 TANGIBLE ASSETS

CHF thousands	Power plants	Grids	Assets under construction	Land and buildings	Other	Total
Restated*						
Gross values at 1 January 2015	**908,209**	**749,196**	**94,333**	**127,369**	**51,326**	**1,930,433**
Own costs capitalised	-	288	6,812	-	-	7,100
Additions	187	1,350	14,934	297	1,194	17,962
Disposals	–5,052	–5,574	–820	–1,872	–4,619	–17,937
Disposals from changes in consolidation	-	-	–10,588	-	-	–10,588
Reclassifications to «Assets held for sale»	-	–13,831	-	–16,197	–279	–30,307
Reclassifications between asset classes	9,943	12,190	–21,154	–3,497	2,548	30
Translation differences	–39,615	-	–2,290	–4,047	–1,964	–47,916
Gross values at 31 December 2015	**873,672**	**743,619**	**81,227**	**102,053**	**48,206**	**1,848,777**
Accumulated depreciation and impairments at 1 January 2015	**–461,107**	**–409,661**	**–81,851**	**–59,272**	**–28,921**	**–1,040,812**
Depreciation	–21,625	–18,094	-	–1,438	–3,588	–44,745
Impairments	–63,943	-	-	–7	-	–63,950
Reversal of impairments	2,508	-	-	-	-	2,508
Disposals	5,022	4,798	-	498	4,248	14,566
Disposals from changes in consolidation	-	-	10,588	-	-	10,588
Reclassifications to «Assets held for sale»	-	10,120	-	12,292	141	22,553
Reclassifications between asset classes	–3,443	–60	-	3,496	–11	–18
Translation differences	16,450	-	2,154	1,933	764	21,301
Accumulated depreciation and impairments at 31 December 2015	**–526,138**	**–412,897**	**–69,109**	**–42,498**	**–27,367**	**–1,078,009**
Net values at 31 December 2015	**347,534**	**330,722**	**12,118**	**59,555**	**20,839**	**770,768**
thereof security pledged for debts						2,568
Gross values at 1 January 2016	**873,672**	**743,619**	**81,227**	**102,053**	**48,206**	**1,848,777**
Own costs capitalised	-	293	7,678	-	-	7,971
Additions	5	202	16,096	185	1,227	17,715
Disposals	–4,540	–5,657	–288	–6,103	–2,094	–18,682
Disposals from changes in consolidation	-	-	–19,433	-	–188	–19,621
Reclassifications to «Assets held for sale»	-	-	–8,321	-	-	–8,321
Reclassifications from «Assets held for sale»	-	-	19,606	-	29	19,635
Reclassifications between asset classes	4,104	12,362	–17,599	-	1,133	-
Translation differences	–3,206	-	–228	–329	–164	–3,927
Gross values at 31 December 2016	**870,035**	**750,819**	**78,738**	**95,806**	**48,149**	**1,843,547**
Accumulated depreciation and impairments at 1 January 2016	**–526,138**	**–412,897**	**–69,109**	**–42,498**	**–27,367**	**–1,078,009**
Depreciation	–19,752	–17,717	-	–1,303	–3,452	–42,224
Impairments	–570	-	-	-	-	–570
Reversal of impairments	15,506	-	-	-	-	15,506
Disposals	4,540	5,167	-	4,341	1,916	15,964
Disposals from changes in consolidation	-	-	19,433	-	124	19,557
Reclassifications from «Assets held for sale»	-	-	–19,606	-	–29	–19,635
Translation differences	1,915	-	216	171	82	2,384
Accumulated depreciation and impairments at 31 December 2016	**–524,499**	**–425,447**	**–69,066**	**–39,289**	**–28,726**	**–1,087,027**
Net values at 31 December 2016	**345,536**	**325,372**	**9,672**	**56,517**	**19,423**	**756,520**
thereof security pledged for debts						2,513

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

The pledged fixed assets were put up as collateral for the investment loans and mortgages as listed in Note 17.

Disposals of consolidated companies relate to the liquidation of SEI S.p.A.

Prior-year disposals from changes in consolidation relate to the sale of Repower GuD Leverkusen GmbH & Co. KG and Repower GuD Leverkusen Verwaltungs-GmbH (see Note 25).

IMPAIRMENTS AND REVERSALS OF IMPAIRMENTS ON TANGIBLE ASSETS

In the 2016 financial year there were impairment losses and impairment gains on generation assets. These break down by segment as follows:

Market Switzerland segment

In 2016 an impairment gain of TCHF 2,834 was recognised on hydropower generation assets (previous year: TCHF 0) and an impairment loss of TCHF 570 (previous year: TCHF 12,589).

The impairment gain of TCHF 2,834 was recognised for the Taschinas asset. It is due to a fall in the cost of capital (WACC) prompted by the interest rate environment and a reduction in maintenance and operating expenditure in line with the current market situation.

The impairment loss of TCHF 570 in the 2016 financial year is connected with damage to machinery at the Igiser Mühlbach power plants. Repairs in 2017 will lead to additional expense and lower revenues. The impairment loss the previous year breaks down as follows: Taschinas TCHF 10,937, Ladral TCHF 834 and Ferrera TCHF 818.

No impairment losses or gains were recognised for wind power assets in 2016. The previous year there was an impairment gain of TCHF 2,508 on the Lübbenau wind farm and an impairment loss of TCHF 1,222 on the Prettin wind farm.

Generation assets are valued on the basis of their value in use calculated on a discounted cash flow basis. The value in use for the impaired assets comes to TCHF 54,559 (previous year: TCHF 92,954). WACC before tax is 5.0 per cent for the Taschinas plant and 9.6 per cent for the Igiser Mühlbach power plants. The previous year, WACC had been 5.6 per cent for the Swiss generation assets Taschinas and Ladral and 5.7 per cent for the Swiss generation asset Ferrera. WACC for the Prettin and Lübbenau wind farms were 6.4 per cent and 8.0 per cent respectively.

Market Italy segment

In the 2016 financial year an impairment gain of TEUR 11,626 or TCHF 12,672 (prior year: impairment loss of TEUR 46,992 or TCHF 50,132) was recognised for generation assets. The impairment gain for 2016 and the impairment loss recognised the previous year relate to the Teverola combined-cycle gas turbine generation asset.

This impairment gain on the Teverola combined-cycle gas turbine plant was triggered by a sharp improvement in revenues from ancillary services and an increase in the clean spark spread. The clean spark spread is the theoretical gross margin earned by a combined-cycle plant on the sale of one unit of energy, containing only the costs of the fuel and the carbon certificates. All other costs have to be covered by the gross margin. The generation asset is valued on the basis of its value in use calculated on a discounted cash flow basis. The value in use comes to TEUR 98,737 (previous year: TEUR 92,290). In Swiss francs this is equivalent to TCHF 106,034 (previous year: TCHF 99,996). WACC before tax is 9.7 per cent (previous year: 9.7 per cent).

LEASED TANGIBLE ASSETS

The net carrying amount of the motor vehicles held as part of the finance leasing agreement totalled TCHF 80 (previous year: TCHF 177) at the closing date. More information on finance leasing can be found in Note 29.

8 INTANGIBLE ASSETS

CHF thousands	Goodwill	Customer relations	Software	Other	Total
Gross values at 1 January 2015	**325**	**15,362**	**27,296**	**1,062**	**44,045**
Own costs capitalised	-	-	-	-	-
Additions	-	-	1,355	580	1,935
Disposals	–289	-	–3,859	-	–4,148
Reclassifications to «Assets held for sale»	-	-	–130	-	–130
Reclassifications between asset classes	-	-	382	–412	–30
Translation differences	–36	–1,542	–347	–105	–2,030
Gross values at 31 December 2015	**-**	**13,820**	**24,697**	**1,125**	**39,642**
Accumulated amortisation and impairments at 1 January 2015	**-**	**–12,989**	**–20,460**	**–220**	**–33,669**
Amortisation	-	–342	–2,424	–25	–2,791
Impairments	–289	-	-	-	–289
Disposals	289	-	3,833	-	4,122
Reclassifications to «Assets held for sale»	-	-	15	-	15
Reclassifications between asset classes	-	-	18	-	18
Translation differences	-	1,303	235	19	1,557
Accumulated amortisation and impairments at 31 December 2015	**-**	**–12,028**	**–18,783**	**–226**	**–31,037**
Net values at 31 December 2015	**-**	**1,792**	**5,914**	**899**	**8,605**
Gross values at 1 January 2016	**-**	**13,820**	**24,697**	**1,125**	**39,642**
Own costs capitalised	-	-	-	-	-
Additions	-	-	2,392	231	2,623
Disposals	-	-	–1,606	–49	–1,655
Disposals from changes in consolidation	-	–7,289	–9	–287	–7,585
Reclassifications between asset classes	-	-	59	–59	-
Translation differences	-	–51	–68	–6	–125
Gross values at 31 December 2016	**-**	**6,480**	**25,465**	**955**	**32,900**
Accumulated amortisation and impairments at 1 January 2016	**-**	**–12,028**	**–18,783**	**–226**	**–31,037**
Amortisation	-	–349	–2,850	–26	–3,225
Impairments	-	-	-	-	-
Disposals	-	-	1,601	49	1,650
Disposals from changes in consolidation	-	7,289	9	-	7,298
Reclassifications between asset classes	-	-	–73	73	-
Translation differences	-	41	45	1	87
Accumulated amortisation and impairments at 31 December 2016	**-**	**–5,047**	**–20,051**	**–129**	**–25,227**
Net values at 31 December 2016	**-**	**1,433**	**5,414**	**826**	**7,673**

The previous year there had been an impairment charge of TCHF 289 for goodwill at the Prettin wind farm. The value of the goodwill after impairment is CHF 0.

9 DISCLOSURES OF INTERESTS IN OTHER ENTITIES

TYPE OF INTEREST AND NUMBER

	31.12.2016	31.12.2015
Subsidiaries	25	32
of which domestic	7	8
of which foreign	18	24
Associates	5	6
of which domestic	3	4
of which foreign	2	2
Joint ventures	1	-
of which domestic	1	-
of which foreign	-	-
Joint operations	1	1
of which domestic	1	1
of which foreign	-	-

Changes in the ownership interests without loss of control
Elbe Finance Holding Verwaltungs-GmbH and Repower Deutschland GmbH merged with effect 1 January 2016, with Repower Deutschland GmbH absorbing the other company. The company that disappeared with the merger was wholly owned by the Group before the combination. In the 2016 financial year the assets and liabilities of Elbe Finance Holding GmbH & Co. KG were merged with Elbe Beteiligungs AG in liquidation.

In the 2016 financial year Repower sold another 2 per cent of its interest in Repartner Produktions AG to outside energy utilities. The net cash inflow of TCHF 2,046 is offset against minority interests of TCHF 1,402. The difference of TCHF 644 was allocated to the majority shareholder’s capital.

Consequences of the loss of subsidiary control
In the 2016 financial year the companies connecta ag and Repower Furnizare România S.r.l. were sold. SEI S.p.A., Repower Macedonia DOOEL Skopje and Repower Adria d.o.o. were wound up. For these disposals a translation loss of TCHF 1,327 net was reclassified to profit or loss (see Note 25).

Change in associates
In the 2016 financial year the associate Rhiienergie AG was sold.

SUBSIDIARIES

List of fully consolidated companies as at 31 December 2016 and 2015.

Company	Head office	Currency	Issued capital	Holding 31.12.2016	Holding 31.12.2015	Purpose
Repower AG	Brusio	CHF	7,390,968	-	-	H/G/C/E/S
connecta ag	Ilanz	CHF	-	0.00%	100.00%	S
Ovra electrica Ferrera SA	Trun	CHF	3,000,000	49.00%	49.00%	G
SWIBI AG	Landquart	CHF	500,000	76.68%	76.68%	S
Alvezza SA in Liquidation	Disentis	CHF	500,000	62.00%	62.00%	RE
Elbe Beteiligungs AG in Liquidation	Poschiavo	CHF	1,000,000	100.00%	100.00%	H
Lagobianco SA	Poschiavo	CHF	1,000,000	100.00%	100.00%	PC
Repartner Produktions AG	Poschiavo	CHF	20,000,000	57.00%	59.00%	G/PC
Elbe Finance Holding GmbH & Co KG	Dortmund	EUR	-	0.00%	100.00%	H
Elbe Finance Holding Verwaltungs-GmbH	Dortmund	EUR	-	0.00%	100.00%	H
Repower Deutschland GmbH	Dortmund	EUR	25,000	100.00%	100.00%	C
Repower Wind Deutschland GmbH	Dortmund	EUR	25,000	57.00%	59.00%	H
Repower Wind Prettin GmbH	Dortmund	EUR	25,000	57.00%	59.00%	G
Repower Wind Lübbenau GmbH	Dortmund	EUR	25,000	57.00%	59.00%	G
Repower Italia S.p.A.	Milan	EUR	2,000,000	100.00%	100.00%	E
Repower Vendita Italia S.p.A.	Milan	EUR	4,000,000	100.00%	100.00%	C
SET S.p.A.	Milan	EUR	120,000	61.00%	61.00%	G
Energia Sud S.r.l.	Milan	EUR	1,500,000	100.00%	100.00%	G
SEA S.p.A.	Milan	EUR	120,000	100.00%	100.00%	G
REC S.r.l.	Milan	EUR	10,000	100.00%	100.00%	PC
MERA S.r.l.	Milan	EUR	100,000	100.00%	100.00%	PC
SEI S.p.A.	Milan	EUR	-	0.00%	57.50%	PC
Immobiliare Saline S.r.l.	Milan	EUR	10,000	100.00%	100.00%	RE
REV S.r.l.	Milan	EUR	10,000	100.00%	100.00%	S
Energia Eolica Pontremoli S.r.l.	Milan	EUR	50,000	100.00%	100.00%	PC
Repower Trading Česká republika s.r.o. v likvidaci	Prague	CZK	3,000,000	100.00%	100.00%	E
S.C. Repower Vanzari Romania S.R.L.	Bucharest	RON	165,000	100.00%	100.00%	E
Repower Serbia d.o.o. - u likvidaciji	Belgrad	EUR	20,000	100.00%	100.00%	E
Repower Macedonia DOOEL Skopje - vo likvidacija	Skopje	EUR	-	0.00%	100.00%	E
Repower Adria d.o.o "u likvidaciji"	Sarajevo	BAM	-	0.00%	100.00%	E
Repower Hrvatska d.o.o. u likvidaciji	Zagreb	HRK	366,000	100.00%	100.00%	E
Repower Furnizare România S.r.l.	Bucharest	RON	-	0.00%	100.00%	E

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

The date of the financial statements of the subsidiaries on which the group financial statements are based is consistent with the date of the consolidated financial statements.

Ovra electrica Ferrera SA, Trun, is a power plant company in which the local municipality holds a 51 per cent stake. The Repower Group bears full operating responsibility for this company via Repower AG, and sells 100 per cent of the energy generated on the market. The Repower Group thus exercises overall control and Ovra electrica Ferrera SA is fully consolidated.

The following overview provides information on the subsidiary with significant non-controlling interests:

Key figures for subsidiary with significant non-controlling interests

	2016 SET S.p.A.	2015 SET S.p.A.
CHF thousands		
Non-controlling interest	39%	39%
Balance sheet at 31.12.		
Non-current assets	129,194	129,741
Current assets	38,641	47,446
Non-current financial liabilities	–86,434	–94,238
Other non-current liabilities	–263	–281
Current financial liabilities	–2,898	–2,825
Other current liabilities	–42,070	–54,084
Share of equity attributable to Repower shareholders and participants	–22,064	–15,713
Share of equity attributable to non-controlling interests	–14,106	–10,046
Income statement		
Revenues	107,822	80,426
Expenses	–97,061	–119,108
Net result	**10,761**	**–38,682**
Share of Group profit attributable to Repower shareholders and participants	6,564	–23,596
Share of Group profit attributable to non-controlling interests	4,197	–15,086
Share of profit or loss and other comprehensive income attributable to Repower shareholders and participants	–214	–4,699
Share of profit or loss and other comprehensive income attributable to non-controlling interests	–137	–3,004
Share of profit or loss and comprehensive income attributable to Repower shareholders and participants	6,350	–28,295
Share of profit or loss and comprehensive income attributable to non-controlling interests	4,060	–18,090
Dividends payment to non-controlling interests	-	-
Cash flow from operating activities	10,498	7,920
Cash flow from investing activities	–118	–116
Cash flow from financing activities	–7,730	–4,902
Effect of currency translations	–112	–544
Total cash flow	**2,538**	**2,358**

ASSOCIATES AND JOINT VENTURES

Partner plants classified as associates are listed under associated partner plants. The other holdings categorised as associates form the group designated as other associates. Both classes are accounted for using the equity method.

Associate partner plants	Head office	Currency	Issued capital	Holding	Closing date	Purpose
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen	Lucerne	CHF	90,000,000	7.00%	31.12.	H
Kraftwerke Hinterrhein AG	Thusis	CHF	100,000,000	6.50%	30.09.	G

Other 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
Aerochetto S.r.l.	Catania	EUR	2,000,000	39.00%	31.12.	G
Swisscom Energy Solutions AG	Ittigen	CHF	13,342,325	35.00%	31.12.	S

Joint ventures	Head office	Currency	Issued capital	Holding	Closing date	Purpose
Kraftwerk Morteratsch AG	Pontresina	CHF	500,000	10.00%	31.12.	G

Key:
E Energy business
C Customer (supply/sales)
GC Grid company
G Generation company
H Holding or purchase rights
S Services

Repower's holdings in the AKEB and KHR partner plants amount to only 7 per cent and 6.5 per cent respectively. Repower does, however, have the binding right of nomination of a mandate and can make use of this guaranteed seat on the Board of Directors to be involved in the financial and business policy decisionmaking processes of the partner plants.

Investments in associates changed as follows:

Investments in associates and joint ventures

CHF thousands	2016	2015
Carrying amounts at 1 January	**24,272**	**34,866**
Investments	100	-
Reclass of active loans	371	768
Disposals	–3,779	-
Dividends	–196	–203
Effect of currency translations	–34	–841
Share of result	1,247	–9,545
Actuarial profit/loss	10	–575
Impairments	–1,463	–198
Carrying amounts at 31 December	**20,528**	**24,272**
Decrease of active loans		
1 January	**–3,708**	**–34**
Share of result	–3,030	–3,247
Actuarial profit/loss	287	–427
31 December	**–6,451**	**–3,708**
Share of equity of associates and joint ventures at 31 December	**14,077**	**20,564**

Part of the net investment in associate Swisscom Energy Solutions AG is a loan extended to Swisscom Energy Solutions AG recognised under other financial assets. The pro-rata loss of TCHF 6,451 in excess of the carrying value of the holding was netted with the existing loan.

Disposals amounting to TCHF 3,779 related to the sale of the interest in Rhiienergie AG in the Market Switzerland segment. This resulted in income of TCHF 98 that is disclosed under financial income. The transaction resulted in a cash inflow of CHF 3,877.

In 2016 Repower joined forces with Reichmuth Infrastruktur Schweiz KGK to establish Kraftwerk Morteratsch AG for the construction and operation of the Morteratsch hydropower plant. The establishment of the company in cash entailed investment of TCHF 100 on Repower's part. Reichmuth has financed 90 per cent of the company and Repower 10 per cent. Under the terms of the agreement, all relevant decisions have to be made unanimously. Kraftwerk Morteratsch AG is a joint venture.

In 2016 an impairment requirement was identified at Aerochetto S.r.l., assigned to the Market Italy segment, with an impairment loss of TCHF 1,463 recognised in the consolidated financial statements under the share of results of associates. The reason for the impairment is that the expected revenues on wind power fail to cover the pro-rata value of the interest. The generation asset is valued on the basis of its value in use calculated on a discounted cash flow basis. The pro-rata value in use comes to TCHF 2,745. WACC before tax is 10.1 per cent.

In 2015 an impairment requirement was identified at Aerochetto S.r.l., assigned to the Market Italy segment, with an impairment loss of TCHF 198 recognised in the consolidated financial statements under share of results of associates. The impairment was the result of a decline in expected revenues on wind power due to lower energy prices, and lower night-time output in an effort to reduce noise emissions. The generation asset is valued on the basis of its value in use calculated on a discounted cash flow basis. An impairment test yielded a value in use of TCHF 4,961 for the asset. WACC before tax is 11.2 per cent.

Associated partner works, other associates and joint ventures are each presented together.

Key figures for associated partner plants

	2016 Gross values	2015 Gross values	2016 Repower share	2015 Repower share
CHF thousands				
Balance sheet at 31.12.				
Non-current assets	921,242	882,207	62,177	59,485
Current assets	55,234	51,609	3,777	3,527
Pension provisions	–13,566	–13,079	–882	–850
Non-current financial liabilities	–540,000	–365,491	–36,300	–24,109
Other non-current liabilities	–132,125	–154,247	–9,247	–10,797
Current financial liabilities	–25,000	–155,000	–1,650	–10,800
Other current liabilities	–57,459	–57,306	–3,830	–3,786
Equity of associate partner plants at 31 December	**208,326**	**188,693**	**14,045**	**12,670**
Income statement				
Revenues	289,835	300,902	19,930	20,715
Expenses	–227,976	–355,941	–15,738	–24,656
Depreciation and impairments	–45,698	–53,482	–3,105	–3,652
Interest income	25,821	1,445	1,801	94
Interest expense	–17,581	–32,255	–1,195	–2,220
Income taxes	–2,753	7,749	–180	503
Gain or loss	21,648	–131,582	1,513	–9,216
Other comprehensive income	156	–8,854	10	–575
Comprehensive income	21,804	–140,436	1,523	–9,791

Key figures for other associates

CHF thousands	2016 Gross values	2015 Gross values	2016 Repower share	2015 Repower share
Balance sheet at 31.12.				
Non-current assets	50,508	78,798	19,784	28,005
Current assets	18,768	23,886	7,399	7,977
Non-current liabilities	–69,038	–67,722	–25,844	–24,893
Current liabilities	–3,535	–9,055	–1,392	–3,195
Equity of other associates at 31 December	**–3,297**	**25,907**	**–53**	**7,894**
Income statement				
Revenues	28,490	28,127	8,843	8,658
Expenses	–41,769	–39,252	–13,588	–12,432
Gain or loss	–13,279	–11,125	–4,745	–3,774
Other comprehensive income	819	–1,219	287	–427
Comprehensive income	–12,460	–12,344	–4,458	–4,201

Key figures for joint ventures

CHF thousands	2016 Gross values	2015 Gross values	2016 Repower share	2015 Repower share
Balance sheet at 31.12.				
Current assets	3,924	-	392	-
Non-current liabilities	–3,000	-	–300	-
Current liabilities	–70	-	–7	-
Equity of joint ventures at 31 December	**854**	**-**	**85**	**-**
Income statement				
Revenues	7	-	1	-
Expenses	–152	-	–15	-
Gain or loss	–145	-	–14	-
Other comprehensive income	-	-	-	-
Comprehensive income	–145	-	–14	-

Reconciliation of the share of equity of associates and joint ventures at 31 December

CHF thousands	2016 Repower share	2015 Repower share
Share of equity of associate partner plants	14,045	12,670
Share of equity of other associates	–53	7,894
Share of equity of joint ventures	85	-
Share of equity of associates and joint ventures at 31 December	**14,077**	**20,564**

JOINT OPERATIONS

Joint operations	Head office	Currency	Issued capital	Holding	Closing date	Purpose
Grischelectra AG	Chur	CHF	1,000,000 (20% paid in)	11.00%	30.09.	H

Key:
H Holding or purchase rights

Grischelectra AG is classified as a joint arrangement. The company's business is selling electricity procurement rights. Based on the interest of 11 per cent and other votes granted through a guaranteed proxy, Repower manages the company together with Canton Graubünden. Repower procures 100 per cent of the energy bundled in Grischelectra AG from hydropower in return for reimbursement of the generation costs. From an economic perspective, Repower is indirectly responsible for Grischelectra's liabilities. The holding in Grischelectra was classified as a joint operation. In contrast to the shares held, Repower includes 100 per cent of the company assets, debts, expenses and earnings in its consolidated financial statements.

10 OTHER FINANCIAL ASSETS

CHF thousands	31.12.2016	31.12.2015
Active loans	3,934	13,024
Other non-current securities	3,388	3,390
Total	**7,322**	**16,414**

The loans granted are allocated to the category loans and receivables and recognised at amortised cost. This also includes a loan to Swisscom Energy Solutions AG, which is viewed as part of the net investment in this associate (see Note 9). All other non-current securities are classified as available for sale and measured at fair value. This affects not 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.

11 INVENTORIES

CHF thousands	31.12.2016	31.12.2015
Guarantees of origin	-	15,914
Emissions certificates	4,147	2,249
Gas	2,588	3,022
Material inventories	9,608	9,554
Total	**16,343**	**30,739**

Inventories consist of material inventories, gas inventories and certificates, and are measured 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 measured at fair value less selling costs. No inventories were held for trading purposes in 2016 and 2015.

In the 2016 financial year an impairment loss of TCHF 98 (previous year: TCHF 74) was recognised and TCHF 0 (previous year: TCHF 219) released. The balance of guarantees of origin the previous year, amounting to TCHF 15,914, was related to the holdings of Repower Furnizare România, which was sold in the 2016 financial year.

12 RECEIVABLES

CHF thousands	31.12.2016	31.12.2015
Trade accounts receivable	357,659	381,718
Allowances for doubtful accounts	–43,807	–31,014
Other receivables	39,343	40,323
Total	**353,195**	**391,027**

All receivables fall into the category loans and receivables and are measured at amortised cost. The total sum of receivables at 31 December 2016 (and 31 December 2015) falls due within one year. Owing to their short-term nature, the carrying amounts are assumed to be fair values.

Receivables include collateral in the form of deposits lodged by Repower in the context of its business, particularly with respect of its trading operations. These came to TCHF 3,566 (previous year: TCHF 12,392) for the year under review.

The maturity structure of the receivables and the development of impairments are shown in the risk management and financial risk management section.

13 SECURITIES AND OTHER FINANCIAL INSTRUMENTS

	31.12.2016	31.12.2015
CHF thousands		
Fixed term deposits (4-12 months)	35,000	15,169
Other securities	125	125
Positive replacement values	2,160	82
Total	**37,285**	**15,376**

Fixed term deposits fall into the category loans and receivables and are measured at amortised cost. Other securities, and positive replacement values, fall into the held-for-trading category and are measured at fair value. The positive replacement values are related to forward exchange transactions.

14 POSITIVE/NEGATIVE REPLACEMENT VALUES FOR HELD-FOR-TRADING POSITIONS

	31.12.2016	31.12.2015
CHF thousands		
Positive replacement values	147,772	103,300
Negative replacement values	141,941	77,154

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. Positive replacement values represent liabilities.

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

The employment of held-for-trading positions exposes the company to 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. These risks related to held-for-trading positions are limited by imposing stringent requirements on the creditworthiness of contracting parties. An obligation by Repower towards the counterparty exists in the event of a negative replacement value. In this case the counterparty bears the risk.

15 CASH AND CASH EQUIVALENTS

CHF thousands	31.12.2016	31.12.2015
Sight deposits	221,120	395,372
Cash invested for less than 90 days	77,300	1,393
Total	**298,420**	**396,765**

All cash and cash equivalents fall into the category loans and receivables and are measured at amortised cost. The average interest rate on CHF-denominated cash and cash equivalents was -0.20 per cent (previous year: 0.05 per cent) and -0.10 per cent for EUR-denominated cash and cash equivalents (previous year: 0.00 per cent).

Cash and cash equivalents are held in the following currencies:

CHF thousands	31.12.2016	31.12.2015
Swiss francs	107,585	134,374
Euro (translated)	189,838	259,623
RON (translated)	749	1,539
Other currencies (translated)	248	1,229
Total	**298,420**	**396,765**

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 THE CASH FLOW STATEMENT

CHF thousands	31.12.2016	31.12.2015
Cash and cash equivalents	298,420	396,765
Cash and cash equivalents held for sale	-	1,368
Total	**298,420**	**398,133**

Cash and cash equivalents held for sale are disclosed under assets held for sale (Note 26). These must be added again to cash and cash equivalents for the cash flow statement.

16 SHARE CAPITAL

CHF thousands		31.12.2016	31.12.2015
Bearer shares	2,783,115 at a par value of CHF 1	-	2,783
Participation capital	625,000 at a par value of CHF 1	-	625
Registered shares	7,390,968 at a par value of CHF 1	7,391	-
Share and participation capital		**7,391**	**3,408**

Existing shareholders and their direct share of voting rights:	31.12.2016	31.12.2015
Elektrizitätswerke des Kantons Zürich (EKZ)	28.32%	0.00%
Canton of Graubünden	21.96%	58.30%
UBS Clean Energy Infrastructure KGK (UBS-CEIS)	18.88%	0.00%
Axpo Holding AG, Baden	12.69%	33.70%
Other (free float)	18.15%	8.00%

CONVERSION OF BEARER SHARES AND PARTICIPATION CERTIFICATES

In the first half of 2016 the existing bearer shares and participation certificates with a nominal value of CHF 1 were converted into 3,408,115 registered shares, also with a nominal value of CHF 1, on a one-for-one basis. Participation certificates carried no voting rights at the general meeting but were otherwise subject to the same provisions as shares.

INCREASE IN CAPITAL VIA RIGHTS ISSUE

The Repower extraordinary general meeting (EGM) held on 21 June 2016 resolved to increase the company's capital by means of a rights issue to shareholders. The period for subscription to the new shares began on 24 June 2016 and lasted until 4 July 2016. Existing shareholders were allocated one subscription right per share held. Five subscription rights entitled the holder to subscribe to 7 new shares at a subscription price of CHF 43.00 per share. The two existing main shareholders, Canton Graubünden and Axpo Holding AG, waived their subscription rights in favour of Elektrizitätswerke des Kantons Zürich (EKZ) and UBS Clean Energy Infrastructure Switzerland KGK (UBS-CEIS); these rights were allotted to the two new shareholders. After the subscription period had closed, on 5 July 2016, and with an addendum dated 14 July 2016, the Board of Directors of Repower AG resolved to increase the company's capital from CHF 3,408,115, divided into 3,408,115 fully paid-up registered shares each with a nominal value of CHF 1.00, by issuing 3,982,853 new fully paid-up registered shares each with a nominal value of CHF 1.00; the rights issue generated gross proceeds of TCHF 171,263. The share capital now comes to CHF 7,390,968.

The four shareholders with major interests are bound by a shareholders' agreement.

TREASURY SHARES

On 31 December 2016, 382 treasury shares were held (previous year: 0).

17 NON-CURRENT FINANCIAL LIABILITIES

CHF thousands	Currency	Due date	Nominal interest rate	31.12.2016	31.12.2015
Private placement	CHF	10.04.2017	3.625%	-	15,000
Private placement	CHF	28.03.2018	3.660%	25,000	25,000
Private placement	CHF	20.03.2023	3.625%	10,000	10,000
Private placement	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	04.07.2026	2.070%	50,000	50,000
Bank loan 1)	CHF	31.03.2017	variable	-	1,090
Loans				**115,000**	**131,090**
Bond par value	CHF	20.07.2022	2.375%	115,000	115,000
Net expenditures	CHF			–1,187	–1,432
Bonds				**113,813**	**113,568**
Registered bond	EUR	08.08.2034	3.400%	2,685	91,014
Net expenditures	EUR			–130	–4,260
Registered bond	EUR	18.03.2027	1.920%	-	37,923
Net expenditures	EUR			-	–830
Registered bond				**2,555**	**123,847**
Investment loan 2)	CHF	31.12.2020	no interest	638	850
Loan (non-controlling interest) 3)	CHF	31.12.2070	no interest	9,588	9,219
Interest rate swap	CHF	11.12.2020		1,406	1,713
Interest rate swap	CHF	28.06.2024		4,529	4,832
Interest rate swap	CHF	01.07.2031		6,392	6,344
Interest rate swap	CHF	18.11.2031		7,409	6,362
Other financial liability	EUR	31.12.2021	no interest	551	711
Loan (non-controlling interest)	EUR	30.06.2027	3.900%	31,835	34,864
Liabilities for financial leasing	CHF		2.500%	53	88
Other financial liabilities				**62,401**	**64,983**
Total				**293,769**	**433,488**
Financial liabilities are carried in the following currencies:					
Swiss francs				258,828	274,066
Euro (translated)				34,941	159,422

1) An amount of TCHF 1,090 is assigned to current financial liabilities for the bank loan of TCHF 0 (previous year: TCHF 1,090) due on 31 March 2017. Mortgage assignments were pledged as security for this bank loan. The fixed assets pledged in this connection are disclosed in Note 7.

2) Mortgage assignments were pledged as security for the investment loan of TCHF 638 (previous year: TCHF 850). The fixed assets pledged in this connection are disclosed in Note 7.

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 interests 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 the 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 expected 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 non-controlling 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 with retrospective effect and under the same terms and conditions as the previous partners. The additionally granted loan amount at the beginning of 2012 totalled TCHF 1,356. In the 2014 financial year the interest-free loan was adjusted by TCHF 315. During 2016 further partners were acquired for Repartner Produktions AG, contributing TCHF 386 for a pro-rata share of the company's existing capital. Entry into the partnership was likewise with retrospective effect and under the same terms and conditions as the previous partners. At the end of 2016 the liability component of the interest-free loan amounted to TCHF 9,669 (previous year: TCHF 9,295); it is amortised using the effective interest method, with the short-term portion recognised under current financial liabilities in the amount of TCHF 81 (previous year: TCHF 76).

With the exception of interest rate swaps, all non-current financial liabilities fall into the category of 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 2.84 per cent (previous year: 2.91 per cent). The fair value of non-current financial liabilities amounted to TCHF 328,929 (previous year: TCHF 509,429). Repower has fully complied with all credit and loan agreements. The registered bonds ("Namensschuldverschreibungen") totalling EUR 35 million and EUR 84 million contain clauses pertaining to change of control. With the new investors joining on 5 July 2016, creditors had made use of their right of termination. Repayment of registered bonds totalling EUR 116.5 million was demanded, and was effected in the form of payments amounting to TCHF 126,995. A TCHF 5,207 loss on premature repayment is recognised under financial income.

18 PENSION FUND OBLIGATION

The pension plans operated by Repower qualify as defined benefit plans, with the main plan established in Switzerland. Employees in Switzerland are members of the legally independent pension fund PKE Vorsorgestiftung Energie. This is a pension fund within the meaning of the Federal Law on Occupational Pensions for Old Age, Survivors and Disability (BVG). The law governs the benefits employees are entitled to as well as the organisation and financing of pension funds. The fund is designed to provide occupational pensions for employees of the affiliated companies and their family members and survivors that cover the economic consequences of old age, disability and death. PKE Vorsorgestiftung is a defined contribution plan in Switzerland in accordance with the BVG. Under the defined contribution plan, the benefits paid out in the case of an insured event are based on the insured's contributions plus interest.

An equal number of employer and employee representatives make up the fund's Board of Trustees. The Board of Trustees defines the fund's objectives and principles and regulates and monitors the investment process (investment strategy, investment policy and investment guidelines). In the management of the fund's assets, the financial interests of the insureds are given top priority. Assets must be managed in accordance with the respective investment regulations so as to guarantee the timely payment of benefits and compliance with the risk limits laid down in the investment policy.

In the event of any necessary restructuring measures, the companies determine the interest rate and shortfall contributions to be paid together with their insureds. The contribution of the companies must be at least as high as the sum of the contributions of the insureds. This means that Repower may have a legal or constructive obligation to pay additional benefits. For this reason, a defined contribution plan also constitutes a defined benefit plan under IFRS.

The probability and scope of any restructuring measures as a result of a plan shortfall can be reduced in the defined contribution plan (in accordance with BVG) by lowering the interest rate applied to the capital accrued by beneficiaries.

The defined contribution plan operated by PKE Vorsorgestiftung Energie will pay out pensions in two parts: 90 per cent of the pension will be guaranteed as a basic pension and 10 per cent as a variable pension, depending on PKE's coverage ratio. If the coverage ratio is below 90 per cent, only the basic pension will be paid out. If the coverage ratio is higher than 120 per cent, the target pension will be increased by a maximum of 10 per cent. The variable component will be redefined each year and be valid for an entire year. This rule makes it possible for future retirees to also contribute to eliminating a potential coverage shortfall. They can, however, also participate in a positive development.

PKE Vorsorgestiftung Energie was converted from a joint foundation into a collective foundation with effect 1 January 2015. Rather than a single binding coverage ratio, there is a separate coverage ratio for each affiliated company.

The following table provides an overview of the balances recognised in relation to the pension plans in the consolidated financial statements:

CHF thousands	Swiss pension plans	Italian pension plans	Total
2016			
Fair value of plan assets	177,958	-	177,958
Present value of funded obligations	–222,874	-	–222,874
Deficit of funded plans	**–44,916**	**-**	**–44,916**
Present value of unfunded obligations	-	–3,625	–3,625
Total of defined benefit pension plans	**–44,916**	**–3,625**	**–48,541**
Current service cost	–5,471	–465	–5,936
Administration cost	–371	-	–371
Interest cost	–330	–70	–400
Loss from plan change	–350		–350
Income statement charge	**–6,522**	**–535**	**–7,057**
Other comprehensive income	**–3,808**	**121**	**–3,687**

CHF thousands	Swiss pension plans	Italian pension plans	Total
2015			
Fair value of plan assets	175,600	-	175,600
Present value of funded obligations	–214,711	-	–214,711
Deficit of funded plans	**–39,111**	**-**	**–39,111**
Present value of unfunded obligations	-	–3,506	–3,506
Total of defined benefit pension plans	**–39,111**	**–3,506**	**–42,617**
Thereof disclosed in liabilities held for sale	–519	-	–519
Pension provisions according to the balance sheet position	**–38,592**	**–3,506**	**–42,098**
Current service cost	–4,933	–528	–5,461
Administration cost	–203	-	–203
Interest cost	–331	–86	–417
Loss from plan change	–133	-	–133
Income statement charge	**–5,600**	**–614**	**–6,214**
Other comprehensive income	**–12,226**	**–358**	**–12,584**

The present value of the defined benefit obligation of the Swiss pension plans is broken down as follows into the individual groups of pension beneficiaries:

CHF thousands	31.12.2016	31.12.2015
Swiss pension plans		
Active members	–135,435	–133,548
Pensioners	–87,439	–81,163
Total present value of obligation	**–222,874**	**–214,711**

All pension commitments are vested. The weighted average term of the defined benefit pension obligation under the defined contribution plan totalled 17.7 years (previous year: 16.6 years) at 31 December 2016.

The investment strategy is based on the results of an asset and liability analysis. The following table provides a breakdown of the plan assets and strategy of the investment portfolio:

CHF thousands	Quoted market price	Non quoted market price	Total	in %	Strategy in %
31.12.2016					
Cash and cash equivalents [1]	1,780	-	1,780	1.00%	2.00%
Debt instruments	43,244	-	43,244	24.30%	35.00%
Equity instruments	72,251	-	72,251	40.60%	39.00%
Real estate	9,787	25,271	35,058	19.70%	15.00%
Other	-	25,625	25,625	14.40%	9.00%
Total	**127,062**	**50,896**	**177,958**	**100.00%**	**100.00%**

1) Economic exposure, including foreign exchange hedge and associated liquidity

CHF thousands	Quoted market price	Non quoted market price	Total	in %	Strategy in %
31.12.2015					
Cash and cash equivalents	2,107	-	2,107	1.00%	2.00%
Debt instruments	45,657	-	45,657	26.00%	30.00%
Equity instruments	70,415	-	70,415	40.00%	39.00%
Real estate	10,536	23,530	34,066	19.00%	17.00%
Other	6,145	17,210	23,355	14.00%	12.00%
Total	**134,860**	**40,740**	**175,600**	**100.00%**	**100.00%**

Fluctuations in pension provisions with separate reconciliation statements for the plan assets and the present value of the defined benefit obligation are shown in the table below:

CHF thousands	Present value of obligation	Fair value of plan assets	Total
At 1 January 2015	**–204,029**	**175,365**	**–28,664**
Current service cost	–5,461	-	–5,461
Administration cost	-	–203	–203
Interest expenses/income	–2,673	2,256	–417
Loss from plan change	–133	-	–133
Income statement	**–8,267**	**2,053**	**–6,214**
Remeasurements			
Return on plan assets, excluding amounts included in interest expense/income	-	1,806	1,806
Actuarial losses from changes in financial assumptions	–5,923	-	–5,923
Experience gains/losses	–8,467	-	–8,467
Other comprehensive income	**–14,390**	**1,806**	**–12,584**
Exchange differences	315	-	315
Contributions			
Employer contributions	-	4,530	4,530
Employee contributions	–2,424	2,424	-
Benefits paid	10,578	–10,578	-
At 31 December 2015	**–218,217**	**175,600**	**–42,617**
At 1 January 2016	**–218,217**	**175,600**	**–42,617**
Current service cost	–5,936	-	–5,936
Administration cost	-	–371	–371
Interest expenses/income	–1,865	1,465	–400
Loss from plan change	–350	-	–350
Income statement	**–8,151**	**1,094**	**–7,057**
Remeasurements			
Return on plan assets, excluding amounts included in interest expense/income	-	7,809	7,809
Actuarial losses from changes in demographic assumptions	–5,211	-	–5,211
Actuarial losses from changes in financial assumptions	–7,435	-	–7,435
Experience gains/losses	1,150	-	1,150
Other comprehensive income	**–11,496**	**7,809**	**–3,687**
Disposals from changes in consolidation	4,038	–3,346	692
Exchange differences	34	-	34
Contributions			
Employer contributions	-	4,094	4,094
Employee contributions	–2,473	2,473	-
Benefits paid	9,766	–9,766	-
At 31 December 2016	**–226,499**	**177,958**	**–48,541**

The key actuarial assumptions are as follows:

CHF thousands	2016	2015
Weighted average of assumptions used to determine the defined benefit obligations at 31 December		
Discount rate	0.62%	0.88%
Salary growth rate	0.51%	0.50%
Mortality table		
Swiss pension plans	BVG 2015 GT	BVG 2010 GT
Italian pension plans	ISTAT-2015	ISTAT-2014

The average retirement age is 63.

An increase or decline in the key actuarial parameters would affect the present value of the defined benefit obligation at 31 December 2016 as follows:

	Impact on present value of obligation at 31.12.2016		
CHF thousands	**Change in assumptions**	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.25%	7,351	–7,807
Salary growth rate	0.50%	–1,680	1,634

	Impact on present value of obligation at 31.12.2015		
CHF thousands	**Change in assumptions**	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.25%	6,564	–6,947
Salary growth rate	0.50%	–1,612	1,564

Employer contributions of TCHF 3,943 (previous year: TCHF 4,048) are expected for the 2017 financial year.

19 OTHER PROVISIONS

CHF thousands	Reversion provisions	Litigations and court proceedings	Dismantling provisions	Provisions for onerous contracts	Other provisions	Total
Other current provisions	472	374	-	-	3,723	4,569
Other non-current provisions	13,028	758	2,428	9,164	3,218	28,596
At 31 December 2015	**13,500**	**1,132**	**2,428**	**9,164**	**6,941**	**33,165**
Additions	-	959	-	5,531	368	6,858
Utilisations	–531	–314	-	-	–4,607	–5,452
Reversals	-	-	-	–4,846	–562	–5,408
Interests	431	-	28	732	-	1,191
Disposals from changes in consolidation	-	–63	-	-	-	–63
Translation differences	-	–17	–16	-	–10	–43
At 31 December 2016	**13,400**	**1,697**	**2,440**	**10,581**	**2,130**	**30,248**
Expected maturity up to 1 year	472	-	-	-	20	492
Other current provisions	**472**	**-**	**-**	**-**	**20**	**492**
Expected maturity in more than 1 year	12,928	1,697	2,440	10,581	2,110	29,756
Other non-current provisions	**12,928**	**1,697**	**2,440**	**10,581**	**2,110**	**29,756**

REVERSION PROVISIONS

Reversion provisions have been set aside for the extensive deliveries of free energy to the municipality of Poschiavo.

PROVISIONS FOR ONEROUS CONTRACTS

Provisions were recognised for onerous energy procurement contracts. The creation of the provision in the amount of TCHF 685 (previous year: 1,706) was recognised under energy procurement in the Market Switzerland segment.

OTHER PROVISIONS

Repower has a sub-participation in the Gösgen nuclear power plant, from which it purchases electricity. In the 2015 financial year Repower had recognised a provision of TCHF 3,000 in the Market Switzerland segment in anticipation of the charge for the pro-rata valuation difference for the plant's decommissioning fund. This provision was released in the 2016 financial year. Taken individually, the other components of the other provisions item are immaterial.

20 OTHER CURRENT LIABILITIES

CHF thousands	31.12.2016	31.12.2015
Trade accounts payable	346,003	333,165
Other liabilities	16,718	34,859
Total	**362,721**	**368,024**

All positions fall into the category other liabilities and are recognised at amortised cost. They are due within one year. The fair values have been taken as the carrying amounts.

21 CURRENT FINANCIAL LIABILITIES

CHF thousands	31.12.2016	31.12.2015
Current financial liabilities	19,482	202,823
Negative replacement values	308	1,663
Liabilities for financial leasing	21	77
Total	**19,811**	**204,563**

Current financial liabilities and leasing commitments fall into the other financial liabilities category and are recognised at amortised cost. Owing to their short-term nature, the carrying amounts are assumed to be fair values. The previous year the item current financial liabilities included the CHF 200 million bond. This amount was repaid in 2016. The replacement values consist of forward exchange transactions and currency options and correspond to the market value.

22 PREPAID EXPENSES AND ACCRUED INCOME/DEFERRED INCOME AND ACCRUED EXPENSES

PREPAID EXPENSES AND ACCRUED INCOME

CHF thousands	31.12.2016	31.12.2015
Other prepaid expenses	2,122	4,304
Non-financial assets	**2,122**	**4,304**
Other accrued income	39	248
Financial assets	**39**	**248**
Prepaid expenses and accrued income	**2,161**	**4,552**

DEFERRED INCOME AND ACCRUED EXPENSES

CHF thousands	31.12.2016	31.12.2015
Other deferred income	780	916
Accrued capital, other taxes, charges and levies	5,130	4,757
Non-financial liabilities	**5,910**	**5,673**
Accrued interests	3,001	6,053
Accrued annual leave and overtime	6,454	6,692
Accrued other personnel expenses	1,590	1,689
Other accrued expenses	822	3,440
Financial liabilities	**11,867**	**17,874**
Deferred income and accrued expenses	**17,777**	**23,547**

The financial assets under prepaid expenses and accrued income are allocated to the category other financial receivables, and financial liabilities under deferred income and accrued expenses are allocated to the category other financial liabilities. They are measured at amortised cost and are due within one year. The fair values have been taken as the carrying amounts.

23 TRANSACTIONS WITH RELATED PARTIES

SCOPE OF TRANSACTIONS BETWEEN THE GROUP AND RELATED PARTIES

	2016	2015	2016	2015	2016	2015	2016	2015
	Energy sales		Financial and other incomes		Energy procurement		Financial and other expenses	
CHF thousands								
Canton of Graubünden	81	81	-	-	-	-	-	-
Axpo Group	25,293	64,304	149	237	13,159	22,741	184	511
Elektrizitätswerke des Kantons Zürich (EKZ)	1,611	-	-	-	-	-	97	-
UBS Clean Energy Infrastructure KGK (UBS-CEIS)	-	-	-	-	-	-	43	-
Main shareholders	**26,985**	**64,385**	**149**	**237**	**13,159**	**22,741**	**324**	**511**
Kraftwerke Hinterrhein AG	178	391	21	20	2,984	3,946	12	8
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen	-	-	18	23	13,689	13,083	-	-
Associate partner plants	**178**	**391**	**39**	**43**	**16,673**	**17,029**	**12**	**8**
Rhiienergie AG, Tamins	1,173	1,843	6	4	212	103	-	29
EL.IT.E S.p.A.	-	-	239	250	1,542	1,089	-	-
Aerochetto S.r.l.	-	-	376	370	-	-	-	-
Swisscom Energy Solutions AG	502	417	19	11	-	-	-	-
Other associates	**1,675**	**2,260**	**640**	**635**	**1,754**	**1,192**	**-**	**29**
Kraftwerk Morteratsch AG	-	-	81	-	-	-	-	-
Joint ventures	**-**	**-**	**81**	**-**	**-**	**-**	**-**	**-**

CHF thousands	Receivables at 31 December 2016	Receivables at 31 December 2015	Current liabilities at 31 December 2016	Current liabilities at 31 December 2015	Other non-current liabilities at 31 December 2016	Other non-current liabilities at 31 December 2015	Active loans at 31 December 2016	Active loans at 31 December 2015
Axpo Group	6,283	3,460	8,053	710	-	-	-	-
Elektrizitätswerke des Kantons Zürich (EKZ)	276	-	-	-	-	-	-	-
Main shareholders	**6,559**	**3,460**	**8,053**	**710**	**-**	**-**	**-**	**-**
Kraftwerke Hinterrhein AG	837	12	21	240	-	-	-	-
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen	-	-	-	-	-	-	-	10,000
Associate partner plants	**837**	**12**	**21**	**240**	**-**	**-**	**-**	**10,000**
Rhiienergie AG, Tamins	-	158	-	1	-	234	-	-
EL.IT.E S.p.A.	230	228	382	384	-	-	320	968
Aerochetto S.r.l.	-	-	-	-	-	-	-	-
Swisscom Energy Solutions AG	-	108	-	46	-	-	3,314	2,057
Other associates	**230**	**494**	**382**	**431**	**-**	**234**	**3,634**	**3,025**
Kraftwerk Morteratsch AG	1	-	3,600	-	-	-	300	-
Joint ventures	**1**	**-**	**3,600**	**-**	**-**	**-**	**300**	**-**

The positive replacement values of held-for-trading positions in respect of the Axpo Group amounted to TCHF 869 (previous year: TCHF 1,424).

The negative replacement values of held-for-trading positions in respect of the Axpo Group amounted to TCHF 15,125 (previous year: TCHF 10,613).

MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVE BOARD

In the 2016 and 2015 financial years Repower paid the following compensation to members of the Board of Directors and Executive Board:

CHF	2016	2015
Gross salaries (fixed) and reimbursements	2,462,682	2,425,008
Gross salaries (variable)	611,140	62,200
Pension funds and other personnel costs	578,789	704,660
Total	**3,652,611**	**3,191,868**

Additional disclosures on compensation and shareholdings of group governing bodies in accordance with the Swiss Code of Obligations are provided in the Compensation, shareholdings and loans section of the annual report.

24 ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

CHF thousands	31.12.2016 Carrying amount	31.12.2015 Carrying amount
Assets		
Forward foreign currency contracts	2,160	82
Energy trading transactions	147,772	103,300
Held for trading	**149,932**	**103,382**
Derivative financial instruments	**149,932**	**103,382**
Active loans	3,934	13,024
Fixed term deposits (4-12 months)	35,000	15,169
Receivables	344,465	379,767
Trade accounts receivables	313,852	350,704
Other receivables	30,613	29,063
Prepaid expenses and accrued income	39	248
Cash and cash equivalents	298,420	396,765
Loans and receivables	**681,858**	**804,973**
Shares, bonds, other securities	125	125
Held for trading	**125**	**125**
Other financial assets	3,388	3,390
Available for sale	**3,388**	**3,390**
Non-derivative financial instruments	**685,371**	**808,488**
Total	**835,303**	**911,870**

CHF thousands	31.12.2016 Carrying amount	31.12.2015 Carrying amount
Liabilities		
Forward foreign currency contracts	308	1,663
Energy trading transactions	141,941	77,154
Interest rate swaps	19,736	19,251
Held for trading	**161,985**	**98,068**
Derivative financial instruments	**161,985**	**98,068**
Received loans	273,980	414,149
Current financial liabilities	19,482	202,823
Liabilities for financial leasing	74	165
Other current liabilities	361,216	363,863
Trade accounts payable	346,003	333,165
Other liabilities	15,213	30,698
Accrued expenses	11,867	17,874
Other financial liabilities	**666,619**	**998,874**
Non-derivative financial instruments	**666,619**	**998,874**
Total	**828,604**	**1,096,942**

The following tables show the reconciliation of the figures presented here.

RECONCILIATION 31.12.2016 CARRYING VALUE (ASSETS)

CHF thousands	Securities and other financial instruments	Receivables	Positive replacement values HfT-positions	Other financial assets	Prepaid expenses and accrued income	Cash and cash equivalents
Derivative financial instruments						
Held for trading						
Forward foreign currency contracts	2,160					
Energy trading transactions			147,772			
Non-derivative financial instruments						
Loans and receivables						
Active loans				3,934		
Fixed term deposits (4-12 months)	35,000					
Receivables		344,465				
Prepaid expenses and accrued income					39	
Cash and cash equivalents						298,420
Held for trading						
Shares, bonds, other securities	125					
Available for sale						
Other financial assets				3,388		
Total	**37,285**	**344,465**	**147,772**	**7,322**	**39**	**298,420**
Non-financial instruments		**8,730**			**2,122**	
Balance sheet amount	**37,285**	**353,195**	**147,772**	**7,322**	**2,161**	**298,420**

RECONCILIATION 31.12.2015 CARRYING VALUE (ASSETS)

CHF thousands	Securities and other financial instruments	Receivables	Positive replacement values HfT-positions	Other financial assets	Prepaid expenses and accrued income	Cash and cash equivalents
Derivative financial instruments						
Held for trading						
Forward foreign currency contracts	82					
Energy trading transactions			103,300			
Non-derivative financial instruments						
Loans and receivables						
Active loans				13,024		
Fixed term deposits (4-12 months)	15,169					
Receivables		379,767				
Prepaid expenses and accrued income					248	
Cash and cash equivalents						396,765
Held for trading						
Shares, bonds, other securities	125					
Available for sale						
Other financial assets				3,390		
Total	**15,376**	**379,767**	**103,300**	**16,414**	**248**	**396,765**
Non-financial instruments		**11,260**			**4,304**	
Balance sheet amount	**15,376**	**391,027**	**103,300**	**16,414**	**4,552**	**396,765**

RECONCILIATION 31.12.2016 CARRYING VALUE (LIABILITIES)

CHF thousands	Non-current financial liabilities	Current financial liabilities	Negative replacement values HfT positions	Other current liabilities	Deferred income and accrued expenses
Derivative financial instruments					
Held for trading					
Forward foreign currency contracts		308			
Energy trading transactions			141,941		
Interest rate swaps	19,736				
Non-derivative financial instruments					
Other financial liabilities					
Received loans	273,980				
Current financial liabilities		19,482			
Liabilities for financial leasing	53	21			
Other current liabilities				361,216	
Accrued expenses					11,867
Total	**293,769**	**19,811**	**141,941**	**361,216**	**11,867**
Non-financial instruments				**1,505**	**5,910**
Balance sheet amount	**293,769**	**19,811**	**141,941**	**362,721**	**17,777**

RECONCILIATION 31.12.2015 CARRYING VALUE (LIABILITIES)

CHF thousands	Non-current financial liabilities	Current financial liabilities	Negative replacement values HfT positions	Other current liabilities	Deferred income and accrued expenses
Derivative financial instruments					
Held for trading					
Forward foreign currency contracts		1,663			
Energy trading transactions			77,154		
Interest rate swaps	19,251				
Non-derivative financial instruments					
Other financial liabilities					
Received loans	414,149				
Current financial liabilities		202,823			
Liabilities for financial leasing	88	77			
Other current liabilities				363,863	
Accrued expenses					17,874
Total	**433,488**	**204,563**	**77,154**	**363,863**	**17,874**
Non-financial instruments				**4,161**	**5,673**
Balance sheet amount	**433,488**	**204,563**	**77,154**	**368,024**	**23,547**

The carrying amount of each financial instrument represents a reasonable estimate for the fair value, with the exception of the following positions:

CHF thousands	31.12.2016 Carrying amount	31.12.2016 Fair value	31.12.2015 Carrying amount	31.12.2015 Fair value
Received loans (incl. long term leasing)	274,033	309,193	414,237	490,178

MEASUREMENT HIERARCHY

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.

FAIR VALUE HIERARCHY

Recurring measurement of assets

	31.12.2016	Level 1	Level 2	Level 3
CHF thousands				
Forward foreign currency contracts	2,160	-	2,160	-
Energy trading transactions	147,772	-	147,772	-
Derivative financial instruments	**149,932**	**-**	**149,932**	**-**
Shares, bonds, other securities	125	-	125	-
Non-derivative financial instruments	**125**	**-**	**125**	**-**

Recurring measurement of liabilities

	31.12.2016	Level 1	Level 2	Level 3
CHF thousands				
Forward foreign currency contracts	308	-	308	-
Energy trading transactions	141,941	-	141,941	-
Interest rate swaps	19,736	-	19,736	-
Derivative financial instruments	**161,985**	**-**	**161,985**	**-**
Received loans (incl. long term leasing)	309,193	-	309,193	-
Financial instruments that are not measured at fair value	**309,193**	**-**	**309,193**	**-**

Recurring measurement of assets

	31.12.2015	Level 1	Level 2	Level 3
CHF thousands				
Forward foreign currency contracts	82	-	82	-
Energy trading transactions	103,300	-	103,300	-
Derivative financial instruments	**103,382**	**-**	**103,382**	**-**
Shares, bonds, other securities	125	-	125	-
Non-derivative financial instruments	**125**	**-**	**125**	**-**

Recurring measurement of liabilities

CHF thousands	31.12.2015	Level 1	Level 2	Level 3
Forward foreign currency contracts	1,663	-	1,663	-
Energy trading transactions	77,154	-	77,154	-
Interest rate swaps	19,251	-	19,251	-
Derivative financial instruments	**98,068**	**-**	**98,068**	**-**
Received loans (incl. long term leasing)	490,178	-	490,178	-
Financial instruments that are not measured at fair value	**490,178**	**-**	**490,178**	**-**

There are currently no indications for a one-time measurement of a fair value.

In the Repower Group, transfers of positions measured at fair value to and from a level generally take place at the end of the period. There were no transfers between levels at the end of 2016. There were no changes in the measurement methods nor were items measured at fair value shifted within the individual categories.

Basic measurement methods and assumptions
Fair values are determined by applying standard market measurement methods taking into account the market data available on the measurement date. The measurement methods and assumptions used to calculate fair values are as follows:

The price curves of the last trading day for the various products and maturities on stock exchanges or with brokers are incorporated into the measurement of the energy trading transactions (positive/negative replacement values of the held-for-trading positions) classified as Level 2. The replacement value is the difference in price compared to the closing price.

Observable currency curves of active markets are incorporated into the fair value measurement of forward exchange transactions. Interest rate differences between individual currencies are taken into account when determining the fair value.

Observable yield curves of active markets are incorporated into the fair value measurement of interest rate swaps.

A present value calculation is used to determine the fair value of the non-current loans. Observable capital market rates on active markets are used as input parameters and increased by Repower's observable credit risk. Loans in euros are converted to Swiss francs at the closing rate.

The table below shows the financial assets that were netted as well as enforceable global netting agreements and similar agreements:

	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	Receivables / other current liabilities	Receivables / other current liabilities	Positive / negative replacement values	Positive / negative replacement values
CHF thousands				
Assets				
Gross amount of financial assets before offsetting	466,568	517,617	383,261	221,469
Gross amount of financial liabilities that have been offset with financial assets in the balance sheet	–113,373	–126,590	–235,489	–118,169
Net amount of financial assets in the balance sheet	**353,195**	**391,027**	**147,772**	**103,300**

CHF thousands	31.12.2016 Other current liabilities / receivables	31.12.2015 Other current liabilities / receivables	31.12.2016 Negative / positive replacement values	31.12.2015 Negative / positive replacement values
Liabilities				
Gross amount of financial liabilities before offsetting	–476,094	–494,614	–377,430	–195,323
Gross amount of financial assets that have been offset with financial liabilities in the balance sheet	113,373	126,590	235,489	118,169
Net amount of financial liabilities in the balance sheet	**–362,721**	**–368,024**	**–141,941**	**–77,154**

25 BUSINESS COMBINATIONS, DISPOSALS AND LIQUIDATIONS

BUSINESS DISPOSALS IN THE 2016 FINANCIAL YEAR

In the first half of 2016 Repower sold connecta ag, a company operating communications networks in Canton Graubünden. The pre-tax gain on the disposal is recognised under other operating income in the Market Switzerland segment.

In November 2016 MET Holding AG acquired Repower Furnizare România S.r.l., classified as held for sale in the 2016 interim financial statement. The pre-tax loss on the disposal is recognised under other operating expense in other segments and activities.

Before they were disposed of the two companies were classified as held for sale.

In the second half of the year SEI S.p.A., Repower Macedonia DOOEL Skopje – vo likvidacija and Repower Adria d.o.o "u likvidaciji" were wound up. Cumulative translation gains of TCHF 2,456 were reclassified in the Market Switzerland segment and translation losses of TCHF 335 in other segments and activities. The impact on income is shown under other operating income and other operating expenses.

Before SEI S.p.A. was wound up, in particular its shareholders converted the shareholders' loans granted to the company into shareholders' equity. The total converted from liabilities to shareholders' equity came to TCHF 8,817.

CHF thousands	connecta ag	Repower Furnizare România S.r.l.	Total
Book value of net assets over which control was lost			
Non-current assets	**4,325**	**803**	**5,128**
Property, plant and equipment	4,210	64	4,274
Intangible assets	115	287	402
Deferred tax assets	-	452	452
Current assets	**898**	**39,540**	**40,438**
Inventories	32	13,528	13,560
Receivables	2	26,536	26,538
Current income tax receivables	-	138	138
Prepaid expenses and accrued income	-	435	435
Cash and cash equivalents/overdraft facility	864	–1,097	–233
Non-current liabilities	**–704**	**–80**	**–784**
Pension provisions	–692	-	–692
Non-current provisions	-	–63	–63
Non-current financial liabilities	-	–17	–17
Deferred tax liabilities	–12	-	–12
Current liabilities	**–1,162**	**–25,590**	**–26,752**
Current income tax liabilities	–139	-	–139
Other current liabilities	–912	–25,590	–26,502
Deferred income and accrued expenses	–111	-	–111
Net assets derecognised	**3,357**	**14,673**	**18,030**
Consideration received			
Cash consideration received	5,000	16,304	21,304
Total consideration	**5,000**	**16,304**	**21,304**
Result on disposal			
Total consideration	5,000	16,304	21,304
Net assets derecognised	–3,357	–14,673	–18,030
Cumulative translation differences reclassified from equity on P/L	-	–3,448	–3,448
Result on disposal	**1,643**	**–1,817**	**–174**
Net cash inflow/outflow arising on disposal			
Cash consideration received	5,000	16,304	21,304
Cash and cash equivalents disposed of	–864	1,097	233
Net cash inflow/outflow arising on disposal	**4,136**	**17,401**	**21,537**

BUSINESS DISPOSALS IN THE 2015 FINANCIAL YEAR

In the first half of 2015 Repower sold the project to construct a combined-cycle gas turbine plant in Leverkusen to STEAG GmbH in Essen. This included the disposal of Repower GuD Leverkusen Verwaltungs-GmbH and Repower Leverkusen GmbH & Co. KG. The pre-tax gain on the disposal is recognised under other operating income in the Market Switzerland segment.

On 2 July 2015, Enovos Deutschland SE took over the sales activities of Repower Deutschland GmbH. The pre-tax loss on the disposal is recognised under other operating expense in the Market Switzerland segment.

In the second half of 2015, Repower Polska Sp. z.o.o. was wound up. As a result of this liquidation, cumulative translation gains of TCHF 37 were reclassified to profit or loss. The pre-tax gain was recognised under other operating income in other segments and activities.

CHF thousands	Repower GuD Leverkusen GmbH und Co. KG und Repower GuD Leverkusen Verwaltungs-GmbH	Sales Germany	Total
Book value of net assets over which control was lost			
Non-current assets	**-**	**4**	**4**
Property, plant and equipment	-	4	4
Current assets	**939**	**8,187**	**9,126**
Receivables	35	8,187	8,222
Cash and cash equivalents	904	-	904
Non-current liabilities	**-**	**–55**	**–55**
Non-current provisions	-	–55	–55
Current liabilities	**–37**	**–6,536**	**–6,573**
Other current liabilities	–37	–5,917	–5,954
Deferred income and accrued expenses	-	–619	–619
Net assets derecognised	**902**	**1,600**	**2,502**
Consideration received			
Cash consideration received	1,754	836	2,590
Total consideration	**1,754**	**836**	**2,590**
Result on disposal			
Total consideration	1,754	836	2,590
Net assets derecognised	–902	–1,600	–2,502
Cumulative translation differences reclassified from equity on P/L	2,253	–155	2,098
Utilisations of non-current provisions	-	687	687
Gain/loss on disposal	**3,105**	**–232**	**2,873**
Net cash inflow/outflow arising on disposal			
Cash consideration received	1,754	836	2,590
Cash and cash equivalents disposed of	–904	-	–904
Net cash inflow/outflow arising on disposal	**850**	**836**	**1,686**

26 ASSETS AND LIABILITIES HELD FOR SALE

CHF thousands	31.12.2016	31.12.2015
Tangible assets	8,321	7,754
Intangible assets	-	115
Deferred tax assets	-	25
Inventories	-	32
Receivables	-	415
Accrued income and prepaid expenses	-	96
Cash and cash equivalents	-	1,368
Assets held for sale	**8,321**	**9,805**
Pension provisions	-	519
Current income tax liabilities	-	121
Current financial liabilities	-	7,389
Other current liabilities	-	1,963
Deferred income and accrued expenses	-	833
Liabilities held for sale	**-**	**10,825**

Morteratsch power plant held for sale
Tangible assets with a carrying value of TCHF 8,321 held for sale at 31 December 2016 relate to the Morteratsch hydropower plant, in the Market Switzerland segment, which under the terms of an agreement is to be sold in 2017 to Kraftwerk Morteratsch AG, a joint venture established in 2016.

All assets and liabilities held for sale the previous year were disposed of in 2016.

Assets and liabilities held for sale: SEI S.p.A.
In the 2016 financial year the assets and liabilities of SEI S.p.A. were reassigned to their original balance sheet items, and the company was wound up. Translation gains of TCHF 2,456 were reclassified to profit or loss as other operating income in the Market Switzerland segment. Non-controlling equity interests of TCHF 177 were eliminated. At the end of the previous year the net assets of the disposal group, totalling TCHF -8,203, had been assigned to the Market Italy segment. At 31 December 2015 translation gains for SEI S.p.A., which were contained in Repower Group's equity, amounted to TCHF 2,522 for the Repower Group and TCHF 1,704 for the minority interests.

Assets and liabilities held for sale: connecta ag
In June 2016 connecta ag was sold (see Note 25 on business combinations, disposals and liquidations). At 31 December 2015 connect ag and associated fully-consolidated assets and liabilities were classified as held for sale. connecta ag operates communications networks in Canton Graubünden, and was included in the Market Switzerland segment. On 31 December 2015 its net assets came to TCHF 3,278.

Properties held for sale
The administrative building in Ilanz was sold in the 2016 financial year. The pre-tax gain of TCHF 6,046 on the disposal is recognised under other segments and activities. At 31 December 2015 the administrative building in Ilanz was classified as held for sale and was recognised under other segments and activities. At 31 December 2015 its carrying value was TCHF 3,905.

27 SEGMENT REPORTING

CHF thousands	Market Switzerland	Market Italy	Other segments and activities and consolidation	Group
2016				
Net sales from energy sales - third parties	488,985	1,111,316	111,398	1,711,699
Net sales from energy sales between segments	61,959	35,280	–97,239	-
Income from held for trading positions - third parties	2,723	–26,331	–11	–23,619
Income from held for trading positions between segments	–2,283	2,229	54	-
Own costs capitalised	7,970	-	1	7,971
Other operating income - third parties	30,398	1,106	12,303	43,807
Other operating income between segments	2,827	613	–3,440	-
Operating revenue	**592,579**	**1,124,213**	**23,066**	**1,739,858**
Energy procurement - third party	–417,893	–966,192	–109,247	–1,493,332
Energy procurement between segments	–35,167	–61,497	96,664	-
Operating expenses (without energy) - third parties	–81,802	–78,333	–34,161	–194,296
Operating expenses (without energy) between segments	–14,362	–8,736	23,098	-
Income before interest, taxes, depreciation and amortisation (EBITDA)	**43,355**	**9,455**	**–580**	**52,230**
Depreciations	–32,386	–11,753	–1,310	–45,449
Impairment and reversal of impairment	2,264	12,672	-	14,936
Income before interest and taxes (EBIT)	**13,233**	**10,374**	**–1,890**	**21,717**
Financial income				3,885
Financial expenses				–32,296
Share of results of associates				–3,246
Income before taxes				**–9,940**
Headcount at 31 December	325	157	81	563
Tangible assets	592,757	140,968	22,795	756,520
Intangible assets	2,957	4,080	636	7,673
Investments in associates and partner plants	17,180	3,348	-	20,528
Total non-current assets	**612,894**	**148,396**	**23,431**	**784,721**
Investments in tangible and intangible assets	16,868	3,085	385	20,338

CHF thousands	Market Switzerland	Market Italy	Other segments and activities and consolidation	Group
2015 Restated*				
Net sales from energy sales - third parties	542,014	1,149,165	142,867	1,834,046
Net sales from energy sales between segments	81,849	33,778	–115,627	-
Income from held for trading positions - third parties	14,926	–2,946	–8,034	3,946
Income from held for trading positions between segments	–7,764	7,048	716	-
Own costs capitalised	6,964	-	136	7,100
Other operating income - third parties	39,407	2,216	3,314	44,937
Other operating income between segments	2,456	662	–3,118	-
Operating revenue	**679,852**	**1,189,923**	**20,254**	**1,890,029**
Energy procurement - third party	–483,191	–1,030,945	–146,076	–1,660,212
Energy procurement between segments	–33,616	–80,253	113,869	-
Operating expenses (without energy) - third parties	–84,821	–67,432	–36,836	–189,089
Operating expenses (without energy) between segments	–17,325	–8,938	26,263	-
Income before interest, taxes, depreciation and amortisation (EBITDA)	**60,899**	**2,355**	**–22,526**	**40,728**
Depreciations	–33,035	–12,630	–1,871	–47,536
Impairment and reversal of impairment	–11,592	–50,132	–7	–61,731
Income before interest and taxes (EBIT)	**16,272**	**–60,407**	**–24,404**	**–68,539**
Financial income				11,533
Financial expenses				–82,197
Share of results of associates				–12,990
Income before taxes				**–152,193**
Headcount at 31 December	430	154	48	632
Tangible assets	606,570	138,606	25,592	770,768
Intangible assets	3,983	3,771	851	8,605
Investments in associates and partner plants	15,613	4,745	3,914	24,272
Total non-current assets	**626,166**	**147,122**	**30,357**	**803,645**
Investments in tangible and intangible assets	15,755	2,172	1,970	19,897

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

INFORMATION BY PRODUCT

CHF thousands	2016	2015
Power, including considerations for energy transmission	1,381,428	1,485,646
Gas	223,315	266,028
Other	83,337	86,318
Net sales	**1,688,080**	**1,837,992**

INFORMATION BY COUNTRY

The information on income from external customers broken down by country can be found in the tables above. The non-current assets are allocated to the location of the accounting entity. They do not contain financial instruments or deferred tax assets.

Non-current assets

CHF thousands	31.12.2016	31.12.2015
Switzerland	605,488	622,738
Italy	148,821	147,552
Other countries	30,413	33,355
Total	**784,722**	**803,645**

Customers with a share of revenue of more than 10 per cent

In the year under review the Repower Group had no individual customer with a share of net sales of more than 10 per cent.

28 CONTINGENT LIABILITIES AND WARRANTY LIABILITIES

Certain countries have regulatory authorities overseeing the electricity sector. One of their tasks is to monitor the legitimacy of prices. Regulators can initiate retrospective pricing adjustments after the end of the financial year, which should subsequently be recognised in profit or loss. Liabilities can arise if the regulators do not recognise cost declarations.

Repower is involved in various legal disputes arising from its 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 set aside the requisite provisions based on currently available information and estimates.

There are no other contingent liabilities, warranty liabilities or other obligations stemming from litigation risks.

29 OBLIGATIONS UNDER LEASING ARRANGEMENTS

Leasing contracts that mainly transfer the economic risk to Repower are recognised as finance leasing arrangements. 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.

The total of the future minimum leasing payments for the periods is:

OPERATING LEASING ARRANGEMENTS

CHF thousands	31.12.2016	31.12.2015
Due within 1 year	3,607	3,250
Due in 1-5 years	7,380	5,100
Due after 5 years	10,877	7,253
Total	**21,864**	**15,603**

The outstanding minimum lease payments comprise the following:

CHF thousands	31.12.2016	31.12.2015
Land and buildings	20,300	14,073
Motor vehicles	1,474	1,478
IT hardware	90	52
Total	**21,864**	**15,603**

Lease expenses of TCHF 4,310 were recognised in the financial year under review. Lease expenses came to TCHF 4,890 the previous year.

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 kilometre limit.

FINANCE LEASING ARRANGEMENTS

The finance leasing arrangements only cover motor vehicles. The lease liabilities are contained in financial liabilities. If Repower uses the vehicles beyond the agreed kilometre limit, it must pay a standard market surcharge.

CHF thousands	31.12.2016	31.12.2015
Sum of minimum lease payments		
Due within 1 year	24	80
Due in 1-5 years	59	97
Due after 5 years	-	-
Total	**83**	**177**
Future interests	**–9**	**–12**
Liabilities for financial leasing	**74**	**165**
Present value of liabilities for financial leasing		
Due within 1 year	21	77
Due in 1-5 years	53	88
Due after 5 years	-	-
Total	**74**	**165**

30 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The group financial statements were approved for publication by the Board of Directors on 30 March 2017. They are subject to the approval of the annual general meeting, which will take place on 17 May 2017.

The shareholders have granted Repartner Produktions AG a loan as part of a plant-based energy supply agreement involving the supply of around 240 GWh per year, starting 1 January 2017, from the electricity generated by the Klosters, Schlappin and Küblis plants. On a consolidated basis CHF 51.6 million in liquid assets flowed to Repower in January 2017.

Repower placed two green bonds (Schuldscheindarlehen), issue date 23 January 2017, totalling EUR 50 million (divided into two tranches with terms of 7 and 8 years respectively and fixed rates of interest of 1.7 and 1.9 per cent respectively).

In January 2017 Repower settled the two interest rate swaps recognised under non-current financial liabilities, due on 11 December 2020 and 28 June 2024, with the counterparty by means of a payment of TCHF 6,083. In March 2017 Repower repayed prematurely the TCHF 10,000 bank loan, originally due on 11 December 2020, recognised under non-current financial liabilities.

Report of the auditors

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Zurich, 30 March 2017

To the General Meeting of Repower AG, Brusio

STATUTORY AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Repower AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2016 and the consolidated income statement, consolidated statement of comprehensive income, changes in consolidated equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

BASIS FOR OPINION

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Energy derivatives

Area of focus	Positive and negative replacement values recorded in the consolidated financial statements are a result of classification as held-for-trading, in contrast to those classified as own-use. Their carrying amount is based on valuing current commodity contracts and reflecting existing netting agreements with counterparties. Classification as held-for-trading requires judgment and has a material impact on both the consolidated balance sheet presentation and the recognition of changes in valuation of these derivatives in the consolidated income statement. The valuation of these instruments is derived from observable market data on active markets. The positive and negative replacement values are presented net when legally enforceable netting agreements are in place. The Group defined policies and procedures to account for energy contracts. This process includes segregation of duties and controls. Due to the significance of these transactions, significant judgment and the potential impact on the consolidated financial statements, the accounting of energy derivatives was considered significant to our audit. Refer to notes 1 and 14 of the consolidated financial statements for further information.
Our audit response	We assessed the Group's process around accounting of commodity contracts in general and the policies and procedures related to classifying commodity contracts as either held-for-trading or for the purpose of own use in particular. We assessed internal controls over the Group's accounting for such trading activity. We evaluated the Group's policies and procedures around classification, valuation and netting of open positions including the established segregation of duties and discussed these with the Group. We evaluated the sensitivity of the key assumptions applied and compared these assumptions to other information.

Taxes

Area of focus	Determining deferred and current income tax amounts requires judgment. The Group is present in different jurisdictions with exposure to different levels of taxation. The Group also records deferred tax assets and liabilities and is required to estimate the recoverability of its deferred tax asset position. The assessment of the recoverability of deferred tax assets depends on key assumptions applied by the Group, such as budgeted and forecasted profitability on an entity by entity basis, including an assumption about the applicable tax rates (whether enacted or substantially enacted). Due to the exposure of the income tax balances to changes in Group's judgments and estimates applied, income taxes was considered significant to our audit. Refer to note 5 of the consolidated financial statements for further information.
Our audit response	We assessed the Group's overall risk exposure regarding income taxes. We evaluated the process and internal controls framework around income taxes, including how judgment and estimates are derived, approved and accounted for. We assessed the Group's policies around taxation for each major jurisdiction and how the Group mitigates risks arising locally. We considered the Group's correspondence with tax authorities and inquired regarding ongoing tax audits and potential disputes. We evaluated the consistency of the Group's budgets and forecasts including the assessment of tax rates. We considered current developments in tax legislation and the impact on the Group's assumptions. We involved tax specialists to assist in examining the Group's tax policies, deferred tax asset valuation models and underlying assumptions.

Tangible assets

Area of focus	Tangible assets is a material balance amounting to 44.4% of total assets in the consolidated financial statements. These comprise primarily power plants, grids and other non-current assets of the Group. The Group assesses the valuation of its power plants annually or when indicators for impairment exist. The Group's other non-current assets including grids are assessed for impairment when indicators for impairment exist. The testing for potential impairments involves the use of estimates and assumptions, such as the forecast production volume, the forecast long-term energy price curve and foreign exchange rates impacting future earnings and cash flows. In addition, discount rates are relevant in obtaining a value in use as of the date of the valuation. Refer to Note 7 for further information.
Our audit response	We assessed the Group's definition of CGU's related to its power plants and other assets and related documentation. We further assessed the process to derive the underlying assumptions and estimates around forecast production volumes, the forecast long-term energy price curve and foreign exchange rates. We evaluated the internal controls related to the budgeting and forecasting process as well as the process to derive assumptions and estimates. We evaluated the impairment testing model and involved valuation experts. We assessed the cash flows derived for each CGU and how the discount rates including applicable input variables

	were determined. We corroborated the input variables to the discount rates based on sources provided by the Group and tested them against observable market data.

Receivables

Area of focus	Receivables is a material balance amounting to 20.7% of total assets in the consolidated balance sheet. Receivables comprise a multitude of counterparties, ranging from individual households to corporate customers and governments. The Group assesses the valuation of its receivables on an individual basis which requires estimates about the future recoverability of these positions. Changes in the Group's estimates regarding the recovery may have a material impact on the balance sheet. Refer to Note 12 for further information.
Our audit response	We assessed the internal controls framework related to determination of estimates and assumptions underlying the valuation of receivables. We assessed the valuation allowance by jurisdiction and class of counterparty. We assessed the percentages applied in provisioning for potential future losses by comparing these against historic loss rates incurred and other information.

OTHER INFORMATION IN THE ANNUAL REPORT

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITY OF THE BOARD OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with article 728a para. 1 item 3 CO and the 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.

Ernst & Young Ltd

Alessandro Miolo	**Ralf Noffke**
Licensed Audit	Licensed Audit Expert
(Auditor in charge)	

Income statement

CHF thousands	Note	2016	2015
Net sales	1	545,256	617,851
Change in inventories for work in progress		496	2,628
Own costs capitalised		7,968	7,100
Other operating income		29,820	30,166
Total operating revenue		**583,540**	**657,745**
Energy procurement		–454,204	–524,042
Material and third parties services		–16,961	–19,441
Concession fees		–16,025	–16,925
Personnel expenses		–46,639	–48,223
Other operating expenses		–21,492	–21,098
Depreciation/amortisation and impairment	2	–35,994	–200,748
Operating expenses		**–591,315**	**–830,477**
Operating income before interest, extraordinary items and taxes		**–7,775**	**–172,732**
Financial income		51,056	179,435
Financial expense		–49,595	–156,647
Income before taxes		**–6,314**	**–149,944**
Non-operating income		740	1,187
Extraordinary, non-recurring or prior period income	3	24,997	54,841
Extraordinary, non-recurring or prior period expenses	4	–10,821	–1,966
Result before taxes		**8,602**	**–95,882**
Taxes		–5,323	–3,096
Net income for the year		**3,279**	**–98,978**

Balance sheet

CHF thousands	Note	31.12.2016	31.12.2015
Assets			
Cash and cash equivalents and current assets listed at the stock exchange	5	286,926	358,598
Current securities and other financial instruments not listed at the stock exchange	6	35,000	-
Trade accounts receivable	7	230,004	241,099
Other receivables	8	8,824	31,673
Inventories and non-invoiced services	9	8,064	7,931
Prepaid expenses and accrued income		2,695	10,042
Current assets		**571,513**	**649,343**
Financial assets	10	147,184	197,697
Shareholdings		244,213	263,045
Tangible assets		367,265	370,511
Intangible assets	11	23,693	30,248
Non-current assets		**782,355**	**861,501**
Total assets		**1,353,868**	**1,510,844**

CHF thousands	Note	31.12.2016	31.12.2015
Liabilities and shareholders' equity			
Trade accounts payable	12	200,191	215,162
Current interest-bearing liabilities	13	15,000	200,000
Other current liabilities	14	86,379	59,521
Deferred income and accrued expenses		20,536	23,804
Current liabilities		**322,106**	**498,487**
Short-term interest-bearing liabilities	15	232,685	373,937
Other non-current liabilities	16	42,876	43,905
Non-current provisions	17	44,387	55,528
Non-current liabilities		**319,948**	**473,370**
Liabilities		**642,054**	**971,857**
Share capital		7,391	2,783
Participation capital		-	625
Legal reserve from capital		185,442	19,871
Legal reserve from retained earnings		17,123	17,123
Free reserves from earnings			
Other reserves		461,969	561,961
Retained earnings		39,910	–63,376
Treasury shares		–21	-
Equity	**18**	**711,814**	**538,987**
Total liabilities and shareholder's equity		**1,353,868**	**1,510,844**

Notes to the financial statements: principles

GENERAL INFORMATION

The company was established in 1904 under the name of Kraftwerke Brusio AG. In 2000, Kraftwerke Brusio AG (Poschiavo) merged with AG Bündner Kraftwerke (Klosters) and Rhätische Werke für Elektrizität (Thusis) to form Rätia Energie AG. In 2010 the company was renamed Repower AG. The purpose of the company is to generate, transmit, distribute, trade in and sell energy and provide services directly or indirectly in this connection.

In the 2015 financial year, wholly-owned subsidiary Repower Schweiz AG was merged with Repower AG.

A. ACCOUNTING PRINCIPLES

These financial statements were prepared in accordance with the provisions of Swiss law, in particular the provisions governing commercial accounting and financial reporting (Art. 957 to 962 of the Swiss Code of Obligations).

FIRST APPLICATION OF NEW FINANCIAL REPORTING LAW

The 2015 financial statements were prepared for the first time in accordance with the provisions of Swiss financial reporting law (Title Thirty-Two of the Code of Obligations).

B. ACCOUNTING AND VALUATION PRINCIPLES

The main items are recognised as follows:

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash holdings and bank and postal account balances, and are recognised on the balance sheet at nominal value.

CURRENT ASSETS WITH A STOCK EXCHANGE PRICE

Derivative financial instruments held for trading with a directly observable market price or directly observable input parameters are recognised at fair value. Fluctuation reserves are not created.

HEDGING TRANSACTIONS

Future cash flows in foreign currencies can be hedged. The corresponding derivative is recognised in profit or loss on the occurrence of the underlying transaction.

TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable are recognised at nominal value and impaired if necessary. The amount at the end of the period may be subjected to a flat rate impairment at a rate accepted for tax purposes.

OTHER RECEIVABLES

Other receivables are measured at nominal values. Any counterparty risks are accounted for by means of necessary impairment.

INVENTORIES AND NON-INVOICED SERVICES

Inventories and non-invoiced services are recognised at acquisition or production cost taking account of economically necessary impairments. Otherwise impairment may be done at a rate accepted for tax purposes.

PREPAID EXPENSES AND ACCRUED INCOME/DEFERRED INCOME AND ACCRUED EXPENSES

Prepaid expenses and accrued income/deferred income and accrued expenses comprise the asset and liability items resulting from the accrual and deferral of individual items of expense and income in accordance with the accrual and matching principle. The origination costs of interest-bearing liabilities are capitalised under prepaid expenses and accrued income. Prepaid expenses and accrued income/deferred income and accrued expenses are recognised at nominal values.

FINANCIAL ASSETS AND SHAREHOLDINGS

Financial assets and shareholdings are recognised at cost taking account of necessary impairment. Financial assets and shareholdings are measured on a unit of account basis.

TANGIBLE ASSETS

Tangible assets are recognised at acquisition or production cost less accumulated depreciation and any impairment losses. Amortisation is done on a straight-line basis over the subsequent useful life.

Category	Useful life
Power plants and concession period	20 – 80 years depending on the type of facility
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

INTANGIBLE ASSETS

Intangible assets are amortised on a straight-line basis. If there are indications of overvaluation, necessary impairments are taken into account.

CURRENT LIABILITIES

Current liabilities are recognised at nominal value.

NON-CURRENT LIABILITIES

Non-current liabilities comprise a) long-term, interest-bearing financial liabilities at nominal value and b) other non-interest-bearing long-term liabilities.

PROVISIONS

A provision is a probable liability on the basis of a past event; the amount of the liability and/or the date on which it will fall due is uncertain but can be estimated. The amount of provisions is based on the management’s assessment, and reflects the future outflows of funds that can be anticipated as of the balance sheet date.

TREASURY SHARES

Treasury shares are recognised as a negative item in shareholders’ equity on the date of acquisition, without any subsequent measurement. On resale the profit or loss is booked directly to free reserves from earnings.

Notes to the financial statements: C. Notes

1 NET SALES

CHF thousands	2016	2015
Revenue from energy sales	544,816	610,428
Profit from held-for- trading positions	440	7,423
Total	**545,256**	**617,851**

2 DEPRECIATION/AMORTISATION AND IMPAIRMENT

CHF thousands	2016	2015
Depreciation of tangible assets	15,220	14,700
Amortisation of intangible assets	6,744	7,183
Depreciation of financial assets and participations	4	274
Impairment of tangible assets	7,833	11,627
Impairment of financial assets and participations	6,193	166,964
Total	**35,994**	**200,748**

3 EXTRAORDINARY, NON-RECURRING OR PRIOR PERIOD INCOME

CHF thousands	2016	2015
Gains from sales of assets	12,963	1,042
Other extraordinary, non-recurring or prior period income [1)]	12,034	53,799
Total	**24,997**	**54,841**

1) In the year under review this item consists primarily of the sale of assets and the reversal of impairments following the repayment of loans (previous year: primarily the release of provisions for market risks and other items adjusted to changes in the circumstances).

4 EXTRAORDINARY, NON-RECURRING OR PRIOR PERIOD EXPENSES

CHF thousands	2016	2015
Loss from sales of assets under construction	311	808
Loss from sales of assets	166	566
Other extraordinary, non-recurring or prior period expenses	10,344	592
Total	**10,821**	**1,966**

5 CASH AND CASH EQUIVALENTS AND CURRENT ASSETS LISTED AT THE STOCK EXCHANGE

CHF thousands	31.12.2016	31.12.2015
Cash and cash equivalents	197,386	305,278
Energy trading	456	1,065
Positive replacement values held for trading positions	89,084	52,255
Total	**286,926**	**358,598**

6 CURRENT SECURITIES AND OTHER FINANCIAL INSTRUMENTS NOT LISTED AT THE STOCK EXCHANGE

CHF thousands	31.12.2016	31.12.2015
Fixed term deposits (maturity in 12 months)	35,000	-
Total	**35,000**	**-**

7 TRADE ACCOUNTS RECEIVABLE

CHF thousands	31.12.2016	31.12.2015
Third parties	181,672	180,093
Participants and organs	17,518	8,498
Participations	30,814	52,508
Total	**230,004**	**241,099**

8 OTHER RECEIVABLES

CHF thousands	31.12.2016	31.12.2015
Third parties	8,824	15,903
Participations	-	15,770
Total	**8,824**	**31,673**

9 INVENTORIES AND NON-INVOICED SERVICES

CHF thousands	31.12.2016	31.12.2015
Inventories	4,112	4,475
Non-invoiced services	3,952	3,456
Total	**8,064**	**7,931**

10 FINANCIAL ASSETS

CHF thousands	31.12.2016	31.12.2015
Securities	2,551	2,555
Non-current prepayments	32,217	-
Loans to third parties	-	10,000
Loans to participations [1)]	112,416	185,142
Total	**147,184**	**197,697**

1) Loans to participations include a loan of which TCHF 300 has been subordinated.

11 INTANGIBLE ASSETS

CHF thousands	31.12.2016	31.12.2015
Reversion waiver compensation	142,825	142,825
Value adjustment waiver compensation	–121,860	–116,619
Software	2,497	4,000
Intangible assets under development	231	42
Total	**23,693**	**30,248**

12 TRADE ACCOUNTS PAYABLE

CHF thousands	31.12.2016	31.12.2015
Third parties	168,118	178,362
Participants and organs	15,306	6,488
Participations	16,767	30,312
Total	**200,191**	**215,162**

13 SHORT-TERM INTEREST-BEARING LIABILITIES

CHF thousands	Interest rate	Duration	31.12.2016	31.12.2015
Bond	2.500%	2009-2016	-	200,000
Private placement	3.625%	2008-2017	15,000	-
Total			**15,000**	**200,000**

14 OTHER CURRENT LIABILITIES

CHF thousands	31.12.2016	31.12.2015
Third parties	66,426	56,791
Participants and organs	12,748	1,721
Participations	7,205	1,009
Total	**86,379**	**59,521**
Negative replacement values held for trading positions	76,458	45,400
Other current liabilities	9,921	14,121
Total	**86,379**	**59,521**

15 LONG-TERM INTEREST-BEARING LIABILITES

CHF thousands	Interest rate	Duration	31.12.2016	31.12.2015
Loan	2.500%	2010-2030	20,000	20,000
Private placement	3.625%	2008-2017	-	15,000
Private placement	3.660%	2008-2018	25,000	25,000
Private placement	3.625%	2008-2023	10,000	10,000
Bank loan [1]	3.360%	2006-2026	50,000	50,000
Bank loan	3.100%	2005-2020	10,000	10,000
Loans			**115,000**	**130,000**
Bond	2.375%	2010-2022	115,000	115,000
Registered bond [2]	3.400%	2014-2034	2,685	91,013
Registered bond [2]	2.161%	2015-2027	-	37,924
Bonds			**117,685**	**243,937**
Total			**232,685**	**373,937**

1) The agreement for the TCHF 50,000 bank loan was renewed on 4 July 2016. The new rate of interest is 2.07% (previous year: 3.36%).

2) The registered bonds (“Namensschuldverschreibungen”) totalling EUR 35 million and EUR 84 million contain clauses pertaining to change of control. With the new investors joining on 5 July 2016, creditors had made use of their right of termination. Repayment of registered bonds totalling EUR 116.5 million was demanded, and was effected in the form of payments amounting to TCHF 126,995. A TCHF 5,207 loss on premature repayment is recognised under financial income.

16 OTHER LONG-TERM LIABILITIES

CHF thousands	31.12.2016	31.12.2015
Third parties [1]	691	924
Participations	42,185	42,981
Total	**42,876**	**43,905**

1) Includes an interest-free investment loan running from 2007 to 2020. Mortgage assignments were pledged as security; see further notes to the financial statements, contingent liabilities, sureties, guarantee obligations and pledges in favour of third parties.

17 PROVISIONS

CHF thousands	31.12.2016	31.12.2015
For reversion waiver compensation	13,400	13,500
For contract risks	10,581	9,164
Other risks [1]	20,406	32,864
Total	**44,387**	**55,528**

1) Other risks includes the value of interest rate swaps amounting to TCHF 19,736 (previous year: TCHF 19,251). Taken individually, the other items are immaterial.

18 SHAREHOLDERS' EQUITY

CHF thousands	31.12.2016	31.12.2015
Share capital [1]		
7'390'968 registered shares at a par value of 1 CHF per share (previous year: 2'783'115 shares at a par value of 1 CHF per share	7,391	2,783
Participation capital (previous year: 625,000 participation certificates at a par value of 1 CHF per share)	-	625
Share capital	**7,391**	**3,408**
Legal capital reserves		
Capital reserves [1]	185,442	19,871
Retained earnings	17,123	17,123
Other reserves [2]	461,969	561,961
Reserves	**664,534**	**598,955**
Retained earnings carried forward	36,631	35,602
Net income for the year	3,279	–98,978
Retained earnings	**39,910**	**–63,376**
Treasury shares	–21	-
Equity	**711,814**	**538,987**

1) On 5 July 2016, and with an addendum dated 14 July 2016, a rights issue was held to increase the company's capital by TCHF 171,263 (nominal value TCHF 3,983, capital reserves TCHF 165,571). Transaction costs of TCHF 1,709 arising in connection with the rights issue were deducted from the premium. The existing bearer shares and participation certificates were converted into unified registered shares. On 31 December 2016 the share capital consisted of 7,390,968 registered shares, each with a nominal value of CHF 1.00.

2) At the general meeting of shareholders on 12 May 2016 a transfer of TCHF 100,000 from other reserves to balance sheet profit/loss was approved.

Share capital

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

	31.12.2016	31.12.2015
Elektrizitätswerke des Kantons Zürich (EKZ)	28.32%	
Canton of Graubünden	21.96%	58.30%
UBS Clean Energy Infrastructure KGK (UBS-CEIS)	18.88%	
Axpo Holding AG, Baden	12.69%	33.70%

TREASURY SHARES

	2016		2015	
	Number of shares	Carrying value in CHF	Number of shares	Carrying value in CHF
Initial balance at 1 January	-	-	-	-
Purchases	3,442.00	167,750.40	-	-
Disposals	–3,060.00	–147,036.90	-	-
Ending balance at 31 December	**382.00**	**20,713.50**	**-**	**-**

In the year under review Repower AG bought 3,442 shares at an average price of CHF 48.74 and sold 3,060 shares at an average price of CHF 50.48.

There were no transactions in treasury shares the previous year. On 31 December 2015 Repower did not hold any of its own shares or participation certificates.

Notes to the financial statements: D. Further notes

NET RELEASE OF HIDDEN RESERVES

In the reporting year, no hidden reserves were released (previous year: none).

EMPLOYEE INFORMATION

In the year under review and the previous year Repower AG had more than 250 full-time positions on annual average.

DIRECT AND INDIRECT SHAREHOLDINGS

Direct participations

Company	Head office	Currency	Issued capital		Capital and share of the vote in %	
			31.12.2016	31.12.2015	31.12.2016	31.12.2015
connecta ag [1)]	Ilanz	CHF	-	100,000	0.00%	100.00%
Ovra electrica Ferrera SA	Trun	CHF	3,000,000	3,000,000	49.00%	49.00%
SWIBI AG	Landquart	CHF	500,000	500,000	76.68%	76.68%
Alvezza SA in Liquidation	Disentis	CHF	500,000	500,000	62.00%	62.00%
Elbe Beteiligungs AG in Liquidation	Poschiavo	CHF	1,000,000	1,000,000	100.00%	100.00%
Lagobianco SA	Poschiavo	CHF	1,000,000	1,000,000	100.00%	100.00%
Repartner Produktions AG [2)]	Poschiavo	CHF	20,000,000	20,000,000	57.00%	59.00%
Rhiienergie AG [1)]	Tamins	CHF	-	915,000	0.00%	21.73%
Swisscom Energy Solutions AG	Ittigen	CHF	13,342,325	13,342,325	35.00%	35.00%
Kraftwerk Morteratsch AG [3)]	Pontresina	CHF	500,000	-	10.00%	0.00%
Repower Deutschland GmbH	Dortmund	EUR	25,000	25,000	100.00%	100.00%
Repower Italia S.p.A.	Milan	EUR	2,000,000	2,000,000	100.00%	100.00%
MERA S.r.l.	Milan	EUR	100,000	100,000	100.00%	100.00%
SEI S.p.A. [4)]	Milan	EUR	-	120,000	0.00%	57.50%
EL.IT.E. S.p.A.	Milan	EUR	3,888,500	3,888,500	46.55%	46.55%
Repower Trading Česká republika s.r.o. v likvidaci [5)]	Prague	CZK	3,000,000	3,000,000	100.00%	100.00%
S.C. Repower Vanzari Romania S.R.L. [5)]	Bucharest	RON	165,000	165,000	100.00%	100.00%
Repower Serbia d.o.o. - u likvidaciji [5)]	Belgrade	EUR	20,000	20,000	100.00%	100.00%
Repower Macedonia DOOEL Skopje - vo likvidacija [4)]	Skopje	EUR	-	19,970	0.00%	100.00%
Repower Adria d.o.o "u likvidaciji" [4)]	Sarajevo	BAM	-	1,000,000	0.00%	100.00%
Repower Hrvatska d.o.o. u likvidaciji [5)]	Zagreb	HRK	366,000	366,000	100.00%	100.00%
Repower Furnizare România S.r.l. [1)]	Bucharest	RON	-	45,510,000	0.00%	100.00%

1) Sale of companies and participations in the 2016 financial year

2) Sale of 2% of the direct and indirect participations in Repartner Produktions AG to two new partners

3) Repower AG holds 10% of the share capital and 35.7% of the voting rights in Kraftwerk Morteratsch AG

4) Winding-up of companies in the 2016 financial year

5) The process to wind up Repower Vanzari Romania S.R.L and the other companies in Eastern Europe was initiated in the 2016 financial year.

Indirect participations

Company	Head office	Currency	Issued capital		Capital and share of the vote in %	
			31.12.2016	31.12.2015	31.12.2016	31.12.2015
Elbe Finance Holding GmbH & Co KG 1)	Dortmund	EUR	-	25,000	0.00%	100.00%
Elbe Finance Holding Verwaltungs-GmbH 2)	Dortmund	EUR	-	25,000	0.00%	100.00%
Repower Wind Deutschland GmbH 3)	Dortmund	EUR	25,000	25,000	57.00%	59.00%
Repower Wind Prettin GmbH 3)	Dortmund	EUR	25,000	25,000	57.00%	59.00%
Repower Wind Lübbenau GmbH 3)	Dortmund	EUR	25,000	25,000	57.00%	59.00%
Repower Vendita Italia S.p.A.	Milan	EUR	4,000,000	4,000,000	100.00%	100.00%
SET S.p.A.	Milan	EUR	120,000	120,000	61.00%	61.00%
Energia Sud S.r.l.	Milan	EUR	1,500,000	1,500,000	100.00%	100.00%
SEA S.p.A.	Milan	EUR	120,000	120,000	100.00%	100.00%
REC S.r.l.	Milan	EUR	10,000	10,000	100.00%	100.00%
Immobiliare Saline S.r.l.	Milan	EUR	10,000	10,000	100.00%	100.00%
REV S.r.l.	Milan	EUR	10,000	10,000	100.00%	100.00%
Energia Eolica Pontremoli S.r.l.	Milan	EUR	50,000	50,000	100.00%	100.00%
Aerochetto S.r.l.	Catania	EUR	2,000,000	2,000,000	39.00%	39.00%

1) In the 2016 financial year, Elbe Finance Holding GmbH & CO KG was merged into Elbe Beteiligungs AG in liquidation

2) Merger of Elbe Finance Holding Verwaltungs-GmbH with Repower Deutschland GmbH in the 2016 financial year

3) Sale of 2% of the direct and indirect participations in Repartner Produktions AG to two new partners

CONTINGENT LIABILITIES, SURETIES, GUARANTEE OBLIGATIONS AND PLEDGES IN FAVOUR OF THIRD PARTIES

Joint liability for VAT group taxation SWIBI AG, Elbe Beteiligungs AG in liquidation, Lagobianco SA, Repartner Produktions AG and Ovra electrica Ferrera SA.

To the benefit of group companies, letters of intent and financing agreements amounting to EUR 176 million (corresponding to CHF 189 million) were concluded (previous year: CHF 0.5 million, EUR 218 million and RON 35 million, corresponding to CHF 245 million).

Guarantees in favour of third parties amounting to CHF 0.4 million and EUR 2.6 million (corresponds to CHF 3.2 million) were provided (previous year: CHF 0.6 million and EUR 6.0 million, corresponding to CHF 7.0 million). The previous year guarantees in favour of third parties were recognised in the letters of intent and financing agreements; in the year under review this figure was recognised separately in the interests of clear disclosure.

TOTAL ASSETS CEDED OR PLEDGED TO SECURE OWN LIABILITIES

Nominal value of mortgage assignment: CHF 2.55 million, of which TCHF 637 used (previous year: TCHF 850).

During the year under review receivables included CHF 2.7 million (previous year: CHF 9.3 million) in pledges lodged in the context of business, specifically trading operations.

LEASE LIABILITIES

The maturities of lease liabilities that do not mature or cannot be terminated within twelve months break down as follows:

CHF thousands	31.12.2016	31.12.2015
Lease liabilities		
Within 1 year	1,570	1,268
2-5 years	4,306	3,888
Over 5 years	4,996	4,301
Total	**10,872**	**9,457**

PENSION FUND LIABILITY

On the balance sheet date there is a liability to the pension fund of TCHF 410 (previous year: TCHF 405).

RELATED PARTIES

Receivables and liabilities vis-à-vis direct or indirect participants and management bodies and vis-à-vis undertakings in which there is a direct or indirect participation are shown separately in the notes to the financial statements. Management bodies and participants are the members of the Board of Directors and shareholders (Note 18) of Repower AG and the auditors.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

As part of a plant-based energy supply agreement, involving the supply of around 240 GWh of energy per year, starting 1 January 2017, from the production of the Klosters, Schlappin and Küblis plants, the shareholders granted Repartner Produktions AG a loan. In January 2017 liquid assets of TCHF 51,600 flowed to Repower.

Repower placed two green bonds (Schuldscheindarlehen, issue date 23 January 2017, totalling EUR 50 million (divided into two tranches with terms of 7 and 8 years respectively and fixed rates of interest of 1.7 and 1.9 per cent respectively).

In March 2017 Repower repaid prematurely the TCHF 10,000 bank loan, originally due on 11 December 2020, recognised under non-current financial liabilities.

Repower settled two interest rate swaps due on 11 December 2020 and 28 June 2024 with the counterparty by means of a payment of TCHF 6,083.

DISCLOSURES IN ACCORDANCE WITH ART. 663C OF THE SWISS CODE OF OBLIGATIONS AT 31 DECEMBER OF THE FINANCIAL YEAR

Board of Directors	Shares 2016	Shares 2015	PC 2016	PC 2015
Dr Eduard Rikli, Chairman (until 21.06.16)	-	100	-	-
Placi Berther (until 21.06.16)	-	9	-	-
Rolf W. Mathis	-	5	-	-
Roger Vetsch (until 12.05.16)	-	25	-	-
Peter Molinari (until 12.05.16)	-	15	-	-
Dr Urs Rengel (from 21.06.16)	400	-	-	-
Peter Eugster, Vice Chairman (from 21.06.16)	600	-	-	-

Executive Board	Shares 2016	Shares 2015	PC 2016	PC 2015
Kurt Bobst, CEO	150	50	-	100
Felix Vontobel	240	50	-	50
Fabio Bocchiola	-	5	-	-
Giovanni Jochum (until 31.08.16)	-	25	-	300

There are no other items which require disclosure.

Appropriation of retained earnings

THE BOARD OF DIRECTORS PROPOSES THE FOLLOWING APPROPRIATION OF RETAINED EARNINGS TO THE ANNUAL GENERAL MEETING:

Net income for the year 2016	CHF	3,279
Retained earnings carried forward	CHF	36,631
Retained earnings	**CHF**	**39,910**
Amount carried from other reserves	CHF	-
Balance carried forward	**CHF**	**39,910**

Poschiavo, 30 March 2017

For the Board of Directors:

Dr Pierin Vincenz
Chairman of the
Board of Directors

Report of the auditors

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Zurich, 30 March 2017

To the General Meeting of Repower AG, Brusio

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, for the year ended 31 December 2016.

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 31 December 2016 comply with Swiss law and the company's articles of incorporation.

REPORT ON KEY AUDIT MATTERS BASED ON THE CIRCULAR 1/2015 OF THE FEDERAL AUDIT OVERSIGHT AUTHORITY

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Participation

Area of focus	Participations of Repower AG add up to 18.0% of total assets and is therefore a material item in the balance sheet. Due to significance of participations and the potential uncertainty around the profitability of participations in the respective markets they operate, valuation was a focus area of our audit. The Company assesses the valuation of its participations annually, considering future earnings, statutory equity and business prospects. The approach requires estimates and assumptions by the Company, such as forecast earnings and cash flows on an individual basis. Changes in estimates and assumptions including future business prospects have an impact on the valuation of participations.
Our audit response	We assessed the Company's approach to perform the valuation testing on its participations. We evaluated how the Company determined profitability and equity and other relevant forecast information. We considered the internal controls framework around defining estimates and assumptions. We assessed the valuation of each participation individually to corroborate our understanding about its business prospects and anticipated future developments with the Company.

Energy derivatives

Area of focus	Positive and negative replacement values recorded in the financial statements are a result of classification of derivative financial instruments as "held-for-trading", in contrast to those classified as "own-use". Their carrying amount is based on valuing current commodity contracts and reflecting existing netting agreements with counterparties. Classification as held-for-trading requires judgment and has a material impact on both balance sheet presentation and recognition of changes in valuation of these derivatives in the income statement. The valuation of these instruments is derived from observable market data on active markets. The positive and negative replacement values are presented net when legally enforceable netting agreements are in place. The Company defines policies and procedures to account for energy contracts. This process includes segregation of duties and controls. Due to the significance of these transactions, significant judgment and the potential impact on the financial statements, the accounting of energy derivatives was considered significant in our audit. Refer to notes 5 and 14 of the financial statements for further information.
Our audit response	We assessed the Company's process around accounting of commodity contracts in general and the policies and procedures related to classifying commodity contracts as either held-for-trading or for the purpose of own use in particular. We assessed internal controls over the Company's accounting for such trading activity. We evaluated the Company's policies and procedures around classification, valuation and netting of open positions including the established segregation of duties and discussed these with the Company. We evaluated the sensitivity of the key assumptions applied and compared these assumptions to other information.

Tangible assets	
Area of focus	Tangible assets is a material balance amounting to 27.1% of total assets in the balance sheet. These comprise primarily power plants, grids and other non-current assets of the Company. The Company assesses the valuation of its power plants annually or when indicators for impairment exist. The Company's other non-current assets including grids are assessed for impairment when indicators for impairment exist. The testing for potential impairments involves the use of estimates and assumptions, such as the forecast production volume, the forecast long-term energy price curve, foreign exchange rates impacting future earnings and cash flows. In addition, discount rates are relevant in obtaining a value in use as of the date of the valuation.
Our audit response	We assessed the Company's valuation approach related to its power plants and other assets and related documentation. We further assessed the process to derive the underlying assumptions and estimates around forecast production volumes, the forecast long-term energy price curve and foreign exchange rates. We evaluated the internal controls related to the budgeting and forecasting process as well as the process to derive assumptions and estimates. We evaluated impairment testing model and involved valuation specialists. We assessed the cash flows derived for each tested tangible asset and how the discount rate including applicable input variables was determined. We corroborated the input variables to the discount rate based on sources provided by the Company and tested them against observable market data.

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 para. 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.

Ernst & Young Ltd

Alessandro Miolo Licensed Audit Expert (Auditor in charge)	**Ralf Noffke** Licensed Audit Expert

2016 annual report

Events

The next dates in Repower's financial calendar:

- **17 May 2017**: Annual general meeting in Pontresina
- **23 August 2017**: Information on the first six months of 2017
- **10 April 2018**: Information on the 2017 financial year
- **16 May 2018**: Annual general meeting in Landquart

Imprint

Published by: Repower, Poschiavo, CH

Design: Repower, Poschiavo, CH

Editorial team: Repower, Poschiavo, CH

Photos: Repower, Poschiavo, CH

Icons: Icons made by Freepik is licensed by CC 3.0 BY (Coins/Jumping man) and nightwolfdezines (Safety Traffic Cones)

Publishing system: Multimedia Solutions AG, Zurich, CH

English translation: Michael Craig Communications, Zurich, CH

The Annual Report is published in German, Italian and English. In the event of differing interpretations, the German text is definitive.

April 2017

The complete version of Repower's annual report 2016 is available online:

onlinereport.repower.com