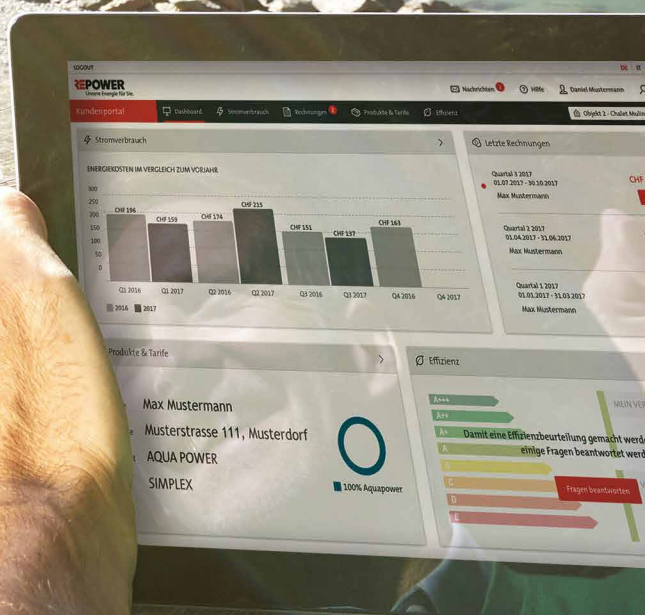


ANNUAL REPORT 2017



onlinereport.repower.com

REPOWER

Overview

OVERVIEW OF THE YEAR 2017

1.8

billion francs

total operating revenues in 2017

33.8

million francs

operating income (EBIT) in 2017

THE MOST IMPORTANT EVENTS OF 2017

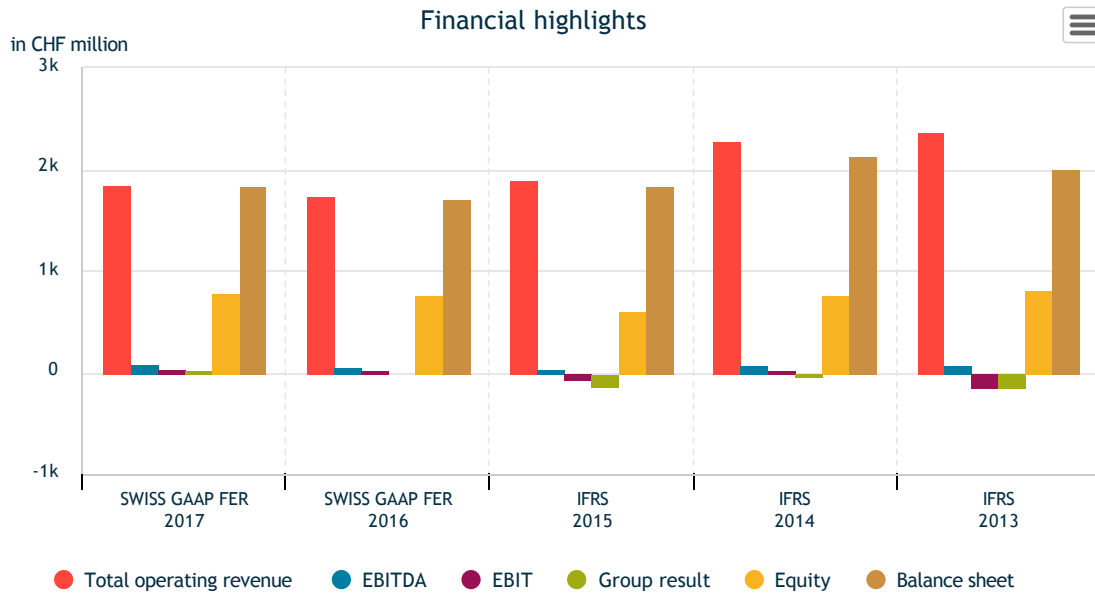
- Repower recorded a gratifying business result, with total operating revenues of 1.8 billion francs and EBIT of 33.8 million francs.
- In 2017 Repower continued to position itself even more firmly as a sales and service organisation. This also involved the decision to align its internal organisation in Switzerland and its processes to more concerted service delivery.
- Developments in 2017 were dominated by an upward correction in prices. Year over year, delivery prices in Switzerland increased around 21 per cent in euro terms, and the price difference between Switzerland and Italy went up several euros per megawatt hour, with a positive impact on the profitability of the portfolio.
- It was possible to take advantage of major volatility on the European electricity and gas markets in speculative trading, enabling a very gratifying trading result.
- Repower welcomes voters' Yes to the Swiss Federal Council's Energy Strategy 2050, and sees it as an opportunity to position itself in various areas on the basis of its core competencies. Repower is committed to hydropower as a cornerstone of the Swiss electricity supply. For this reason it is focusing its efforts on helping implement Energy Strategy 2050 by maintaining and, where possible, expanding its generation capacity.
- The Morteratsch hydropower plant near Pontresina, which resumed operation back in 2016, was officially inaugurated in 2017 with an open day. For this project Repower devised an innovative financing and operating model and entered into partnership with an infrastructure fund.
- Successful implementation of the growth strategy in the sales business and positive economic developments on the economic front helped ensure that developments in the Italian business remained positive. Efforts to substantially expand the offering continued with the addition of energy services, notably electric vehicle-related services.
- Last year Repower in Italy provided more than 27,000 business customers with electricity and more than 11,000 small and medium-sized enterprises with gas. It delivered a total of 3.5 TWh of electricity and 319 million cubic metres of gas, a 13.9 per cent increase on the previous year.
- As part of its electric vehicle (EV)-related activities Repower developed the E-LOUNGE, a charging station for electric bikes that can simultaneously be used as a bench to sit on.
- Digitalisation is also sweeping the energy industry. Repower launched a number of products including EASYASSET (a software solution for asset management) and ENERGYSpace (a professional web application for energy portfolio and risk management).

- In the course of the regular refinancing of sections of its renewable generation portfolio, Repower successfully placed two green bonds (Schuldscheindarlehen), issue date 23 January 2017, totalling EUR 50 million. Repower is the first Swiss company to conduct financing in this form. On 20 March 2018, Repower received a Green Bond Pioneer Award at the Climate Bonds Initiative Annual Conference 2018 in London.
- Last but not least, Repower is presenting its 2017 financial statements for the first time under the new Swiss GAAP FER financial reporting standard. After the delisting of Repower securities from the Swiss stock exchange and the introduction of the standard registered share in 2016, the company has simplified its structures further. Repower remains committed to transparent reporting presenting a true and fair view.

FINANCIAL HIGHLIGHTS

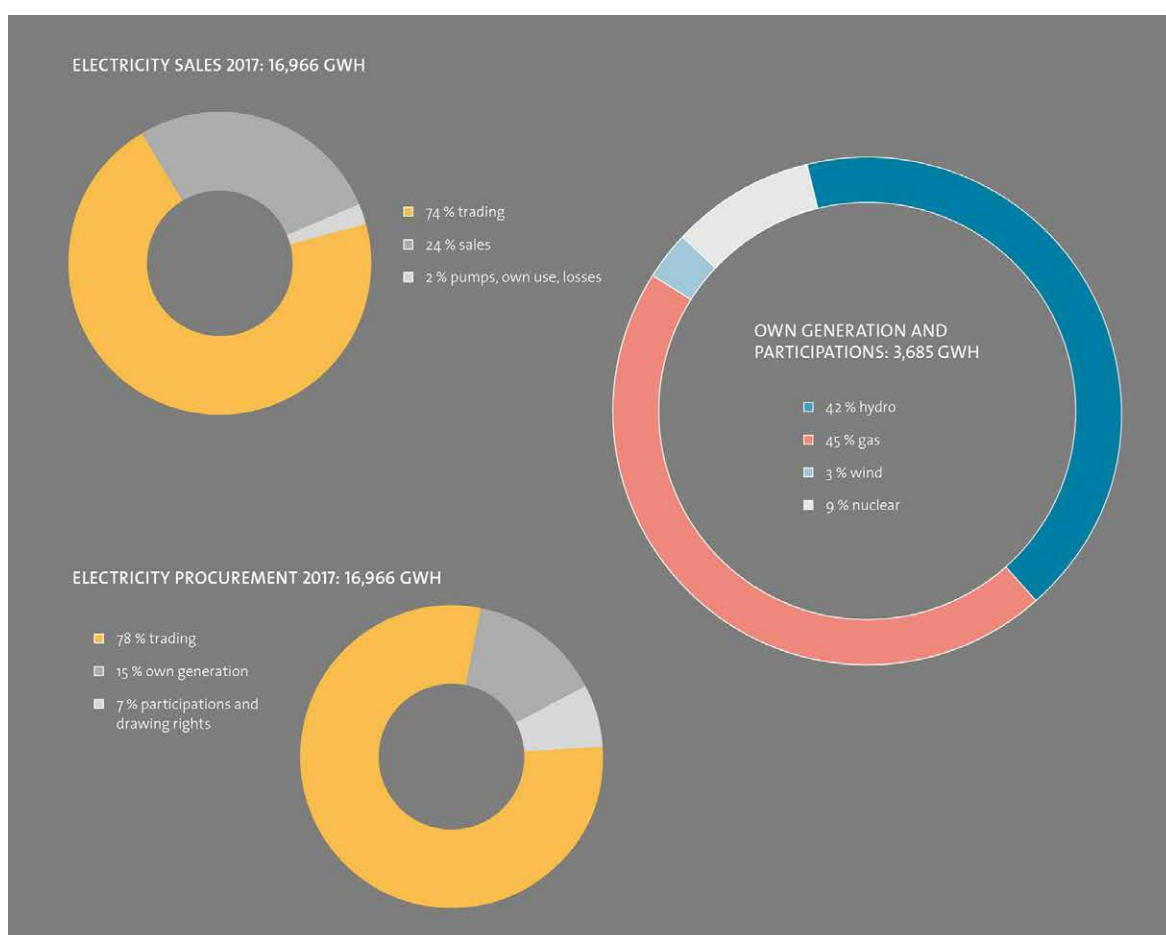
	2017	2016	2015	2014	2013
	Swiss GAAP FER	Swiss GAAP FER	IFRS	IFRS	IFRS
CHF million					
Revenue and income					
Total operating revenue	1,847	1,724	1,890	2,273	2,365
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	79	52	41	77	74
Depreciation/amortisation and value adjustments	-45	-30	-109	-51	-224
Earnings before interest and taxes (EBIT)	34	22	-69	26	-150
Group earnings	20	-1	-136	-33	-152
Balance sheet					
Balance sheet total at 31 December	1,822	1,701	1,828	2,126	2,043
Equity at 31 December	769	737	600	766	805
Equity ratio	42%	43%	33%	36%	39%
Further key figures					
Energy gross margin	208	194	178	240	255
Economic value added	-18	-29	-112	-57	-188
Cash flow from operating activities	43	78	17	98	69
Net debt	-2	-9	270	234	328
Net debt factor	0,0	-0,1	4,5	2,6	2,6
FFO/net debt *	< 0%	< 0%	4,1%	26,8%	25,4%
Investments	32	33	31	35	68
Headcount (FTE)	578	563	632	666	707

* Net debt amounts to CHF -2 million (previous year: CHF -9 million), FFO/net debt is therefore lower than -100%.



ENERGY BALANCE SHEET

	2017	2016	Change
Electricity business in GWh			
Trading	12,493	11,275	11%
Supply/sales	4,182	5,148	-19%
Pumps, own use, losses	291	280	4%
Electricity sales	16,966	16,703	2%
Trading	13,280	13,164	1%
Own generation	2,463	2,370	4%
Energy from participations	1,223	1,169	5%
Electricity procurement	16,966	16,703	2%
Gas business in 1,000 m3			
Sales to end customers	319,037	280,031	14%
Trading (sales)	1,471,048	1,149,441	28%
Gas sales	1,790,085	1,429,472	25%
Consumption of Teverola gas-fired power plant (Italy)	330,365	334,078	-1%

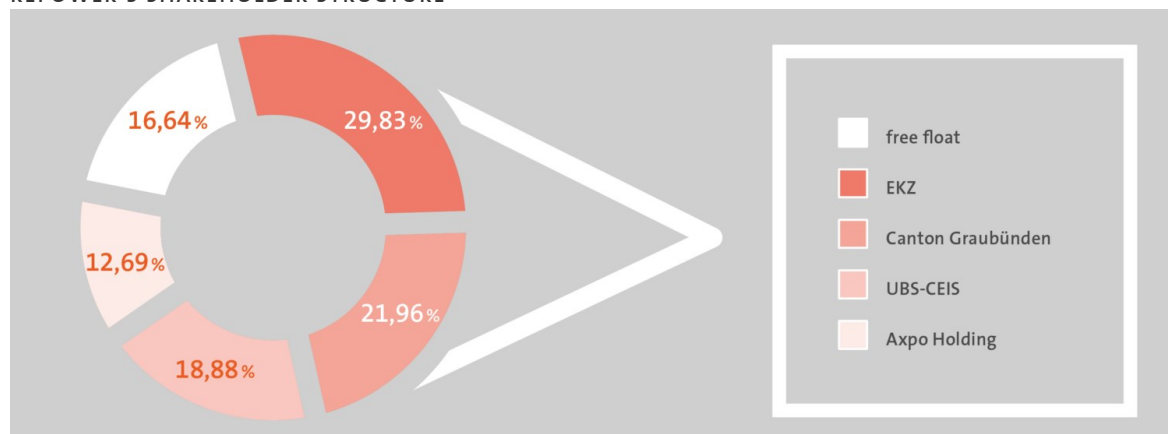


STOCK STATISTICS

Share capital	7,390,968	registered shares	@ CHF	1.00	CHF 7.4 million	
				2017	2016	
Prices (CHF) on OTC-X, Berner Kantonalbank						
Registered share				High	68	57
				Low	55	41
Dividends (CHF)	2017 ¹⁾	2016	2015	2014		
Registered share	0.00	0.00	0.00	0.00		
Bearer share	0.00	0.00	0.00	0.00		
Participation certificate (PC)	0.00	0.00	0.00	0.00		

1) The 2017 dividend is subject to the decision of the annual general meeting. There are no restrictions or limitations on voting rights.

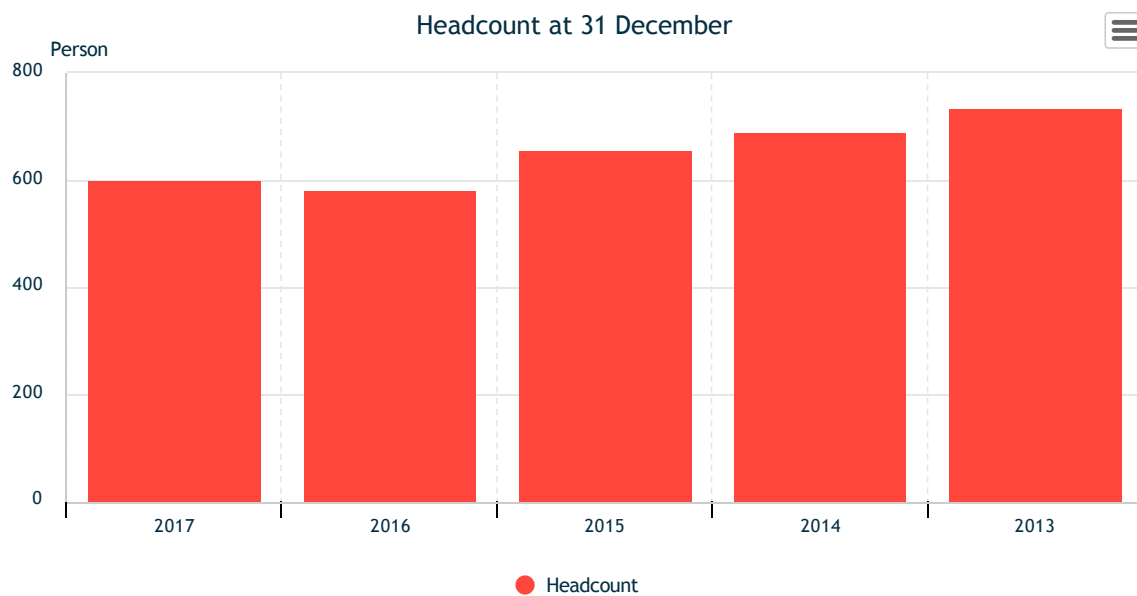
REPOWER'S SHAREHOLDER STRUCTURE



HEADCOUNT

at 31 December	2017	2016
Total ¹⁾	599	583
Switzerland	438	423
Italy	161	159
Czech Republic	-	1
Trainees	30	30
Sales consultants Italy	602	582

1) For the numbers in full-time equivalents (FTEs) see "Financial highlights" table above.





Annual report

Foreword from the board of directors and CEO



The year 2017 was dominated by Repower's rigorous positioning as a sales and service organisation. With an internal realignment and the development and launch of innovative products and services, Repower is putting customer needs even more firmly at the centre of its business. At CHF 33.8 million, operating income (EBIT) was substantially higher than the previous year thanks to positive market effects and the new strategic positioning.

THE MOST IMPORTANT EVENTS OF 2017

Besides concentrating on optimum operations in its core business, during the year under review Repower focused on its ongoing development into a sales- and service-oriented organisation. The goal is to draw on the company's 100-plus years of experience to offer one-stop services along the entire value chain – all revolving around the customer. Repower further honed its organisation in Switzerland to be able to respond even more quickly and effectively to the needs of its customers. In addition to the Market corporate division, at the end of the year the company restructured the Service Provision corporate division and divided it into the following units: Generation Asset Management, Grid and Supply Asset Management, Planning, Execution, Operations and Trading. This new organisation, which applies as of 2018, will facilitate even more effective and efficient implementation of the relevant work processes. It optimally equips Repower to provide its customers with a seamless range of services.

Alongside efforts to expand its offerings, Repower's business was dominated by digitalisation, which is increasingly relevant in terms of both internal processes and external services. Against this backdrop Repower launched new products including EASYASSET and ENERGYSpace, both for its own use and to be marketed to other energy utilities. Further products are under development and will be ready for market in 2018.

Repower continued to drive forward its electric vehicle (EV) activities in 2017. In addition to extending its PLUG'N ROLL EV charging network, Repower launched a new product called E-LOUNGE, an attractive, modern charging station for electric bikes that can also be used as a bench to sit on.

Successful implementation of the growth strategy in the sales business and positive economic developments on the economic front helped ensure that developments in the Italian business remained positive. Efforts to substantially expand the offering continued with the addition of energy services, notably electric vehicle-related services.

Besides developing new areas of business, Repower is also concentrating on maintaining and where possible expanding its hydropower generation capacity. The acceptance of Energy Strategy 2050 reinforces hydropower as a pillar of the Swiss energy supply, and thus works in Repower's interests.

A good example is the Morteratsch hydropower plant near Pontresina, which resumed operation back at the end of 2016 and was officially inaugurated with an open day in 2017. For this project Repower devised an innovative financing and operating model and entered into partnership with an infrastructure fund.

Again in 2017 Repower in Italy was named the best company in the SME segment of the energy market in terms of customer satisfaction. This was the result of a market analysis conducted by market research institute Cerved Group SpA. Repower Italy also ranked first in terms of net promoter score, in some cases leaving its rivals far behind. The net promoter score is an indicator of customers' willingness to act as ambassadors for Repower.

At the beginning of 2017 Repower also placed two green bonds (*Schuldscheindarlehen*) as part of the regular refinancing of parts of its portfolio of renewable generation assets– the first Swiss company to do so.

The Teverola combined cycle gas turbine plant was successfully deployed for both the ancillary services and day-ahead markets, making a substantial contribution to the good results. Refurbishment work originally scheduled for 2017 was postponed to the beginning of 2018 at the request of the Italian grid operator Terna, and will therefore have a negative impact on 2018 results.

Accounts receivable management in Italy was further optimised, and the portfolio of old overdue receivables was completely sorted out.

ENVIRONMENT

In 2017 there was a recovery in prices on the energy market and an improvement in the EUR/CHF exchange rate. The outlook is better than in 2015/2016. More stable economic developments contributed to good price developments in 2017. However, it is too early to speak of a sustained recovery. Even so, there should be signs of an improvement in the price environment in the next few years. One reason for this is that neighbouring countries are removing generation capacity from the grid, which should have a positive influence on prices.

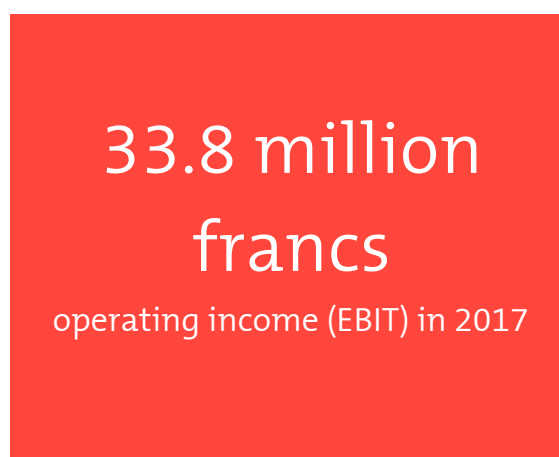
In addition to this, various political discussions continued to disconcert the electricity industry last year. On the political agenda in Switzerland, besides full market liberalisation and the bilateral agreement with the EU, was

the new design of the electricity market. New arrangements governing water rates from 2020 will also play a key role in the economic viability of hydropower. Things continue to develop on the regulatory front in Italy too, requiring constant adjustments to the changing framework. Repower also sees opportunities in this, but would naturally welcome a more stable environment.

RESULTS

At CHF 1.8 billion, Repower's 2017 total operating revenues were 7.2 per cent up on the previous year's figure. At CHF 33.8 million, operating income (EBIT) was substantially higher than in 2016, and significantly better than the expectations communicated with the half-year results. The main reasons were gratifying earnings on asset portfolio management, a general slight improvement in the market situation, and a more favourable EUR/CHF exchange rate. Other positive factors included the economic recovery in Italy, which led to rising prices, and lower volumes of energy generated by French nuclear power stations, which likewise underpinned prices. Also worthy of mention is cost-awareness within Repower, which contributed to the good results in 2017, and not just because of reorganisation efforts and improvements to internal processes.

The equity ratio is a solid 42.2 per cent. Cash flow from operating activities came to CHF 42.6 million, significantly exceeding investment of CHF 32 million.



STRATEGY

Besides the ongoing optimisation and targeted expansion of its traditional core business (power generation, trading and supply), Repower's strategy involved systematically building its energy services business. In Switzerland the focus is on energy utilities and partners all over the country, to which Repower provides its expertise and services, and on basic supply in the company's own network area. In Italy the company is endeavouring to substantially increase its share of the SME market. During the last financial year it added 183 new salespeople to its agent network, and the plan is for this expansion to continue in 2018.

Repower will also continue efforts to optimise internal process initiated last year. In addition to this Repower is driving forward the development of new products that it not only offers to third parties, but uses itself. Repower's goal is to position itself as an expert service provider, drawing on know-how gathered over more than 100 years to offer customers services along the entire value chain.

Another cornerstone of its strategy is safeguarding the value of its hydropower generation assets. In 2017 Repower also achieved important goals in this respect with a plant-based energy supply agreement for Repartner Produktions AG revolving around the energy produced by the Prättigau cascade.

In its electric vehicle-related business the company also uses partnerships to bundle know-how and provide an extensive network of charging points. Repower is on the right track, with around 100 charging stations installed in Switzerland.

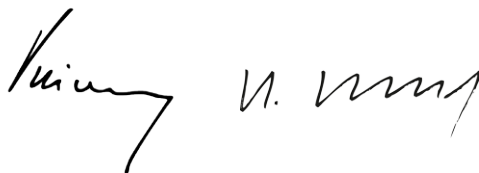
Electric transportation is also an important theme in Italy. For example Repower has entered into partnership with BMW subsidiary Mini in connection with electric vehicles. This is a valuable cooperation, and not just in technical terms. The emphasis is more on the fact that Mini-Repower is seen as a technical and artistic partner, clearly positioning Repower as a provider of service design.

THANK YOU

The people who work for Repower, including our sales consultants in Italy, are at the heart of the progress without which the business could not have developed last year. We would like to express our warm thanks for their contribution. We would also like to thank our customers, partners and shareholders for the trust they have placed in us.

OUTLOOK AND OBJECTIVES

Repower can look to the future with confidence. The company is systematically pursuing its goals on the basis of a strong capital base. Implementation of corporate and sales strategy is proceeding according to plan. The restructuring is bearing fruit, enabling even more efficient collaboration and helping Repower further optimise costs. There should be no doubt, however, that the market environment will remain challenging. By developing and refining new, innovative products Repower is increasingly taking the path of digitalisation and thus positioning itself for the future. For 2018 Repower anticipates lower operating income than in 2017.

The image shows two handwritten signatures in black ink. The signature on the left is 'Peter Eugster' and the signature on the right is 'Kurt Bobst'.

Peter Eugster
Vice-Chairman of the
Board of Directors

Kurt Bobst
CEO



Annual report

Market Switzerland segment

OVERVIEW

In 2017, the focus of Repower's **Sales** was on boosting the sale of services. The offering in grid, trading and generation was expanded accordingly. Repower offers comprehensive services to energy utilities and infrastructure operators.

In 2017 it delivered 100 per cent renewable energy to end-consumers in its supply area. The product range encompasses Aquapower (Swiss hydropower), the green power mix Purepower, and Solarpower, pure solar energy from the region. Repower delivers these products to around 46,000 end-consumers ranging from private households and commercial customers to municipal utilities.

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

In 2017 Repower also launched a nationwide advertising campaign to raise awareness of its PLUG'N ROLL service for electric vehicles (EV). By the end of the year, around 100 charging points had been installed in Switzerland. The PLUG'N ROLL charging network now boasts more than 2,500 registered EV drivers, and the PLUG'N ROLL app has been downloaded more than 10,000 times.

Last year Repower decided to move ahead with charging services for two-wheeled vehicles as well with the launch of E-LOUNGE, a multipurpose station that combines a charging station for electric bikes with a bench for sitting on. E-LOUNGE is a blend of Italian design with Swiss technology and craftsmanship.

In 2017 Repower also managed to add three waste incineration plants to its portfolio of energy and flexibility marketing customers, harnessing a clientele whose electricity is in demand in the marketplace and that can also provide technical flexibility.

On the **Grid** side, Repower invested around CHF 22.7 million in assets in its own supply area. Expenditure on regular maintenance came to CHF 21.6 million. These investments help assure the security of supply and make a substantial contribution to the implementation of the federal government's Energy Strategy 2050. In 2017 Repower constructed additional grids in the Landquart-Prättigau-Davos area. These constitute important extensions to the pan-regional high-voltage grid to assure grid capacity and security of supply. Worthy of mention from an environmental point of view is the fact that these lines run underground, which is a great advantage for built-up areas and the landscape.

Innovation continued to be a key issue in 2017 for the Grid unit. Repower took a major step forward in the development of its SMARTPOWER smart home solution when an initial test phase with customers in the supply area yielded positive results in terms of the further development of the product.

In November 2017 Repower went to market with EASYASSET, an innovative solution for infrastructure operators that digitises and bundles asset data, unveiling it at Verteilnetzforum (an independent platform for Swiss distribution system operators) to a great response.

In 2017 the Grid unit also handled numerous service and maintenance contracts for third parties, and

provided services relating to street lighting, grid and regulatory management.

Despite challenging conditions in asset optimisation, **Trading** benefited from positive price developments in 2017. It also achieved gratifying results on the market access side. Price levels continue to have a negative impact on the portfolio.

On the positive side, Repower was able to sign new contracts or renew existing customer agreements for trading services such as market access, market information, balance group and portfolio management, as well as energy procurement and forecasting. The ongoing development of various digital platforms helped Repower win various contracts over its competitors. One example is ENERGYSPEACE, a web-based platform that enables energy utilities to clearly visualise and manage their energy portfolios.

The project to build a merchant line between Val Bregaglia (Bergell) and Italy took a major step forward in 2017. The approval process is now at an advanced stage, in Italy as well. The merchant line is designed to help expand cross-border capacity between Switzerland and Italy.

On the **Generation** side, electricity produced by Repower's own hydropower plants and interests came to 1,557 gigawatt hours in 2017, an improvement of around 5 per cent on the prior year.

After the completely rebuilt Morteratsch power plant in the Engadine went back on the grid at the end of 2016, the facility was officially inaugurated and shown to the public at an open day in 2017.

Last year Repower also obtained the building permit for the Lagobianco pumped storage project, paving the way for initial work to optimise existing installations in the Valposchiavo in 2018. Construction of the pumped storage plant itself is not a priority.

The Chlus hydropower project is still at the concession approval phase. Repower is working with the cantonal and national authorities on the next steps of the approval process.

At the end of 2017 Repower held the originally planned 51 per cent of the shares of Repartner Produktions AG, having achieved the target set down in the partner strategy by selling off the last remaining free interest of 6 per cent.

Despite the difficult market situation, in 2017 Repower also invested CHF 5.8 million in its own plants. The company believes in hydropower, and is committed to preserving and where possible expanding its existing assets.

In 2017 Repower's Market Switzerland segment posted **operating income (EBIT)** of CHF 16.1 million.

SALES

In line with its role as a sales-oriented energy company with a great deal of know-how in grids, trading and generation, in 2017 Repower continued to increasingly focus on providing services for other energy companies and infrastructure operators. Its offering runs from generation-related services such as operating, maintaining and engineering power plants through grid services such as grid planning and lighting management, to trading-related services such as balance sheet group management, market access and portfolio management. While the individual operating units, which were reorganised and/or expanded at the end of 2017, take care of the technical aspects, the role of Sales is to structure and professionalise the service offering and position it in the market. With the internal realignment, Repower is creating the basis for responding even more quickly and effectively to customers' needs and offering them a broad range of one-stop services.

Repower provides electricity to around 46,000 private and commercial customers in its supply area in Southeast Switzerland. Since 2017 Repower has offered electricity generated only from renewable resources. The product range comprises AQUAPOWER, PUREPOWER and SOLARPOWER. The standard product AQUAPOWER is Swiss hydroelectric power; PUREPOWER is a certified green power mix from the Swiss mountains; and SOLARPOWER is certified solar energy from the region. This move underscores Repower's commitment to sustainability, also when supplying electricity to end-consumers.

In 2017 Repower continued to operate on the market for structured energy supply, certified power products and providing guarantees of origin to large customers. In addition to marketing these offerings in Switzerland, Repower also does business in Germany, particularly with numerous municipal utilities and industrial customers.

The advertising campaign launched in 2017 to promote the PLUG'N ROLL electric vehicle service rapidly bore fruit: by the end of the year, around 100 charging points had been installed in Switzerland. The PLUG'N ROLL charging network now boasts more than 2,500 registered EV drivers, and the PLUG'N ROLL app has been downloaded more than 10,000 times. This makes Repower one of the four operators of EV charging networks of relevance in Switzerland.

The network is designed to facilitate nationwide travel by electric vehicle. The service is offered on the one hand to drivers of electric vehicles who, thanks to PLUG'N ROLL, can find stations where they can charge their cars all over Europe. They do this via an app which shows all operators of charging stations. PLUG'N ROLL is also geared to so-called hosts, companies, restaurants, hotels and municipalities that operate one or more charging points for use by their guests. Last but not least, Repower also offers PLUG'N ROLL as a so-called white label solution enabling companies to sell the finished product to their customers under their own name. In 2017 the first charging points were installed outside Canton Graubünden. PLUG'N ROLL now plays a prominent role in the EV services business, especially in Eastern Switzerland. In 2018 Repower plans to upgrade its offering with new software and hardware to position itself successfully in the dynamic EV marketplace in the long term.

New charging points for home and business use were also added to the range. At the end of 2017, Repower launched CHARGE@HOME for private use. The CHARGE@HOME range features three different EV charging options for private use: WALLBOX PULSAR, WALLBOX COMMANDER and WALLBOX COPPER. All three products are easy to use, attractively priced, and feature the latest technology. Via the MYWALLBOX personal login area, owners of charging points can also manage the charging process and monitor and view reports on consumption, charging times and costs, etc., in real time – all from their mobile device.

More information on PLUG'N ROLL can be found [here](#) (German and Italian only).

Electric vehicles also play a prominent role in the municipality of Poschiavo and for “100% Valposchiavo”, a project showcasing local, sustainable products. Besides promoting sustainability by expanding the PLUG'N ROLL charging network, Repower has developed E-LOUNGE, a multi-purpose station combining a bench for sitting with charging points for equipment such as electric bikes. Most of the components for E-LOUNGE are sourced from the Valposchiavo area.



The E-LOUNGE is lit up at night and blends perfectly into its surroundings.

The design, which originates from Italian artist Antonio Lanzillo, combines Italian elegance with Swiss technology and craftsmanship. The bench is lit up at night and blends perfectly into its surroundings. Only a single power socket is required for installation, and optionally it can even have built-in Wi-Fi/WLAN. E-LOUNGE

can also be personalised and enhanced with additional accessories. E-LOUNGE is geared to public institutions and private organisations that want to offer a variety of services for electric vehicles and people's comfort and convenience.

More information on E-LOUNGE can be found [here](#) (German and Italian only).

GRID

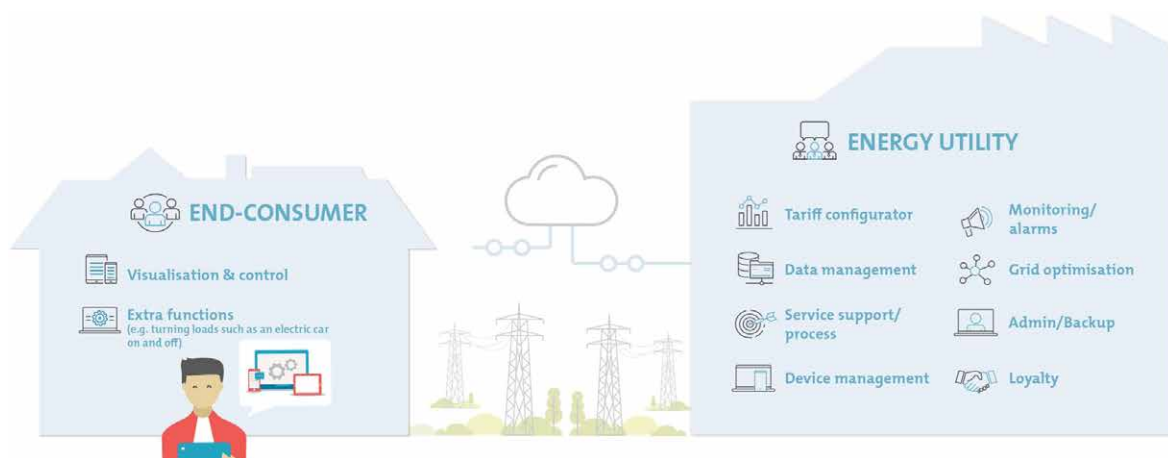
Electricity grids play a key role in the implementation of the Swiss federal government's Energy Strategy 2050. The ability to integrate distributed energy resources such as photovoltaic installations and sustainable power applications such as electric vehicles and distributed storage in the system will depend on expanding and strengthening electricity grids. Repower contributes to this development through ongoing investment in its grid assets. In 2017 this investment came to a total of CHF 22.7 million. Added to this was regular maintenance totalling CHF 21.6 million.

Among other things, Repower enhanced the 50-kV grid in the Landquart/Bündner Herrschaft area. There are also plans to run Repower's 50-kV overhead line and the Rhaetian Railway's 66-kV overhead line underground. This would move around two kilometres of overhead line in the Landquart area underground. The work will be completed in 2018.

In connection with the construction of the new Silvaplana bypass, Repower and Canton Graubünden have agreed to cooperate to set up a common power line route infrastructure along the new road. The regional 60-kV grid and the pan-regional 150-kV grid in the Silvaplana area are nearing the end of their duty cycle and are showing signs of transmission capacity bottlenecks. Now the plan is to dismantle around 15 kilometres of overhead lines and reroute them underground. This project involves investment of around CHF 8.4 million. A peculiarity is the fact that 810 metres of line will be laid on the lake bed of the Lej da Champfèr. Connections to the public supply grid were made in late autumn 2017. In the wake of this project, various sections of the local medium-voltage grid between Silvaplana, Champfèr and Surlej will also be upgraded to meet present requirements.

Energy providers across the country face major challenges when it comes to shaping the future of energy. Grid operators are having to redesign and augment their grids to cope with increasingly distributed feed-in and harness new control technologies to ensure consumers have the power they require at all times. On the other hand, customers have a growing need to be informed and influence their own power consumption and electricity bills themselves.

In the light of the imminent changes in the energy industry, back in 2014 Repower introduced the first true smart grid tariff in Switzerland. Since then the company has been working to further develop its SMARTPOWER smart home solution, which was tested with customers for the first time in 2017. The results of the first pilot were positive: the solutions work and were well received by test customers. A further test phase is planned for summer 2018, with customers equipped with the latest-generation smart manager.



SMARTPOWER makes consumers smart and connects them with the company providing their energy.

SMARTPOWER is built around an innovative power-based tariff model, a smart metering solution and the comprehensive integration of customers. The goal is to intelligently combine and optimise energy strategy,

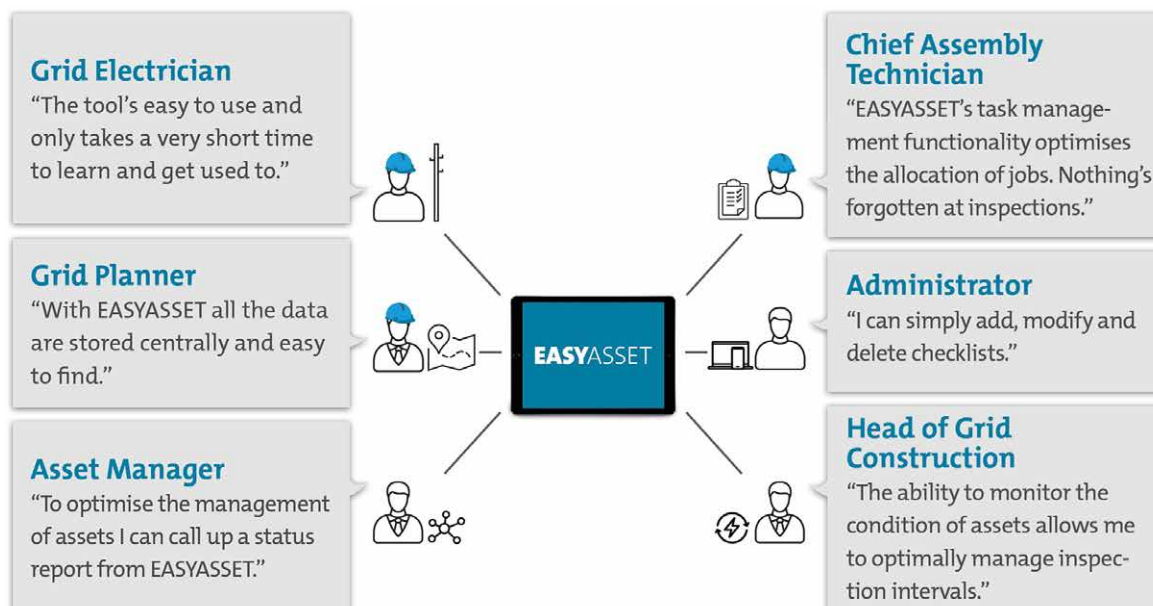
efforts to expand the grid and the needs of customers efficiently and economically. The SMARTPOWER tariff gives the right price incentives. It's based on the electric power (wattage) used rather than the volume in kWh.

Repower hasn't just developed this solution for its own consumers; it also offers the SMARTPOWER programme to other interested energy utilities.

More information on SMARTPOWER can be found [here](#) (German and Italian only).

Digitalisation is omnipresent, with digitally based solutions increasingly used to facilitate internal business processes and thus generate cost savings. Spurred by new regulatory requirements and the desire to boost efficiency, Repower has created a new foundation for its asset management by developing EASYASSET, a novel digital tool that makes work at all levels easier. EASYASSET can be used, for example, by infrastructure operators. Repower went to market with the new tool in November 2017, unveiling it at Verteilnetzforum (an independent platform for Swiss distribution system operators) to a great response.

From plans, asset data, lists of spares, maintenance intervals, current status and need for renovation to cost calculations and responsibilities, the list of information an asset operator must have at its fingertips is long, and the paperwork involved substantial. It gets even more complex when it comes to prioritising and planning pending jobs and triggering the corresponding instructions. In developing EASYASSET, Repower's goal was to boost efficiency in this area, systematise planning and create a new basis for the reliable long-term operation of assets of this sort. Smooth asset management is key if assets are to function dependably in the long term.



EASYASSET makes work easier for all the partners involved.

Repower expects EASYASSET to generate interest not only among energy utilities and grid operators, but also among other organisations that run complex infrastructures – also because of the increasingly complex legal and regulatory requirements operators in this area have to contend with. Another key point in EASYASSET's favour is that it serves as a know-how memory bank by digitising the knowledge of the staff involved and making it accessible to everyone.

More information on EASYASSET can be found [here](#) (German and Italian only).

TRADING

Market conditions remained challenging for Trading in 2017. Even so, speculative trading yielded gratifying results. Efforts to optimise Repower's own assets and capitalise on its own generation also contributed to the good result.

The year under review saw the renewal of important customer agreements and the acquisition of new customers. Thanks not least to the innovative web application ENERGYSPEACE, a platform that enables energy

utilities to clearly visualise and manage their energy portfolios, there was gratifying growth in the balance group volume.



ENERGYSPACE bundles market and customer information in real time.

More information on ENERGYSPACE can be found [here](#) (German and Italian only).

Added to this, Repower has entered the physical gas business in Switzerland, and has already made its first deliveries on behalf of other energy utilities. Here Repower has been able to draw on many years of experience of trading on European gas markets. In 2018 Repower wants to extend this offering further as a service provider.

The entry into force of the new Federal Energy Act on 1 January 2018 marks the start of the transition from the previous feed-in remuneration at cost (KEV) scheme for promoting renewable energy to a new system that promises to be closer to the needs of the market and enable power plant operators to generate additional revenues by managing their assets skilfully. The direct marketing system is designed to enable plant operators to sell the electricity they generate on the market themselves. However, in addition to new opportunities, the new support regime will also mean additional obligations for operators. In the future they will have to ensure market access, forecast generation and bear the cost of balance energy when forecasts and actual measurements diverge. Repower has been preparing in the run-up to this change in the legislation, and already offers a package of direct marketing services for KEV plants in the marketplace. It enables plant operators to tap into the additional revenue opportunities afforded by direct marketing without having to invest more in their own management efforts.

More information on [DIRECT MARKETING](#) can be found here (German and Italian only).

GENERATION AND PROJECTS

On the Generation side, electricity produced by Repower's own hydropower plants and interests came to 1,557 gigawatt hours in 2017, an improvement of around 5 per cent on the prior year. Last year Repower invested a total of CHF 5.8 million in its assets. Owing to good wind conditions and high plant availability, production figures were very favourable for the two wind farms in Germany that are part of the Repartner production investment company's portfolio.

Together with Repartner Produktions AG, in 2017 Repower decided to streamline the structure of its wind power companies in Germany and merge them into a single legal entity. Repower acquired the two wind farms, Lübbenau and Prettin, in 2010, and integrated them in Repartner Produktions AG in 2011. The merger was completed retroactively with effect 1 January 2017. The new company is called Repartner Wind GmbH. The merger achieves the goal of simplifying structures and boosting efficiency and cost-effectiveness by reducing expense.

Repower had put the completely rebuilt Morteratsch power plant in the Engadine back on the grid at the end of 2016. Following completion of the final work, in autumn 2017 an open day was held to officially inaugurate the plant and show it to the public. Visitors had the chance to tour the plant and get insights into the grid maintenance work that is so vital to assuring a reliable supply of electricity. The open day was held in

close collaboration with the municipality of Pontresina.

Last year Repower also obtained the building permit for the Lagobianco pumped storage project. This entitles Repower to embark on work to optimise existing installations in the Valposchiavo. The first work is planned in 2018, and will include measures involving the water intake near Miralago.

At the end of 2017 Repower held the originally planned 51 per cent of the shares of Repartner Produktions AG, having achieved the target set down in the partner strategy by selling off the last remaining free interest of 6 per cent.

EBIT CONTRIBUTION

In 2017 the Market Switzerland segment's contribution to group **operating income (EBIT)** came to CHF 16.1 million. This includes a positive item resulting from a reduction in the provision for long-term agreements.

Work and services for third parties

As in the previous year, in 2017 Repower continued to gear its organisation to the requirements of a sales- and service-oriented company. In this the role of the Grid, Generation and Trading units (as part of the Service Provision unit reorganised at the end of 2017) was to draw on their deep technical know-how to provide services for Repower's customers and partners. Efforts to deliver contracts and services for third parties were once again stepped up in 2017.

Grid

In 2017 the Grid unit was commissioned by other power providers and local authorities to do a variety of maintenance and service work on their grids. One example is a contract awarded to Repower by the municipality of Disentis to optimise its street lighting. The priority was to improve energy efficiency and implement the latest technology. Repower's smart street lighting solution impressed the customer, and it was awarded a substantial renovation contract for the entire municipality.

As part of a long-term partnership with Elektrizitätswerk Maienfeld, in 2017 the utility again commissioned Repower in its capacity as grid services provider to plan and deliver all the necessary investment in its power distribution grid. Repower also took charge of operating, servicing and maintaining the electric distribution grid assets and the Wissmürli mains water turbine, and of regulatory management duties. Besides planning and creating various grid access points, Repower also delivered extensive low-voltage projects. In addition to this, the company took care of various street lighting projects for the municipality of Maienfeld.

In 2017 the municipal electricity works in Jenin had Repower plan and deliver all the necessary investments in its power distribution grid under the service agreement, as well as giving it responsibility for operating and maintaining its power distribution grid and generation assets.

Repower is also displaying innovation in terms of contracts for third parties. For example in 2017 the municipalities of S-chanf and Zuoz commissioned it to create a connection to Mia Engiadina, an FTTH (fibre to the home) telecommunications network connecting all businesses and residential properties via fibre optics. Local authorities believe connection to an FTTH network has advantages for guests, business and local people. For Repower the contract, which it signed at the end of 2017, was a great opportunity, and a challenge it was able to master thanks to very good collaboration across units and geographical areas. Three hotspots have gone into operation to date.

In 2017 Repower also successfully delivered a wide range of contracts for different grid operators, including IECF (Impresa elettrica comunale Poschiavo), AECB (Azienda elettrica comunale Brusio) and EKW (Engadiner Kraftwerke). With IECF, Repower signed a three-year service agreement for the outsourcing of grid operation, staff management, grid planning, and grid construction and maintenance. For AECB, after a long phase of planning and involving private users of grid connections, Repower was able to obtain approval to supply Viano Dogana. Under the project the plan is to supply the properties, which stand outside the building zone, by way of a new medium-voltage line and new switching stations, all with the financial involvement of the private owners. The project will be completed in 2018. During the year under review Repower was also able to successfully apply its expertise in grid, generation and sales in the course of jobs for EKW.

Trading

The ongoing development of various digital platforms helped Repower score various successes ahead of its competitors in 2017. One example is ENERGYSpace, a web-based platform that enables energy utilities to clearly visualise and manage their energy portfolios.

Repower offers market-oriented trading services for other energy utilities and commercial customers. This includes support with energy procurement for both portfolio and risk management purposes, where Repower supplies customers with market information, specific advice, forecasts and analysis. Repower also provides wholesale market access and systems for optimising the deployment of generation assets, as well as taking care of balance group and ancillary services management on behalf of its customers.

Generation

In 2017 the national grid operator Swissgrid AG awarded Repower the contract to maintain eleven substations in central and northern Graubünden and in Canton Glarus. The maintenance contract involved inspection, maintenance, repair and improvement work. At the beginning of 2018 Repower was also awarded the contract for standby service and troubleshooting, meaning that in the coming years Repower will be maintaining all Swissgrid substations in Canton Graubünden.

Papierfabrik Landquart AG (Landquart paper factory) awarded Repower a contract for planning, budgeting, engineering, procurement, execution and maintenance for the complete refurbishment of the medium-voltage switching equipment at the Wiese substation. It was possible to switch over and put the new equipment into operation during annual maintenance work in 2017.

After obtaining the building permit in 2016, in 2017 Repower was able to deliver the contract from Swissgrid AG to plan, tender for and manage construction of the new 220-kV Avegno substation in Ticino, and start construction work. The switchyard remained in operation during the process. Once the work is complete, the installation is likely to go into operation in the second quarter of 2018. After that the existing installation will be dismantled and removed and the construction site restored.

Following commissioning of the new 110-kV substation in Pradella in the Lower Engadine and the completion of the second of four stages in the construction of the 400-kV station in 2016, in 2017 Repower finished detailed planning for the third stage, including a switchyard and modifications to the existing machine control system. These plans will be implemented in 2018, with completion of the fourth and last stage scheduled for the end of the year. At Martina power plant, for which Repower supplied and fitted various technical components in 2017, the new secondary systems passed the works acceptance test. The 110-kV gas insulated switchgear installation is scheduled to go into operation at the end of April, and the medium-voltage facility by the end of July 2018.



Annual report

Market Italy segment

OVERVIEW

As the previous year, in 2017 **Sales** continued to concentrate on expanding the sales network. The results at the end of the year were good. Another 183 consultants were added to the agent network, and the plan is for this expansion to continue in 2018.

Last year the sales network provided more than 27,000 business customers with electricity, around 4,000 more than the previous year. This made a significant contribution to the positive results for 2017. In 2017 Repower continued to develop a number of existing products, and officially launched FOCUS^{CLICK}, introduced in February 2017 as a development of the FOCUS product. It is geared to SMEs with annual electricity consumption of 350 to 1,500 MWh. In mid-year Repower also introduced a new, simplified version of its VAMPA contract. While there were still various types of contract for different customer groups in 2016, in 2017 they were brought together in a single, unified offering. VAMPA is an energy check-up done on the basis of thermal imaging. The existing products eFFettiva and DIODA posted very good results in 2017. eFFettiva is designed to boost companies' energy efficiency, while DIODA involves replacing conventional lighting with LEDs. The number of eFFettiva contracts closed was up 157 per cent on the prior year. DIODA also saw a considerable increase, with the contract closure rate up 43 per cent on 2016.

Repower continued to be very active in the up-and-coming field of electric vehicle services in 2017. One innovation is VEP, stylish street markings for EV parking spots designed by artist Michele Tranquillini and offered in conjunction with PALINA and BITTA charging points.

Accounts receivable management was further optimised, and the portfolio of old overdue receivables was completely sorted out.

In 2017 business at **Trading in Milan** contributed to the positive result in electricity and gas. This was helped by a general recovery in the Italian economy, which resulted in higher prices, and a decline in production at French nuclear plants. Repricer, a direct electricity and gas contract platform for large consumers, continued to generate numerous deals last year.

The Teverola combined-cycle gas turbine plant exceeded expectations, also making a substantial contribution to the good results posted by the **generation** business in Italy. The same applies to the three wind farms, Lucera, Corleto Perticara and Giunchetto, which generated more electricity than was budgeted for 2017.

Repower Italy was also very active on the **communications** side to support its sales channels. Repower continued with the Organismo Perfetto campaign (which presents the company and its consultants as "personal trainers") as a firm component of its communications in 2017. The company also worked on building a technical and communications partnership with car manufacturer Mini. Another project under the name Homo Mobilis was presented and inaugurated at the Repowercharge stand at the Triennale in Milan. Behind the project is illustrator Michele Tranquillini, who created the Homo Mobilis illustration exclusively for Repower to represent the transportation of the future.

The Market Italy segment's contribution to the Repower Group's **operating income (EBIT)** in 2017 came to CHF 24.3 million.

SALES

Last year Repower in Italy provided more than 27,000 business customers with electricity and 11,081 small and medium-sized enterprises with gas. It delivered a total of 3.5 TWh of electricity and 319 million cubic metres of gas, a 13.9 per cent increase on the previous year.

In 2017 Repower continued to expand its sales network to provide all-encompassing customer service across all regions of the country. At the end of 2017, 602 consultants were working for Repower. In 2017 Repower continued to prioritise targeted, comprehensive training to give agents more in-depth knowledge and skills, particularly in energy efficiency, electric vehicles (EV) and EV charging infrastructures. The goal for 2018 is to further optimise and extend the presence of consultants throughout Italy and bring training into line with individual customer needs.

In 2017 Repower officially launched FOCUS^{CLICK}. While the FOCUS product was designed for customers consuming large volumes of electricity, FOCUS^{CLICK} is aimed at SMEs consuming between 350 and 1,500 MWh a year. The product is a simplified version of FOCUS priced more attractively for customers.

In mid-year Repower introduced a new, simplified and uniform version of its VAMPA contract. While there were still various types of contract for different customer groups in 2016, in 2017 they were brought together in a single, unified offering. VAMPA is an energy check-up done on the basis of thermal imaging. The new product offers three different service levels according to the number of thermal images ordered (15, 30 or 50 images). The launch of this simplified product had a tangible positive impact on sales.

Repower continued to be very active in electric vehicle services in 2017. In collaboration with artist Michele Tranquillini the company developed VEP, an innovative project involving designing attractive parking spots for electric vehicles in conjunction with Repower charging stations. These parking spots have artistic road markings which make them stand out visually. This increased visibility is a side-effect that should facilitate promotion of the charging stations.



VEP features attractive road markings by Michele Tranquillini.

The RICARICA 101 product was already a great success in 2016, the year of its launch, and in 2017 was substantially stepped up, with around 200 companies involved by the end of the year – double the number at the end of 2016. Ricarica is a charging network that enables travel by electric vehicle right across Italy,

recharging at stations offered by high-end establishments ranging from hotels and restaurants to golf resorts. Overall, products and services related to electric vehicles are contributing to Repower's success: by the end of the year under review Repower's network comprised 550 PALINA and BITTA charging points across the whole of Italy.

TRADING IN MILAN

In 2017 Repower sold almost 11 terawatt hours of electricity via trading in Milan, and almost 4 billion cubic metres of gas.

In terms of the development of the market in general, the favourable economic environment in Italy in 2017 had a positive impact on results. The increase in prices which resulted from this, coupled with a decline in power generated by nuclear plants in France, were notable factors in this.

The Teverola combined cycle gas turbine plant was successfully deployed for both the ancillary services and day-ahead markets, making a substantial contribution to the good results, as did the especially good performance of the online platform Repricer in 2017. There was a further increase in demand for this web-based tool versus the prior year. Refurbishment work originally scheduled for 2017 was postponed to the beginning of 2018 at the request of the Italian grid operator Terna, and will therefore have a negative impact on 2018 results.

In addition, in the year under review Repower continued with BIG, a project designed to expand the portfolio of large customers. The year 2017 goes down as a success. The share of sales generated by BIG was up significantly by comparison with 2016.

The explosion at Baumgarten, one of Europe's most important gas distribution stations, which at the end of 2017 interrupted deliveries to Italian and southeast Europe, had only a minimal impact on Repower. After only one day the effects could no longer be felt.

GENERATION

As it had in 2016, the Teverola combined cycle gas turbine plant in the Italian region of Campania posted very good results in the year under review, way above expectations. The asset was successfully deployed for both the ancillary services and day-ahead markets. The reasons for this good result were high summer temperatures and high prices abroad. Added to this was the fact that two competing facilities suspended production for longer than expected.

The three wind farms – Corleto Perticara (Basilicata), Lucera (Apulia) and Giunchetto (Sicily) – also put in an extremely good performance, with yields from all three installations above expectations for 2017. The Lucera and Corleto Perticara farms are wholly owned by Repower; the company holds a 39 per cent interest in the Giunchetto farm.

COMMUNICATIONS

Repower was also very active and innovative in terms of communications to support its sales activities. Proven campaigns were continued, and new ideas were put into practice. An example was Organismo Perfetto, a campaign portraying the company and its agents as "personal trainers" to business customers. The campaign, which has been a permanent feature of Repower's communications for several years now, ran on both TV and radio in 2017. A "personal trainer" checks out a company's consumption profile and suggests customised solutions to help it optimise its consumption and costs.

Repower also worked on building a technical and communications partnership with car manufacturer Mini. In June four media conferences were held to present Mini's first plug-in hybrid model. Journalists from all over Europe were present, and Repower contributed to the successful presentation by providing seven special "Repower X MINI" versions of the PALINA station, used among other things to charge the new model for test drives.



The result of technical and artistic collaboration between Mini and Repower

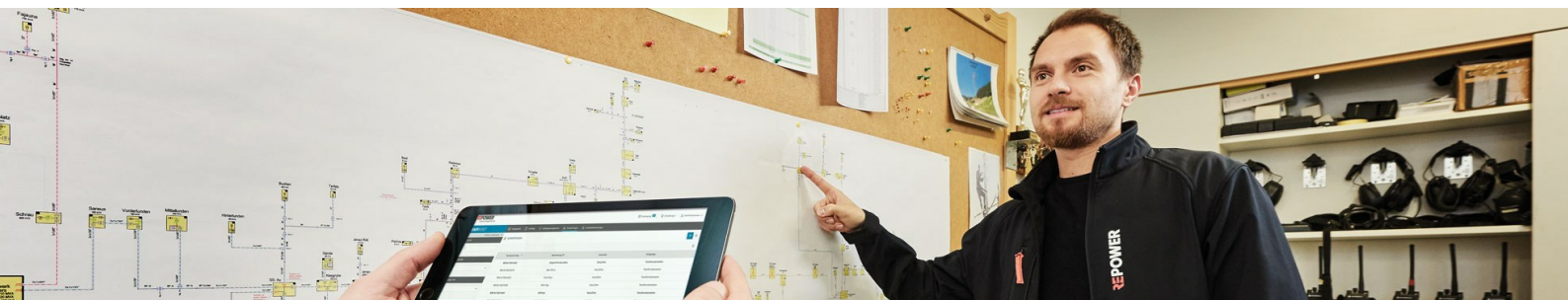
Another Repower project with a major visual impact is Homo Mobilis, a large-scale illustration portraying the transportation of the future designed by illustrator and artist Michele Tranquillini exclusively for Repower. At the heart of the illustration is an electric car in the middle of a wind tunnel, with whirling words, objects and people all interpreting the vision of the new mobility in their own way.



Homo Mobilis at the Triennale in Milan

EBIT CONTRIBUTION

The Market Italy segment posted **operating income (EBIT)** of CHF 24.3 million in 2017. Contributory factors included favourable economic conditions on the Italian market, resulting in higher prices, and the better than anticipated performance of the combined-cycle gas turbine plant.



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Other activities

NO ESCAPING DIGITALISATION

Digitalisation is also sweeping the energy industry. Repower is using this opportunity, looking to the future in a spirit of innovation. A number of the products it launched in 2017 are based on the idea of using digital solutions to help simplify and efficiently execute as many processes as possible. The ongoing development of SMARTPOWER and the launch of EASYASSET and ENERGYSpace marked major steps towards digitalisation in 2017. The response from energy utilities and infrastructure operators has been good, showing that Repower is on the right track. The company will continue to drive these developments forward to be able to go on meeting the needs of its customers in the future.

Repower's constant in-house efforts also continue to create innovative solutions to make staff's work easier and optimise processes. The use of the latest office software such as Microsoft Office 365, as well as collaboration tools and the associated training, also plays a part in efforts to optimise internal processes and costs. Digitised conference rooms enable people at Repower to collaborate seamlessly across sites, with one another and also with customers and suppliers. This reduces the time spent travelling and the associated costs and impact on the environment.

REPOWER'S QUALITY MANAGEMENT RECEIVES ISO 9001 CERTIFICATION

To enable customers' wishes to be captured and responded to quickly, the company's processes and quality management systems have to work properly overall. The Swiss Association for Quality and Management Systems (SQS) assessed these things at Repower and awarded the company ISO 9001:2015 confirming compliance with the normative principles of quality management. The assessment covered power generation, energy transmission and distribution, and the provision of services directly associated with this. More than the certificate itself, what counts for Repower is the awareness and attitude of every employee in the organisation.

REPOWER'S POSITIONING IN PUBLIC PERCEPTION

In Graubünden Repower enjoys high popularity ratings, thanks in particular to the company's strong local roots, the friendliness of its staff and its involvement as a sponsor in the life of the region. These were the findings of a survey by DemoSCOPE, one of Switzerland's leading market research companies. Repower commissioned the survey to find out about brand awareness, its public image and customer satisfaction. Of the Repower customers polled, 83 per cent said that they were generally satisfied or very satisfied. Repower will endeavour to maintain and further improve this level of satisfaction.

LAUNCH OF A NEW WEBSITE

When it launched its new website at the beginning of 2017, Repower placed particular emphasis on user-friendliness, clear presentation and navigation, and enabling interaction customers. It rounded off the complete overhaul of the website by integrating tools such as a cost calculator.

This innovative online presence has resulted in steady growth in traffic since its launch. In the first month after its launch on 1 March 2017 the website received 80,000 visitors. A year later this figure had risen to 87,200, with 11 per cent growth versus the prior year. On the day of the launch, 6,356 visitors were registered. The optimisation of the website for mobile devices has also yielded good results: in the year under review, 45 per cent of visitors used the site from their mobile device, compared with only 25 per cent during the same period the year before. In 2017 Repower notched up more than 1,300 contact enquiries in Switzerland alone.



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Sustainability

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

ENVIRONMENTAL AND WORKPLACE SAFETY

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

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

Repower is committed to the safety of its employees. It conducts regular safety training for staff working on power plants and grid installations with the aim of reducing days of absence due to accidents at work and sickness. These courses are a permanent feature of measures at Repower designed to raise employee awareness of everyday risks and safety. In 2017 Repower ranked at the industry average in terms of days of absence.

In the course of the regular refinancing of sections of its renewable generation portfolio, Repower successfully placed two green bonds (*Schuldscheindarlehen*), issue date 23 January 2017, totalling EUR 50 million. The form of the loan is geared to the goal of making Repower's generation portfolio 100 per cent renewables-based. An independent expert opinion confirmed that the assets underlying the financing meet the relevant requirements of the Green Bond Principles. Repower is the first Swiss company to conduct financing in this form, earning it a Green Bond Pioneer Award. Every year Ernst & Young performs audit procedures on the basis of the promissory note agreement to verify the corresponding financial information. The insights gained from these procedures are set down in a report on the actual findings on financial information in connection with the issue of promissory notes. The report confirms that the requirements set down in the promissory note agreement were met in 2017.

50

million euros

*worth of green bonds
issued to refinance the renewable
generation portfolio.*

1,4

million francs

*in Repower's ecofund
for environmental
regeneration.*

Repower has an ISO 14001:2004-certified environmental management system for handling environmentally-relevant processes. In recent years this system has helped the company reduce emissions continuously. Transport also plays a key role here, which is why the company's in-house environmental specialists are actively involved in the issue. Repower also launched a one-year mobile working pilot project called Co-Working. Staff can work at selected co-working spaces close to their home or, if they have outside obligations, at the place where they're deployed. Co-working spaces are shared offices where people from different companies work. This enables people to optimise their travel arrangements.

Repower is pursuing an exemplary environmental policy in connection with the project to renovate the Morteratsch power plant, which was completed in 2017. Following the rebuilding, additional water piping has supplied the precious system of waterways and bodies of water with more water. Another improvement is that the lakes and streams affected are subject to less extreme fluctuations in water level.

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

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

Various work is pending for 2018 in connection with federal legislations on waterway protection designed to safeguard bodies of water from detrimental impact. The Miralago intake in the Valposchiavo is one of the bodies of water affected, and has to be upgraded by 2020. Next in line will be upgrades to make it passable for fish migration, for which Repower obtained a permit in 2017.

Repower continues to work on the environmental upgrade of landscapes surrounding hydropower plants. To this end an eco-fund was established in 2001, kept up by revenues from the sale of green power. The fund runs under the auspices of the municipality of Poschiavo, Pro Bernina Palù, the Fischerverein Poschiavo anglers' association, WWF, Pro Natura, the cantonal office of nature and the environment, Associazione Agricola Poschiavo and Repower. At the end of 2017 the fund contained CHF 1.4 million. Part of the money will now be invested in projects to restore natural environments in the Valposchiavo area, with a focus on the restoration of the Cavaglia plateau. An environmental consultant has drawn up a restoration plan proposing and prioritising various upgrades. This project was driven forward in 2017, and in 2018 the first construction work will begin, with at least CHF 400,000 invested in upgrading the Cavaglia plateau.

30

apprentices in seven
different trades



EMPLOYEES

Repower employs a total of 599 people in Switzerland and Italy (as of 31 December 2017). In Switzerland, Repower offers young professionals 30 apprenticeships in seven trades spread over different areas of Canton Graubünden. The group aspires to be an attractive employer and to offer fair conditions of employment. To limit staff turnover, Repower endeavours to develop and retain its staff. It also pursues an active employer branding policy to position itself externally as an employer and acquire new staff with the right skills. The company offers competitive compensation in line with each employee's skills and experience. Repower places the emphasis on systematic management development and transparent internal communications. It also fosters an innovative corporate culture. Employees can help shape the future of the business by actively contributing to projects set up to develop new products and services.

In 2017 Repower underwent a review of the pay differential between men and women for equivalent work, and on 1 September 2017 was awarded a certificate by the Federal Office for Gender Equality (FOGE). Since back in 2015 Repower has been working with Landolt und Mächler Consultants, a company specialising in pay equality and salary systems. Landolt und Mächler's review procedure is based on the ABAKABA approach recommended by the FOGE, which specifies that men and women should receive equal pay for equivalent work. Repower complies with this principle.

Every two years Repower conducts a groupwide staff survey to get a feel for the mood of its employees and develop on an ongoing basis. The survey findings are compared with previous findings and measured against an external benchmark.

COMPLIANCE

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

In 2017 the Compliance function held various trainings. A total of 240 employees received training in combating corruption and internet fraud. The Compliance department collaborated with IT to run a campaign on phishing, which achieved very good results with staff. Training on regulatory management and the EU market abuse regulation was also held for staff in Switzerland and Italy.

PRODUCTS AND GENERATION

Since 1 January 2017 Repower has supplied customers in its supply area with 100 per cent renewable electricity. The product portfolio consists of the standard product AQUAPOWER (Swiss hydropower), PUREPOWER (at least 5 per cent electricity from photovoltaic, biomass or wind installations; the remainder certified hydroelectric and mains water turbine-generated power from the Swiss mountains) and SOLARPOWER (100 per cent solar power from Graubünden).

5 HIGH-QUALITY GREEN POWER PRODUCTS:

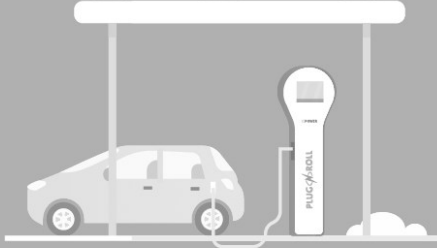
Aquapower (Switzerland)
Purepower (Switzerland)
Solarpower (Switzerland)
Verdepower (Switzerland)
Verde Dentro (Italy)



In Italy, in addition to supplying business customers with TÜV-certified green power, Repower focuses on offering solutions to enable them to boost their energy efficiency. These offerings include eFFettiva (reducing electricity consumption), VAMPA (an energy check-up on the basis of thermal imaging), DIODA (LED lighting) and FOCUS (analysing energy consumption). The VAMPA and FOCUS products were refined and simplified in 2017.

During the year under review Repower continued to develop offerings in connection with electric vehicles in both Switzerland and Italy. In Switzerland the electric vehicle charging network already boasts around 100 PALINA and BITTA charging points, most of them in Graubünden. The network also includes more than 2,500 registered electric vehicle drivers. In Italy Repower has achieved a great deal of success with efforts to extend the RICARICA 101 charging network, which already had 200 stations by the end of the year under review, a year-on-year increase of 100 per cent. At the end of 2017 Repower Switzerland launched new charging points for home and business use with three models – WALLBOX PULSAR, WALLBOX COMMANDER and WALLBOX COPPER – designed especially for private households and featuring the latest technology. A total of 650 EV charging stations from Repower's product range had been installed in Switzerland and Italy by the end of the year under review.

650



*Repower electric
vehicle charging
stations installed
in Italy and
Switzerland*

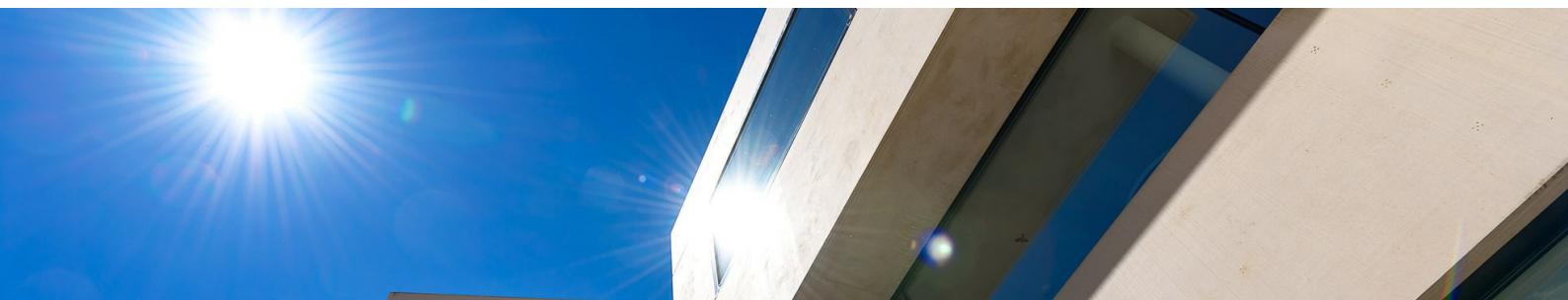
In 2017 Repower also replaced the entire street lighting for various local authorities, replacing it with a new system – street lighting from e-save, a company in Chur. By incorporating a feature that dims LED lighting according to the volume of traffic, energy consumption and ongoing costs can be significantly reduced without compromising quality or safety. Besides reducing the energy required, dimming extends the life of the lights and does a great deal to mitigate light pollution.

Repower's SMARTPOWER smart metering solution, which was developed further in 2017, is making a significant contribution to promoting environmentally-aware energy consumption. The product is built around an innovative power-based tariff model, a smart metering solution and the comprehensive integration of customers. The goal is to intelligently combine and optimise energy strategy, efforts to expand the grid and the needs of customers efficiently and economically. The SMARTPOWER tariff gives the right price incentives. It's based on the electric power (wattage) used rather than the volume in kWh. This encourages customers to optimise their consumption and at the same time save costs.

Hydropower is the mainstay of Repower's own generation business. For this reason safeguarding the value of these assets by way of new finance models, for example the one used for the Morteratsch plant, is an integral part of the company's strategy.

100%
*renewable production
under
ENERGY STRATEGY 2050*





Corporate governance

Governance

This section complies with the principles set down in the Swiss Code of Best Practice for Corporate Governance, and contains key information on corporate governance in the Repower Group. The information is also available on the www.repower.com/governance website.

BASIC PRINCIPLES

The principles of corporate governance are laid down in the articles of association and in the organisational regulations and related assignment of authority and responsibility (available at www.repower.com/governance). The board of directors and executive board regularly review these principles and revise them as and when required. The organisational regulations and the assignment of authority and responsibility were reviewed in the year under review and approved by the board of directors on 30 March 2017 and 11 September 2017 respectively.

GROUP STRUCTURE AND SHAREHOLDERS

The Repower Group consists of Repower AG and its holdings. The registered office of Repower AG is in Brusio in Canton Graubünden, and its postal address is Via da Clait 307, 7742 Poschiavo. Repower AG is an international energy company based in Switzerland. The group operates along the entire electricity value chain (generation, trading, transmission, sales and distribution) and draws on its deep energy expertise to offer its services to other customers and deliver contracts for third parties. The group also operates in the gas business. The Repower Group employs around 600 people. The operational group structure comprises four divisions – Service Provision, Market, Italy, and Finance – plus two administrative units reporting direct to the CEO (see the diagram below showing Repower's organisation as of 31 December 2017).

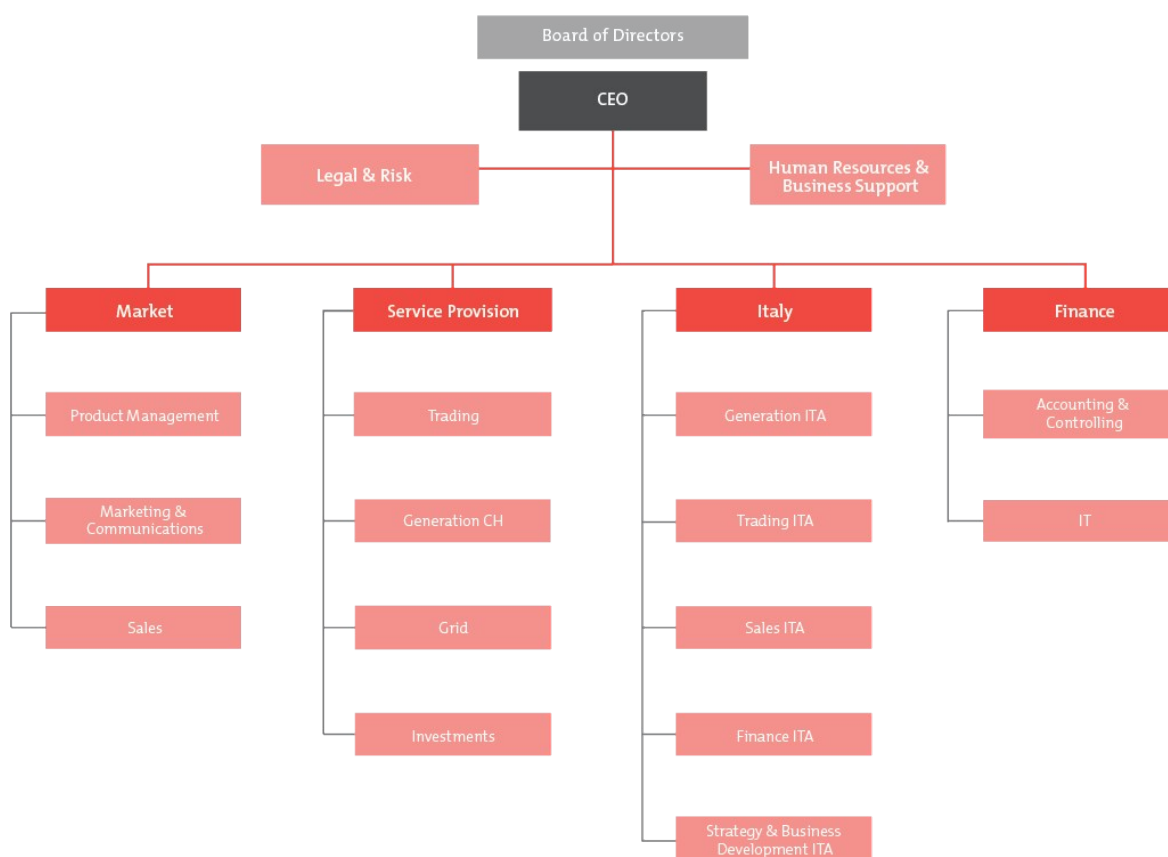
The Service Provision division comprises the Generation Switzerland, Trading and Grid (Basic Supply) units and Repower's interests. It brings together all functions connected with the management of assets and the provision of the products and services sold by the Market division.

The Market division comprises the Product Management, Market & Communications and Sales units. The role of this division is to design, manage, market, distribute and sell services and products. Active key account management is in place for the energy utility customer segment. This division is also responsible for basic supply activities and the sales business in Switzerland and Germany.

The Italy division is in charge of sales of electricity, natural gas and green power certificates to end-consumers, and the operation and maintenance of generation facilities in Italy.

The Finance division manages finance and controlling and IT activities. The treasury and real estate departments also operate within this division.

The Human Resources & Business Support and Legal & Risk units report directly to the CEO.



Repower organisation at 31 December 2017

The individual operations are managed centrally by Repower AG and are not organised into separate legal structures. However, if management by Repower AG is deemed impossible or inefficient for legal, fiscal or regulatory reasons, or if new legal entities are added (for example through acquisition), management is handled by legally independent subsidiaries. An overview of shareholdings can be found [here](#).

Repower AG registered shares are traded on Berner Kantonalbank's OTC-X platform. In addition, Repower securities are available on the Zürcher Kantonalbank and Lienhardt & Partner platforms.

Elektrizitätswerke des Kantons Zürich (EKZ) currently holds 29.83 per cent, Canton Graubünden 21.96 per cent, UBS Clean Energy Infrastructure KGK 18.88 per cent and Axpo Holding AG 12.69 per cent of the shares; together they thus hold 83.36 per cent of the voting rights. In a transaction on 4 October 2017, EKZ acquired 111,685 Repower registered shares from the free float. This increased EKZ's holding from 28.32 per cent to 29.83 per cent. The anchor shareholders are committed to one another through a shareholders' agreement. As a core provision of this agreement, the parties agree that Repower AG shall operate as a private, independent, profit-oriented energy supply company based in Canton Graubünden managed according to business principles with broad-based activities including generation (hydropower) in Canton Graubünden and the core markets Switzerland and Italy. The shareholders' agreement also contains limitations on transferability as well as detailed provisions governing corporate governance.

No cross-shareholdings exist. The remaining 16.64 per cent of the unified registered shares are in free float.

CAPITAL STRUCTURE

The share capital of Repower AG (information on the capital supplementary to the balance sheet is given in the overview of changes in consolidated shareholders' equity) consists of 7,390,968 registered shares (Swiss securities no. 32 009 699) each with a par value of CHF 1. Each registered share entitles the holder to one vote at the annual general meeting. The registered shares have a dividend entitlement. There are no preferential rights or restrictions on voting rights. No authorised or conditional capital exists. Repower AG has no outstanding dividend right certificates. Repower AG has issued no convertible bonds, options or other securities that entitle the holders to shares in Repower AG. Based on the stock exchange prices for the registered shares, the company had a market capitalisation of CHF 499 million at the end of 2017.

BOARD OF DIRECTORS

MEMBERS

The members of the board of directors are listed in the “[Members of the board of directors](#)” section. No member of the board of directors of Repower AG performs operational management tasks for the company. Members of the board of directors do not sit on the executive board of Repower AG or on that of any other group company. In the three financial years preceding the year under review, no member of the board of directors was entrusted with any executive functions within the Repower Group. Some members of the board of directors perform executive functions for Elektrizitätswerke des Kantons Zürich, UBS Clean Energy Infrastructure KGG or Axpo Holding AG – all anchor shareholders – or their affiliated companies. Normal business relations exist with these companies.

ELECTION AND TERM OF OFFICE

The members of the board of directors are elected annually by the annual general meeting individually or together. The term of office ends with the completion of the next annual general meeting. Newly elected members complete the terms of office of their predecessors. The board of directors currently comprises seven members, the maximum permissible number under the articles of association. Re-election is possible. Under the terms of the organisational regulations, members of the board of directors must give up their seats on the board as a rule at the annual general meeting following the end of the year in which they reach age 70. The board of directors may make exceptions to this rule.

INTERNAL ORGANISATION

The board of directors determines its own internal organisation. It elects its chairman, vice chairman and secretary; the secretary need not be a member of the board of directors. There is also an audit committee and a personnel committee. Members of the committees are elected for the same term of office as the board of directors. The members of the audit and personnel committees are detailed in the “[Members of the board of directors](#)” section. These two committees prepare business for the board of directors and provide the board of directors with periodic reports on their activities in a suitable format. They do not have decisionmaking powers.

Together with the secretary and the CEO, the chairman of the board of directors draws up the agenda for meetings of the board of directors. Members of the board of directors generally receive proposals relating to each agenda item eight days in advance of meetings. These proposals include background information as well as an evaluation and a motion by the executive board and by the committees. The board of directors meets at the invitation of the chairman or, if the latter is not available, of the vice chairman, as often as required to conduct its business, but at least twice a year. The board of directors generally meets at least once a quarter. The board of directors must be convened whenever one of its members or the CEO makes a written request to this effect, stating the reason.

The CEO and CFO generally attend every meeting of the board of directors. The other members of the executive board attend the meetings as and when required in order to explain the proposals. The board of directors basically constitutes a quorum if the majority of its members are present. The board of directors passes resolutions by a majority vote. The chairman does not have a casting vote. Minutes are taken of the business and resolutions of the board of directors and are submitted to the board for approval at its next regular meeting.

The committees and the board of directors follow the same procedures in terms of convocation, procedure of the meetings and decisionmaking.

In the year under review the board of directors met nine times, and the committees twelve times. Meetings of the bodies normally last half a day.

AUDIT COMMITTEE

The audit committee evaluates the efficacy of the external audit and the functional effectiveness of the risk management processes. It can engage the external auditor or other external advisors to perform special audits for the purpose of internal control. The audit committee also reviews the status of company compliance with various standards (annual compliance report). The committee inspects the individual and consolidated financial statements and the interim financial statements intended for publication; it discusses the financial statements with the CFO and, insofar as this is deemed necessary, with the head of the external auditors and the CEO. Finally, it also decides whether the individual and consolidated financial statements can be recommended to the board of directors for submission to the annual general meeting. It evaluates the services and fees of the external auditors and verifies their independence. It also determines whether the auditing role is compatible with any consulting mandates. The audit committee evaluates the overall financing of the company and individual financing measures, the company's medium and long-term cash planning, and its liquidity and working capital management. It also evaluates the budgets, long-term financial plans and the principles used to measure non-current assets.

PERSONNEL COMMITTEE

The personnel committee oversees on behalf of the board of directors the objectives and principles of personnel policy and obtains from the CEO information on the implementation of the principles of compensation and personnel policy. Once a year the personnel committee reviews a) the CEO's proposed appraisal of the members of the executive board (including compensation) and corresponding measures for the attention of the board of directors and b) the CEO's proposed objectives for the members of the executive board and submits them (including objectives and pay adjustments for the CEO) to the board of directors for approval. The personnel committee obtains from the CEO information on personnel development (including succession planning) at management level and the corresponding measures at executive level. It evaluates and discusses the company's and group companies' compensation guidelines and schemes and reviews their efficacy, attractiveness and competitiveness. The committee sets down the principles for selecting candidates for the executive board, oversees the selection procedure in line with these principles and evaluates, with the CEO, the candidates for the nominations to be made by the board of directors for membership of the executive board. The personnel committee prepares re-elections and new elections within the board of directors, taking account of the shareholder structure. It also reviews appropriate insurance policies for members of the board of directors and executive board, and proposes any necessary modifications to the board of directors.

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

Types of authority granted to the board of directors and the executive board are defined in the organisational regulations and the related assignment of authority and responsibility. The board of directors is responsible for the overall direction and strategic orientation of the Repower Group and for supervising the executive board. It reviews and determines on an annual basis the objectives and strategy of the Repower Group as well as the corporate policy in all sectors, and makes decisions regarding short- and long-term corporate planning. It also deals with the organisational structure, accounting structure, internal control system and financial planning, the appointment and discharge of the persons entrusted with management and representation (namely the CEO, deputy CEO and the other members of the executive board), preparation of the annual report, preparations for the annual general meeting and implementation of its resolutions, passing resolutions on capital increases and the resulting amendments to the articles of association, examining the qualifications of specially qualified auditors in the instances provided for under the law, and making decisions on compensation policy. The board of directors has delegated the entire operational management of the Repower Group to the CEO. The CEO has delegated certain management functions to the members of the executive board. Some types of business or transactions must be presented to the board of directors for a decision in accordance with the assignment of authority and responsibility (annex to the organisational regulations).

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

At each meeting of the board of directors, the CEO and the members of the executive board report on current business developments, important business transactions and the status of major projects. Aside from these meetings, any member of the board of directors may ask the CEO to provide information about the course of business and also, if the chairman agrees, about individual transactions. Supervision and control of the executive board is handled by approving the annual planning and on the basis of detailed quarterly reporting comparing actual and target figures. Quarterly reporting includes data on the volumes of energy sold and procured, the income statement and balance sheet (including expected values for the most important key figures, namely energy sales, total operating revenue, operating income, profit, cash flow, capital expenditure, property, plant and equipment, total assets, equity, economic value added), energy trading risks (market risks and counterparty risks) and key projects. Important key figures on the Swiss and Italian markets, trading and the Corporate Centre also form part of the quarterly reporting. The Repower Group also does segment reporting in accordance with Swiss GAAP FER 31 (for more information, see the section on [segment reporting](#)). The board of directors also receives quarterly progress reports and final performance reports on key projects, as well as – if specifically requested – status reports on individual business activities. Annual and long-term planning covers corporate objectives, key projects and financial planning. In addition there are risk management and auditors' reports to facilitate the assessment of management and the risk situation. Repower has a risk management system which is described in detail in a policy issued by the board of directors. At the end of each year the board of directors defines the risk strategy for the following financial year. Significant risks must be brought to the attention of the board of directors at least once a year, with quarterly updates to advise the board of directors of any changes in these risks. The auditors draw up a comprehensive report once a year documenting the key findings of their audit.

REPOWER GROUP EXECUTIVE BOARD

Kurt Bobst

CEO (Chairman of the Executive Board of Repower Group)

Felix Vontobel

Head of Service Provision, Deputy CEO

Stefan Kessler

CFO (Head of Finance Division) to 31 January 2017

Brigitte Krapf

CFO (Head of Finance Division) from 1 February 2017

Fabio Bocchiola

Head of Italy

The list in the "[Executive board](#)" section provides detailed information on members of the executive board (name, age, position, nationality, date of joining the company, professional background, and other activities and interests). No management tasks were transferred to third parties.

COMPENSATION, SHAREHOLDINGS AND LOANS

CONTENT OF COMPENSATION AND PROCEDURE FOR SETTING COMPENSATION

On 31 December 2017 the board of directors consisted only of non-executive members. Under the terms of the articles of association the board of directors sets the annual compensation paid to its members. The members of the board of directors receive compensation based on the work they have performed and their responsibilities in accordance with the remuneration rules. The board of directors was compensated in accordance with the remuneration rules of 21 July 2016. The compensation consists of a flat fee that already covers any out-of-pocket expenses. This compensation does not depend on the company's earnings.

The compensation paid to members of the executive board comprises a fixed and a variable component. The fixed component consists of the base salary, and can also contain other compensation components and benefits. Depending on achievement of operational targets, the variable component may amount to a maximum of 40 per cent of the annual base salary. The fixed and variable components are set on an annual basis by the personnel committee and approved by the board of directors. The fixed component is based on a proposal made by the CEO on the basis of the development of the group. The variable component depends on achievement of the Repower Group's financial targets and the member's personal performance targets. The

bonus targets are weighted as follows: 40 per cent measured by profit and 40 per cent measured by economic value added (EVA). For each member of the executive board, between two and a maximum of four personal performance objectives are set, which are likewise weighted 20 per cent to calculate the bonus.

The CEO submits his proposal for the variable components for each individual member to the personnel committee. The board of directors then makes the final decision. Personal performance is evaluated in a meeting with the CEO at the end of the reporting period on the basis of the objectives agreed at the beginning of the financial year. All compensation components are paid in cash. No external advisors were involved in designing the compensation system.

COMPENSATION PAID TO MEMBERS OF THE BOARD OF DIRECTORS

In the year under review the members of the board of directors received cash compensation in the amount of CHF 704,176 (prior year: CHF 685,790). Compensation breaks down in detail as follows:

	Member of the board of directors from/to	2017			2016		
		Gross compensation	Employer contributions	Total compensation	Gross compensation	Employer contributions	Total compensation
CHF							
Total		690,000	14,176	704,176	662,093	23,697	685,790
Dr Eduard Rikli, Chairman	until 21.06.16	-	-	-	52,280	4,117	56,397
Dr Manfred Thumann, Vice Chairman ¹⁾	until 21.06.16	-	-	-	42,775	-	42,775
Dr Rudolf Huber	until 21.06.16	-	-	-	38,022	2,994	41,016
Placi Berther	until 21.06.16	-	-	-	18,060	1,422	19,482
Roger Vetsch	until 12.05.16	-	-	-	13,885	1,093	14,978
Dr Myriam Meyer Stutz ¹⁾	until 12.05.16	-	-	-	13,885	-	13,885
Gerhard Jochum	until 21.06.16	-	-	-	18,060	1,422	19,482
Domenico De Luca ¹⁾	until 12.05.16	-	-	-	13,885	-	13,885
Peter Molinari	until 12.05.16	-	-	-	13,885	1,093	14,978
Dr Pierin Vincenz, Chairman ¹⁾	from 21.06.16	150,000	-	150,000	79,121	-	79,121
Peter Eugster, Vice Chairman ¹⁾	from 21.06.16	90,000	-	90,000	47,472	-	47,472
Dr Urs Rengel ¹⁾	from 21.06.16	90,000	-	90,000	47,472	-	47,472
Dr Martin Schmid	from 23.05.08	90,000	7,088	97,088	85,247	6,564	91,811
Claudio Lardi	from 04.05.11	90,000	7,088	97,088	65,286	4,992	70,278
Roland Leuenberger ¹⁾	from 21.06.16	90,000	-	90,000	47,472	-	47,472
Rolf W. Mathis ¹⁾	from 02.05.03	90,000	-	90,000	65,286	-	65,286

1) In accordance with the instructions of the members of the board of directors affected, the entire compensation is transferred to their employers.

COMPENSATION PAID TO THE MEMBERS OF THE EXECUTIVE BOARD

In the year under review the members of the executive board received cash compensation in the amount of CHF 2,687,287 (prior year: CHF 2,966,821). Compensation breaks down in detail as follows:

2017

	Gross compensation (fixed)	Gross compensation (variable)	Employer contributions	Other benefits	Total compensation
CHF					
Total	1,507,522	579,250	600,515	-	2,687,287
Kurt Bobst, CEO	458,175	183,000	132,107	-	773,282
Other members of the executive board	1,049,347	396,250	468,408	-	1,914,005

2016

	Gross compensation (fixed)	Gross compensation (variable)	Employer contributions	Other benefits	Total compensation
CHF					
Total	1,776,892	611,140	578,789	-	2,966,821
Kurt Bobst, CEO	457,325	143,000	121,365	-	721,690
Other members of the executive board	1,319,567	468,140	457,424	-	2,245,131

SHAREHOLDERS' RIGHTS OF PARTICIPATION

Shareholders' rights to assets and participation are in accordance with the law and the articles of association. None of the provisions of the articles of association deviate from statutory provisions, with the exception of the placement of an item of business on the agenda of the annual general meeting. To do so, a shareholder or several shareholders must hold at least CHF 100,000 of share capital and submit a written request at least 50 days prior to the annual general meeting.

One shareholder or several shareholders who together hold at least 10 per cent of the share capital may request in writing that an extraordinary general meeting be convened, provided that the request states the proposals and the item of business. An ordinary general meeting of shareholders takes place every year, no more than six months after the end of the financial year.

Each shareholder may be represented at the annual general meeting by granting another shareholder authority in writing or by granting the independent proxy authority in writing or electronically. Each share entitles the holder to one vote at the annual general meeting.

AUDITOR

Since 2015, Ernst & Young AG, Zurich, Switzerland, has served as the statutory auditor and group auditor appointed annually by the annual general meeting. The former auditor-in-charge, Alessandro Miolo, was responsible for the engagement from that time. Because of a change of job, at the end of October 2017 Alessandro Miolo handed over responsibility for the engagement to the new auditor in charge, Willy Hofstetter. Ernst & Young AG was paid a total fee of TCHF 586 for its auditing services for the group in the 2017 financial year and TCHF 54 for other consulting services.

SUPERVISION AND CONTROL INSTRUMENTS VIS-À-VIS THE AUDITORS

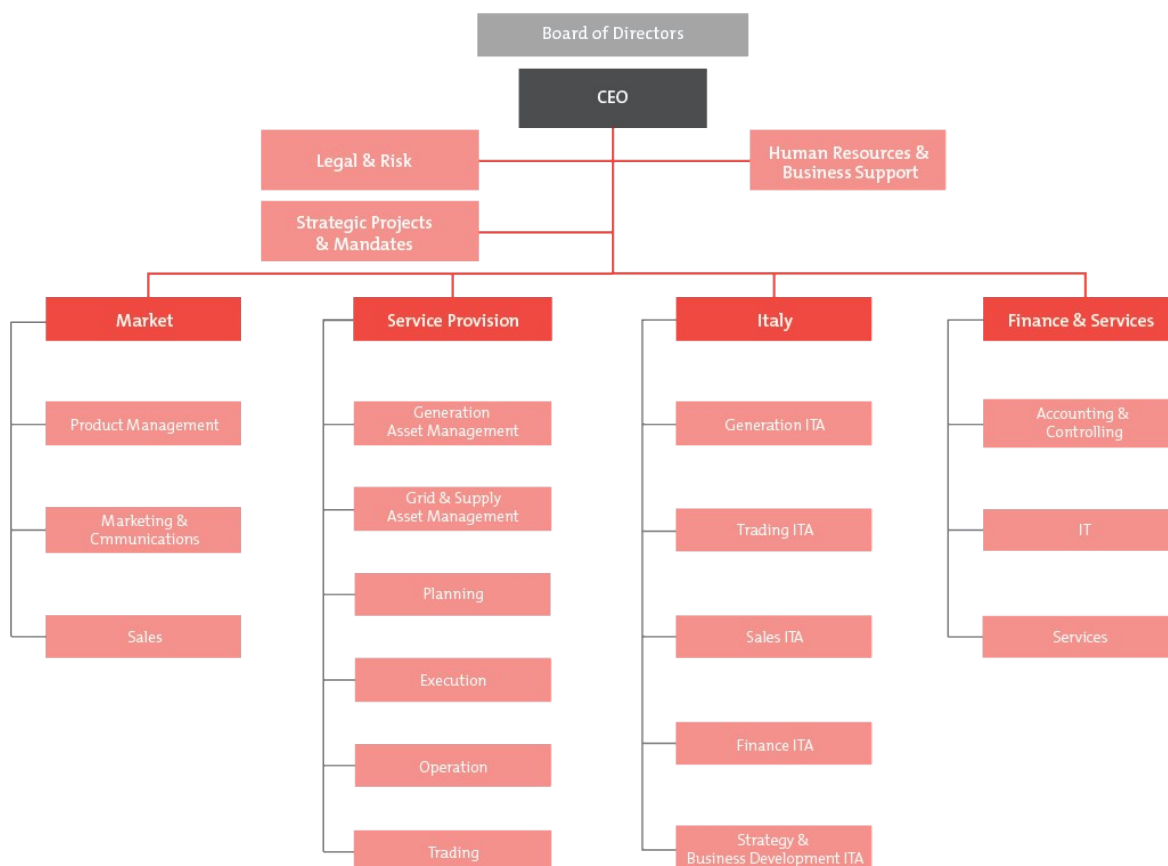
The audit committee monitors the credentials, independence and performance of the auditor and its audit experts. It obtains information at least once a year from the audit managers and the executive board concerning the planning, execution and findings of the audit work. The audit committee asks the auditors to provide the audit plans and any proposals for improving internal controls. The auditors draw up for the board of directors a comprehensive report with findings on accounting practices, internal controls, the execution and results of the audit. The items and improvements discussed in the report are reviewed by the auditors in an interim audit and the results are presented to the audit committee. In 2017 representatives of the external auditor participated in three meetings of the audit committee.

INFORMATION POLICY

The Repower Group provides its shareholders, potential investors and other stakeholders with comprehensive, timely and regular information in the form of annual and semi-annual reports, at the annual press conference and the annual general meeting of shareholders. Important developments are communicated via news releases (link to request news releases by e-mail: www.repower.com/subscribe-to-newsreleases). The website www.repower.com, which is regularly updated, serves as an additional source of information.

EVENTS AFTER THE BALANCE SHEET DATE

On the basis of the new strategic realignment, the Service Provision unit was reorganised and the organisation modified accordingly, with the changes taking effect on 1 January 2018.



Repower organisation from 1 January 2018

At an extraordinary meeting of the board of directors on 18 September 2017, Samuel Bontadelli was elected as new Head of Service Provision to succeed Felix Vontobel on 1 January 2018.

In a media release on 25 January 2018 it was announced that Dr Pierin Vincenz, chairman of the board of directors of Repower, would no longer be standing for re-election at the AGM in May 2018.

Board of directors*

MEMBERS OF THE BOARD OF DIRECTORS ARE ELECTED TO SERVE UNTIL THE 2018 ANNUAL GENERAL MEETING.



Dr Pierin Vincenz (b. 1956)

Swiss citizen; Dr. oec. HSG
Chairman of the board of directors

Member of the board since 2016

PROFESSIONAL CAREER

PREVIOUS

- Swiss Trust Company, St. Gallen (1979–82)
- Swiss Bank Corporation (SBC), general management of Global Treasury in Zurich, afterwards vice director of Swiss Bank Corporation O'Connor Services L.P. in Chicago (1986–90)
- Vice president and treasurer of Hunter Douglas (1991–96)
- Member of the executive board and CFO of Raiffeisen Group (1996–99)
- Chairman of the executive board of Raiffeisen Bank Schweiz (1999–2015)

CURRENT

- Chairman of the boards of directors of Vincenz Management AG and Plozza Vini SA.
- Member of the board of directors of Bergbahnen Brigels-Waltensburg-Andiast AG
- Other mandates for charitable foundations and institutions



Peter Eugster (b. 1958)

Swiss citizen; EMBA, HWV degree in business and economics
Vice-chairman of the board of directors, member of the audit committee of the board of directors

Member of the board since 2016

PROFESSIONAL CAREER

PREVIOUS

- Assistant in auditing and tax consulting at Füllemann & Dr. Rauber AG (1982–84)
- Accounting manager at Johnson Wax AG (1984–87)
- Controller at Sullana AG (1987–89)
- Finance & HR director at Sullana AG (1989–97)
- Finance director at P.J. Carroll & Co. Ltd., Dublin (1997–2000)
- CFO at Ascom Systec AG (2000–04)

CURRENT

- CFO of Elektrizitätswerke des Kantons Zürich (since 2004)

OTHER ACTIVITIES AND FUNCTIONS

POSITIONS ON BOARDS OF MAJOR CORPORATIONS, ORGANISATIONS AND FOUNDATIONS

- Chairman of the boards of directors of Certum Sicherheit AG, EKZ Renewables AG and Enpuls AG
- Member of the board of directors of BSU Bank Genossenschaft
- Trustee of PKE Vorsorgestiftung Energie



Dr Urs Rengel (b. 1962)

Swiss citizen; Dr. sc. techn., Dipl. El. Ing. ETHZ, Executive MBA
University of St. Gallen
Chairman of the personnel committee of the board of directors

Member of the board since 2016

PROFESSIONAL CAREER

PREVIOUS

Brugg Kabel AG:

- Project manager and research assistant (1990–95)
- Head of test laboratories (1995–97)
- Head of development and high voltage accessories profit centre (1997–2000)

Elektrizitätswerke des Kantons Zürich:

- Head of grid and member of the extended executive board (2000–01)
- Head of energy distribution and member of the executive board (2001–03)

CURRENT

- CFO of Elektrizitätswerke des Kantons Zürich (since 2004)

OTHER ACTIVITIES AND FUNCTIONS

POSITIONS ON BOARDS OF MAJOR CORPORATIONS, ORGANISATIONS AND FOUNDATIONS

- Chairman of electrosuisse – Association for Electrical Engineering, Power and Information Technologies
 - Member of the management board of the Association of Swiss Electricity Companies (VSE)
 - Member of the boards of directors of Kernkraftwerk Gösgen Däniken AG and Gruner AG
-



Dr Martin Schmid (b. 1969)

Swiss citizen; Dr. iur. HSG, lawyer

Member of the audit committee of the board of directors

Member of the board since 2008

PROFESSIONAL CAREER

PREVIOUS

- Assistant at the Institute for Financial Science and Financial Law/IFF, University of St. Gallen, part-time positions with PricewaterhouseCoopers and part-time independent lawyer (1997–2002)
- Member of the cantonal executive council, head of the Department of Justice, Security and Health (2003–08)
- Head of the Department of Finance and Municipalities (2008–11)

CURRENT

- Lawyer with Kunz Schmid, lawyers and notaries, Chur

OTHER ACTIVITIES AND FUNCTIONS

POSITIONS ON BOARDS OF MAJOR CORPORATIONS, ORGANISATIONS AND FOUNDATIONS

- Chairman of the boards of directors of Engadiner Kraftwerke AG, Elettricità Industriale SA, Calanda Kies und Beton Gruppe
- Chairman of the Swiss Gas Industry Association (VSG) and Entwicklung Schweiz
- Chairman of the board of trustees and board of directors of the Cantonal Hospital of Graubünden
- Member of the boards of directors of Fontavis AG, UBS Clean Energy Infrastructure Switzerland AG, Swissgas AG and Siegfried AG

PERMANENT POSITIONS WITH IMPORTANT INTEREST GROUPS

- Member of the executive committee of economiesuisse

OFFICIAL FUNCTIONS AND POLITICAL OFFICES

- Member of the Swiss Council of States for Canton Graubünden



Claudio Lardi (b. 1955)

Swiss citizen; lic. iur., lawyer

Member of the personnel committee of the board of directors

Member of the board since 2011

PROFESSIONAL CAREER

PREVIOUS

- Member of the executive council of Canton Graubünden (1999–2010)

CURRENT

- Lawyer

OTHER ACTIVITIES AND FUNCTIONS

POSITIONS ON BOARDS OF MAJOR CORPORATIONS, ORGANISATIONS AND FOUNDATIONS

- Member of the board of directors of Oleodotto del Reno SA

PERMANENT POSITIONS WITH IMPORTANT INTEREST GROUPS

- Member for Switzerland of the Consulta Culturale Italia Svizzera
- Chairman of Caritas Graubünden
- Chairman of the Board of Education of the Education Centre for Health and Social Affairs, Chur
- Chairman of historic RhB



Roland Leuenberger (b. 1968)

Swiss citizen; lic. oec. publ.

Chairman of the audit committee of the board of directors

Member of the board since 2016

PROFESSIONAL CAREER

PREVIOUS

- Various management roles at UBS AG (1996–2003)
- UBS AG, head of finance & controlling, Wealth Management International (2004–06)
- CEO of Co-Investor AG (2007–08)

CURRENT

- Partner and member of the executive board of Fontavis AG (since 2011)
- Partner and member of the executive board of EVU Partners AG (since 2010)

OTHER ACTIVITIES AND FUNCTIONS

POSITIONS ON BOARDS OF MAJOR CORPORATIONS, ORGANISATIONS AND FOUNDATIONS

- Chairman of the board of directors of EVU Partners AG
- Vice-chairman of the board of directors of Fontavis AG
- Member of the boards of directors of UBS Clean Energy Infrastructure Switzerland AG and Hydroelectra AG



Rolf W. Mathis (b. 1956)

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

Member of the personnel committee of the board of directors

Member of the board since 2003

PROFESSIONAL CAREER

PREVIOUS

- BBC (ABB), design engineer (1979–82)
- Defence Services Group, project engineer and section head (1982–87)
- Various positions at Von Roll Betec AG, latterly as head of business unit (1990–98)
- Member of the executive board of Axpo Power AG and head of the hydroenergy division (1998–2015)

CURRENT

- Senior Manager at Axpo Power AG

OTHER ACTIVITIES AND FUNCTIONS

POSITIONS ON BOARDS OF MAJOR CORPORATIONS, ORGANISATIONS AND FOUNDATIONS

- Chairman of the boards of directors of Maggia Kraftwerke AG, Kraftwerke Sarganserland AG (KSL), Kraftwerke Linth-Limmern AG (KLL), Albula-Landwasser Kraftwerke AG, Misoxer Kraftwerke AG and Kraftwerke Mattmark AG
- Member of the boards of directors of Blenio Kraftwerke AG, Grande Dixence SA and Force Motrice de Mauvoisin SA

*Details of mandates are correct as of 31 December 2017.



Corporate governance

Executive management*



Kurt Bobst (b. 1965)

Swiss citizen; federally certified controller
CEO since 2008

PREVIOUS SENIOR POSITIONS

- Head of administration at SABAG Hägendorf (1985–92)
- Head of financial accounting at Atel (1992–95)
- Business consultant at PwC and A.T. Kearney (1995–2001)
- Head of management consulting at Pöyry, CEO of Pöyry Switzerland (2002–08)

POSITIONS ON BOARDS OF MAJOR CORPORATIONS, ORGANISATIONS AND FOUNDATIONS

- Vice chairman of the board of directors of Griselectra AG
- Member of the boards of directors of Repartner Produktions AG and Enkom AG



Felix Vontobel (b. 1958)

Swiss citizen; dipl. Elektroingenieur FH

Since 1987: Kraftwerke Brusio (now Repower AG)

Since 1992: deputy director of Kraftwerke Brusio AG

From 2000 to 31 December 2017: member of the executive board and deputy CEO, COO

From 1 January 2018: strategic projects and mandates

PREVIOUS SENIOR POSITIONS

- Commissioning engineer at BBC (ABB) (1982–85)
- Project manager and commissioning engineer for biotechnology research and production installations at Bioengineering AG (1985–87)

POSITIONS ON BOARDS OF MAJOR CORPORATIONS, ORGANISATIONS AND FOUNDATIONS

- Member of the boards of directors of ELIT.E S.p.A., Kraftwerke Hinterrhein AG and Swisscom Energy Solutions AG

PERMANENT POSITIONS WITH IMPORTANT INTEREST GROUPS

- Member of the management boards of the Swiss Water Management Association and the Association of Swiss Electricity Companies (VSE)



Brigitte Krapf (b. 1981)

Swiss citizen; FH degree in business and economics/bachelor of science in business administration, MAS in corporate finance, CAS Swiss Certified Treasurer SCT®

Since 2014: Head of Treasury

Since 1 February 2017: member of the executive board and CFO (Head of Finance)

PREVIOUS SENIOR POSITIONS

- Various roles at UBS AG (1997–2003)
- Clerk, St. Gallen cantonal unemployment bureau (2003–07)
- (Junior) corporate client advisor at UBS AG (St. Gallen, Zurich, New York and Chur) (2007–14)

POSITIONS ON BOARDS OF MAJOR CORPORATIONS, ORGANISATIONS AND FOUNDATIONS

- Vice-chairwoman of the board of directors of Swibi AG



Fabio Bocchiola (b. 1964)

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

Since 2002: Rezia Energia Italia S.p.A. (now Repower Italia S.p.A.)

Since 2010: member of the executive board

Head of Italy

PREVIOUS SENIOR POSITIONS

- DALKIA, regional manager, Central and Southern Italy, with one year's experience in France (1990–95)
- ASTER, assistant operations manager (1995–96)
- EDISON, key account manager (1996–99)
- EnBW, head of sales (2000–02)

PERMANENT POSITIONS WITH IMPORTANT INTEREST GROUPS

- President of ConTe Cooperativa Sociale
- Member of the Energia Concorrente Committee
- Member of the committee of the Swiss Chamber of Commerce in Italy



Samuel Bontadelli (b. 1979)

Swiss citizen; degree in electrical engineering, Executive MBA

From 2003: Asset Management, Transmission

From 2007: Head of Generation, Switzerland

From 2011: Head of Trading

From 1 January 2018 member of the executive board and COO (Head of Service Provision)

POSITIONS ON BOARDS OF MAJOR CORPORATIONS, ORGANISATIONS AND FOUNDATIONS

- Chairman of the board of directors of Repartner Produktions AG
- Member of the boards of directors of Swisscom Energy Solutions AG, AKEB and ELIT.E S.p.a
- Managing Director of Mera S.r.l
- Member of various operating, financial and technical committees at Swiss partner plants

*Details of mandates are correct as of 31 December 2017.



Consolidated Financial Statements of the Repower Group

Comments on the consolidated financial statements

OPERATING INCOME UP SUBSTANTIALLY ON INTERMITTENT IMPROVEMENTS IN MARKET ENVIRONMENT

POSITIVE IMPACT FROM SLIGHT RECOVERY IN PRICES ON THE ENERGY MARKET IN SECOND HALF OF 2017 – MARKET OPPORTUNITIES SUCCESSFULLY EXPLOITED – SUBSTANTIAL EARNINGS CONTRIBUTION FROM ITALIAN MARKET

Repower's results for 2017 were significantly better than expected. Prices on the energy markets recovered slightly, especially in the second half of the year. Repower managed to capitalise on the resulting business opportunities thanks to skilful positioning in the marketplace. Another key mainstay contributing to this was stable earnings contributions from energy supply activities and continued growth in revenues from work for third parties. In Italy there was gratifying growth in the sale of electricity and gas in combination with innovative services. Energy marketing activities once again saw solid contributions to earnings from both the day-ahead and balancing energy side.

The 2017 financial year ended with earnings before interest and tax (EBIT) of CHF 34 million. Earnings before income taxes came to CHF 20 million, with annual profit for the year also CHF 20 million.

Unlike the previous period, there are no notable exceptional items to report for the 2017 financial year. The comments on Repower Group's 2017 financial results below thus refer to the reported operating performance. Comparisons with the prior year are, however, made on the basis of results before exceptional items. The comments on the balance sheet relate to the reported figures. Another major development dominating the year under review was the change from IFRS to Swiss GAAP FER financial reporting standards. The figures presented and described below thus reflect the use of Swiss GAAP FER. To ensure comparability, the prior year figures have been adjusted retroactively.

At CHF 1,835 million, Repower Group net sales from goods and services were up 8 per cent year on year (prior year: CHF 1,700 million). Sales improved in Switzerland (primarily energy trading) and Italian (an increase in energy generated by the group's own assets). The fact that the average euro exchange rate was higher than the previous year also resulted in higher sales in Swiss francs, the reporting currency. Gross energy margin improved, up CHF 12 million from CHF 196 million to CHF 208 million. This was primarily due to the gratifying energy trading results in Switzerland mentioned above and successful marketing of energy generated by Repower's own assets in Italy, which saw a substantial year-on-year increase.

Operating expenses (without energy procurement) declined by around CHF 5 million year on year to CHF 163 million (from CHF 168 million the year before). Once again a reduction in personnel expenses (down CHF 2

million) and a significant fall in other operating expenses (down CHF 8 million) played a particular role in this decline. Further progress in accounts receivable management in Italy significantly reduced the corresponding expense. On the other hand there were increases in concession fees (up CHF 2 million) and materials and third-party services (up CHF 3 million). The latter relate among other things to the increasing expense of compensating and managing the strategically crucial network of agents in Italy.

Scheduled depreciation/amortisation came in at CHF 45 million for 2017, the same as the previous year. The year under review saw neither impairment losses nor reversals (prior year: CHF +15 million).

Repower Group posted earnings before interest and taxes (EBIT) of CHF 34 million, CHF 4 million (12%) higher than the CHF 30 million in EBIT before exceptional items recorded the previous year.

There was CHF 14 million year-on-year improvement in financial income, with a loss of CHF 14 million versus a loss of CHF 28 million the previous year. Unlike the previous year, currency gains of CHF 19 million were recorded in 2017, although they were to a large extent neutralised by currency hedging transactions. The year under review saw a reduction in financial liabilities from CHF 18 million in 2016 to CHF 10 million in 2017. This is connected with the premature repayment of two registered bonds in summer 2016, the repayment of the CHF 200 million bond at the end of 2016, and more favourable terms on new and extended loans.

Repower posted a group profit of CHF 20 million for 2017, which after the previous year's CHF 1 million loss can be seen as a gratifying development.

A significant increase in financial assets (up CHF 42 million) is related to fixed-term deposits which have a longer term and are therefore recognised in non-current assets. A CHF 66 million increase in non-current liabilities was primarily due to the issue of the two green bonds (CHF 59 million) in January 2017. Current financial liabilities were impacted by the reclassification of a loan from non-current to current (CHF 25 million), the repayment of a loan (CHF 15 million) and replacement values related to forward exchange transactions (CHF 10 million).

OUTLOOK

The regulatory and political frameworks in Switzerland and the rest of Europe are subject to major change, preventing any significantly greater stability in the energy industry's operating environment in the years to come. Repower is keeping very close track of these developments and taking action as appropriate. At the same time the company is systematically moving forward with the implementation of its stated strategy, consistently focusing on sales and services. This, in combination with a policy of maintaining the value of its hydropower assets and plans to substantially build business in the SME segment in Italy, mean that the prospects for the current and subsequent years remain challenging.

Consolidated income statement

CHF thousand		2017	2016
	Note		
Net sales from goods and services	1	1,835,469	1,699,776
Own costs capitalised	2	6,014	7,971
Change in inventory of sales orders	3	-707	496
Other operating income	4	5,963	15,316
Total operating revenue		1,846,739	1,723,559
Share of earnings from associates and joint ventures	5	-3,406	-3,284
Energy procurement	6	-1,600,944	-1,478,049
Concession fees	7	-17,831	-16,293
Personnel expenses	8	-67,977	-69,700
Materials and third party services	9	-30,847	-27,965
Other operating expenses	10	-46,573	-75,956
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		79,161	52,312
Depreciation and value adjustments of tangible assets	11	-41,724	-26,338
Amortisation and value adjustments of intangible assets	12	-3,658	-3,856
Earnings before interest and taxes (EBIT)		33,779	22,118
Financial income	13	21,431	4,043
Financial expenses	13	-35,574	-31,855
Earnings before taxes		19,636	-5,694
Income taxes	14	363	4,673
Group earnings		19,999	-1,021
Share of group earnings attributable to Repower shareholders		17,632	-4,222
Share of group earnings attributable to minorities		2,367	3,201
Share of group earnings attributable to Repower shareholders per registered share (in CHF) *		2.39	-0.79
Average number of registered shares in circulation		7,390,309	5,355,054

* The undiluted group earnings are calculated on the basis of the weighted average number of shares. There are no factors resulting in a dilution of earnings per share.

Since the beginning of 2017 the consolidated financial statements have been prepared in accordance with Swiss GAAP FER. The comparative figures were adjusted retroactively to reflect the change to Swiss GAAP FER.

Consolidated balance sheet

		31.12.2017	31.12.2016
CHF thousand			
	Note		
Assets			
Tangible assets	15	745,166	760,003
Intangible assets	16	10,588	11,079
Investments in associates and joint ventures	17	3,632	3,162
Financial assets	18	62,783	20,796
Deferred tax assets	19	34,141	42,811
Non-current assets		856,310	837,851
Inventories	20	24,745	16,343
Trade accounts receivable	21	382,940	313,852
Other receivables	22	32,513	47,194
Prepaid expenses and accrued income	23	2,876	2,161
Securities	24	20,530	17,285
Positive replacement values of held for trading positions	25	108,028	147,772
Cash and cash equivalents	26	394,479	318,171
Current assets		966,111	862,778
Total assets		1,822,421	1,700,629

		31.12.2017	31.12.2016
CHF thousand			
	Note		
Liabilities and shareholders' equity			
Share capital		7,391	7,391
Treasury shares		-15	-21
Capital reserves		202,004	201,998
Retained earnings (including group earnings)		511,625	491,169
Accumulated translation differences		5,498	-649
Shareholders' equity excluding minorities		726,503	699,888
Minorities		42,953	37,047
Shareholders' equity		769,456	736,935
Non-current provisions	27	19,537	20,080
Deferred tax liabilities	28	21,368	33,056
Non-current financial liabilities	29	378,452	301,007
Other non-current liabilities	30	63,081	62,001
Non-current liabilities		482,438	416,144
Current financial liabilities	31	40,151	20,090
Negative replacement values of held for trading positions	25	107,153	141,941
Current provisions	27	259	20
Trade accounts payable	32	380,401	346,003
Other current liabilities	33	26,102	21,733
Deferred income and accrued expenses	34	16,461	17,763
Current liabilities		570,527	547,550
Liabilities		1,052,965	963,694
Total liabilities and shareholders' equity		1,822,421	1,700,629

Since the beginning of 2017 the consolidated financial statements have been prepared in accordance with Swiss GAAP FER. The comparative figures were adjusted retroactively to reflect the change to Swiss GAAP FER.

Changes in consolidated shareholders' equity

	Share capital	Participation capital	Treasury shares	Capital reserves	Retained earnings	Actuarial profit/loss from pension plans	Accumulated translation differences	Shareholders' equity excluding minorities	Minorities	Total shareholders' equity
CHF thousand										
Equity at 1 January 2016 according to IFRS	2,783	625	-	-	623,265	-3,584	-55,283	567,806	32,063	599,869
Change in accounting policies and estimates				37,893	126,633	3,584	55,283	-29,873	-9,783	-39,656
Equity at 1 January 2016 according to Swiss GAAP FER	2,783	625	-	37,893	496,632	-	-	537,933	22,280	560,213
Group earnings					-4,222			-4,222	3,201	-1,021
Effect of currency translation							-1,502	-1,502	281	-1,221
Refund of unclaimed dividends				1	8			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
Purchase/sale of treasury shares			-21	7	-			-14		-14
Conversion of participation capital into share capital	625	-625						-		-
Changes in consolidation					-292		292	-	-177	-177
Purchase/sale of minorities					-917		561	-356	2,269	1,913
Capital increase at minorities					-40			-40	9,468	9,428
Equity at 31 December 2016 according to Swiss GAAP FER	7,391	-	-21	201,998	491,169	-	-649	699,888	37,047	736,935

	Share capital	Participation capital	Treasury shares	Capital reserves	Retained earnings	Actuarial profit/loss from pension plans	Accumulated translation differences	Shareholders' equity excluding minorities	Minorities	Total shareholders' equity
CHF thousand										
Equity at 1 January 2017 according to Swiss GAAP FER	7,391	-	-21	201,998	491,169	-	-649	699,888	37,047	736,935
Group earnings					17,632			17,632	2,367	19,999
Effect of currency translation							6,134	6,134	1,183	7,317
Dividends								-	-552	-552
Purchase/sale of treasury shares			6	6				12		12
Changes in consolidation					-19		19	-		-
Purchase/sale of minorities					2,843		-6	2,837	2,908	5,745
Equity at 31 December 2017 according to Swiss GAAP FER	7,391	-	-15	202,004	511,625	-	5,498	726,503	42,953	769,456

Since the beginning of 2017 the consolidated financial statements have been prepared in accordance with Swiss GAAP FER. The comparative figures were adjusted retroactively to reflect the change to Swiss GAAP FER.

At 1 January 2016 Repower's issued capital comprised 2,783,115 bearer shares and 625,000 participation certificates each with a nominal value of CHF 1.00. In the first half of 2016 the existing bearer shares and participation certificates were converted into 3,408,115 registered shares, also with a nominal value of CHF 1, on a one-for-one basis. In the second half of the year a rights issue was held to increase the capital by issuing 3,982,853 new, fully paid-up registered shares with a nominal value of CHF 1; the capital increase generated gross proceeds of TCHF 171,263. Since then the share capital has consisted of 7,390,968 fully paid-up registered shares, each with a nominal value of CHF 1.00.

Consolidated cash flow statement

CHF thousand		2017	2016
	Note		
Group earnings		19,999	-1,021
Income taxes	14	-363	-4,673
Share of earnings from associates and joint ventures	5	3,406	3,284
Dividends from associates and joint ventures	17	-	49
Net financial income	13	14,143	27,812
Depreciation/amortisation, impairment and reversal of impairment of tangible and intangible assets	11/12	45,382	30,194
Gain/loss on the disposals of tangible and intangible assets		-1,402	-10,188
Gain/loss on the sales of group companies		-	-2,727
Change in non-current provisions (without interest)		-2,448	411
Other non-cash income and expenses		1,979	-1,711
Other financial cash outflow and inflow		-13,378	-7,344
Income taxes paid		1,506	-4,050
Cash flow from operating activities before change in net current assets		68,824	30,036
Changes			
Inventory		-7,559	835
Trade accounts receivable		-47,248	8,056
Other receivables (without income taxes)		14,531	625
Prepaid expenses and accrued income		672	1,960
Positive replacement values of held for trading positions		42,596	-45,176
Negative replacement values of held for trading positions		-37,817	65,610
Current provisions		225	-3,653
Trade accounts payable		11,474	29,281
Other current liabilities (without taxes)		-1,087	-6,414
Deferred income and accrued expenses		-1,970	-3,547
Change in net current assets		-26,183	47,577
Cash flow from operating activities		42,641	77,613

CHF thousand		2017	2016
	Note		
Payments for investments in tangible assets	15	–23,766	–24,948
Payments received from sales of tangible assets		13,309	16,813
Payments for additions of current and non-current financial assets		–120,550	–189,300
Payments received from disposals of current and non-current financial assets		70,778	195,814
Payments for additions of intangible assets	16	–3,101	–3,722
Payments received from disposals of group companies (less cash and cash equivalents disposed of)		4,612	21,537
Payments for additions of investments in associates and joint ventures	17	-	–100
Payments received from disposals of investments in associates and joint ventures	17	-	3,877
Dividends received from third parties		303	203
Interest received		281	406
Cash flow from investing activities		–58,134	20,580
Capital increase		-	171,263
Transaction costs of capital increase		-	–3,820
Increase in financial liabilities		115,128	386
Repayment of financial liabilities		–34,504	–330,535
Dividend payments		–552	–275
Refund of unclaimed dividends		-	9
Purchase/sale of treasury shares		12	–14
Purchase of minorities		-	–133
Sale of minorities		5,745	2,046
Capital increase at minorities		-	494
Interest paid		–8,258	–17,855
Cash flow from financing activities		77,571	–178,434
Effect of currency translation		14,230	528
Change in cash and cash equivalents		76,308	–79,713
Cash and cash equivalents at 1 January		318,171	397,884
Cash and cash equivalents at 31 December	26	394,479	318,171

Since the beginning of 2017 the consolidated financial statements have been prepared in accordance with Swiss GAAP FER. The comparative figures were adjusted retroactively to reflect the change to Swiss GAAP FER.

Payments of TCHF 4,612 received from disposals of group companies relate to a payment on account received on an adjustment in the purchase price for Repower's high-voltage grid, which was transferred to Swissgrid in 2013. The payment on account received was classified as a liability.

Prior to the liquidation of group company SEI S.p.A. during the 2016 financial year, the shareholders waived the claims vis-à-vis the company and thus provided it with TCHF 8,934 in finance not affecting cash flows from the group's point of view.

Notes to the consolidated financial statements: principles

1 ACCOUNTING AND VALUATION PRINCIPLES

GENERAL INFORMATION

With effect 1 January 2017 the Repower Group has prepared its financial statements in accordance with the entire Accounting and Reporting Recommendations (Swiss GAAP FER), providing a true and fair view of the assets, liabilities, financial position and profit or loss of the Repower Group. Prior-year figures have been adjusted.

ADJUSTMENTS IN CONNECTION WITH THE CHANGE TO SWISS GAAP FER

The switch from IFRS to Swiss GAAP FER as of the 2017 financial year was announced in a news release dated 12 September 2017. The accounting principles applied in the preparation of the financial statements diverge from the 2016 financial statements, prepared in accordance with IFRS, in the following key respects:

Pension provisions

In accordance with Swiss GAAP FER 16 Pension Benefit Obligations, the economic liabilities and benefits of Swiss pension plans are determined on the basis of financial statements prepared in accordance with Swiss GAAP FER 26 Accounting of Pension Plans. Under IFRS, pension liability was determined in accordance with IAS 19 using the projected unit credit method.

Investments

In accordance with the option provided for in Swiss GAAP FER 30 Consolidated Financial Statements, investments conferring a share of less than 20 per cent of the voting rights are recognised at acquisition cost. Under IFRS, by contrast, in the case of significant influence, investments conferring a lower share were also treated as associates and recognised according to the share of equity.

In accordance with the option provided for in Swiss GAAP FER 30 Consolidated Financial Statements, joint ventures are recognised using the equity method. Under IFRS the share of assets, liabilities, income and expenses of joint ventures had to be taken proportionally into account.

Shareholder loans

Under Swiss GAAP FER 24 Equity and Transactions with Shareholders, interest-free and low-interest loans are classified in their entirety as liabilities and recognised at their nominal value. Under IFRS, financial instruments were initially recognised at fair value.

The adjustments to the opening balance for minorities in the consolidated statement of changes in equity are primarily related to the discontinuation of the previous equity component of shareholder loans.

Goodwill/customer list

The separate customer list drawn up on a business combination under IFRS is now part of goodwill. In accordance with the option provided for in Swiss GAAP FER 30 Consolidated Financial Statements, goodwill is capitalised and amortised according to a schedule.

Cash flow hedges

In accordance with the option provided for in Swiss GAAP FER 27 Derivative Financial Instruments, cash flow hedges (hedges of certain future cash flows) are not recognised on the balance sheet, but are disclosed in the notes. Under IFRS these hedges basically had to be recognised on the balance sheet. Forward transactions relating to purchases and sales of energy for physical delivery were not recognised on the balance sheet under IFRS either (own-use exemption).

Linear amortisation bonds

Under Swiss GAAP FER 2 Valuation, liabilities are recognised at nominal value. Repower amortises any differences between the acquisition cost and the redemption value of bonds or registered bonds on a straight-line basis over the term of the instruments. Under IFRS these differences were amortised using the effective interest rate method in the course of subsequent measurement.

Deferred taxes on loss carryforwards

Under IFRS, deferred taxes on loss carryforwards were recognised. Given the uncertainty involved in offsetting loss carryforwards against future earnings, in accordance with Swiss GAAP FER 11 Income Taxes, deferred taxes are not capitalised.

Connection fees and grid cost contributions

A grid connection agreement entitles the subscriber to connect its assets to Repower's distribution network in return for a connection fee and grid cost contribution. These amounts are now classified as a liability and amortised over time, and are not recognised immediately in the income statement as they were previously under IFRS.

Reversion provisions

The contractual obligation to deliver free energy is a so-called executory contract, a pending transaction where the contract has not yet been fully performed or fully executed. Under Swiss GAAP FER 23 Provisions, no provision has to be recognised, as it does not constitute a probable obligation based on a past event.

Income from disposals

Differences in measurement, and in particular the fact that accumulated translation differences on business disposals are no longer recycled in the income statement, have an impact on the reconciliation of group earnings under IFRS with group earnings under Swiss GAAP FER.

Deferred taxes

The differences in measurement and recognition presented have a corresponding effect on deferred taxes in the consolidated balance sheet and income statement.

Presentation and structure of financial statements

The presentation and structure of the balance sheet, income statement, statement of changes in equity and cash flow statement have been adjusted in line with Swiss GAAP FER. As of 1 January 2016 capital reserves were reclassified from retained earnings, and the resultant translation differences were set to zero. The effects of the adjustment were allocated among Repower's majority and minority shareholders.

The effects of the adjustments described on equity and the income statement are summarised in the following tables:

	31.12.2016	01.01.2016
CHF thousand		
Equity according to IFRS	763,422	599,869
Connection fees and grid cost contributions	-65,552	-66,402
Pension provisions	45,381	39,708
Reversion provisions	13,400	13,500
Loan (minorities)	-8,812	-8,654
Goodwill/customer list	-1,433	-1,791
Cash flow hedge	1,406	1,713
Investments	-4,230	-4,053
Linear amortisation of bonds	-111	-187
Deferred taxes on loss carryforwards	-9,163	-17,431
Deferred taxes	2,627	3,941
Swiss GAAP FER restatement	-26,487	-39,656
Equity according to Swiss GAAP FER	736,935	560,213

	2016
CHF thousand	
Group earnings according to IFRS	-12,753
Connection fees and grid cost contributions	850
Pension provisions	2,681
Reversion provisions	-100
Loan (minorities)	-159
Goodwill/customer list	349
Cash flow hedge	-307
Investments	109
Linear amortisation of bonds	76
Gain/loss from disposals	747
Deferred taxes	7,486
Swiss GAAP FER restatement	11,732
Group earnings according to Swiss GAAP FER	-1,021

2 CONSOLIDATION

SCOPE OF CONSOLIDATION

The present consolidated financial statements encompass the financial statements of Repower AG and all investments where Repower holds, directly or indirectly, more than 50 per cent of the votes or can exercise control in some other way. These investments are fully consolidated. Associated organisations and joint ventures are included in the financial statements in accordance with the equity method.

OVERVIEW OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Company	Head office	Currency	Issued capital in thousands	Holding 31.12.2017	Holding 31.12.2016	Method ¹⁾
Repower AG	Brusio	CHF	7,391	-	-	F
Ovra elettrica Ferrera SA	Trun	CHF	3,000	49.00%	49.00%	F
SWIBI AG	Landquart	CHF	500	76.58%	76.68%	F
Alvezza SA in Liquidation	Disentis	CHF	500	62.00%	62.00%	F
Elbe Beteiligungs AG in Liquidation ²⁾	Poschiavo	CHF	1,000	0.00%	100.00%	F
Lagobianco SA	Poschiavo	CHF	1,000	100.00%	100.00%	F
Repartner Produktions AG	Poschiavo	CHF	20,000	51.00%	57.00%	F
Repower Deutschland GmbH	Dortmund	EUR	11,525	100.00%	100.00%	F
Repower Wind Deutschland GmbH ³⁾	Dortmund	EUR	25	0.00%	57.00%	F
Repartner Wind GmbH ³⁾	Dortmund	EUR	25	51.00%	57.00%	F
Repower Wind Lübbenau GmbH ³⁾	Dortmund	EUR	25	0.00%	57.00%	F
Repower Italia S.p.A.	Milan	EUR	2,000	100.00%	100.00%	F
Repower Vendita Italia S.p.A.	Milan	EUR	4,000	100.00%	100.00%	F
SET S.p.A.	Milan	EUR	120	61.00%	61.00%	F
Energia Sud S.r.l.	Milan	EUR	1,500	100.00%	100.00%	F
SEA S.p.A.	Milan	EUR	120	100.00%	100.00%	F
REC S.r.l.	Milan	EUR	10	100.00%	100.00%	F
MERA S.r.l.	Milan	EUR	100	100.00%	100.00%	F
Immobiliare Saline S.r.l.	Milan	EUR	10	100.00%	100.00%	F
REV S.r.l.	Milan	EUR	10	100.00%	100.00%	F
Energia Eolica Pontremoli S.r.l. ²⁾	Milan	EUR	50	0.00%	100.00%	F
Repower Trading Česká republika s.r.o. v likvidaci ²⁾	Prague	CZK	3,000	0.00%	100.00%	F
S.C. Repower Vanzari Romania S.R.L. ²⁾	Bucharest	RON	165	0.00%	100.00%	F
Repower Serbia d.o.o. - u likvidaciji ²⁾	Belgrad	EUR	20	0.00%	100.00%	F
Repower Hrvatska d.o.o. u likvidaciji ²⁾	Zagreb	HRK	366	0.00%	100.00%	F
EL.IT.E. S.p.A.	Milan	EUR	3,889	46.55%	46.55%	E
Aerochetto S.r.l.	Catania	EUR	2,000	39.00%	39.00%	E
Swisscom Energy Solutions AG	Ittingen	CHF	13,342	35.00%	35.00%	E
Kraftwerk Morteratsch AG ⁴⁾	Pontresina	CHF	500	10.00%	10.00%	E
Grischelectra AG ⁵⁾	Chur	CHF	1,000	11.00%	11.00%	E

1) Key: F Fully consolidated, E Equity Method

2) Company liquidated in 2017.

3) Repower Wind Prettin GmbH was renamed Repartner Wind GmbH. Repower Wind Deutschland GmbH and Repower Wind Lübbenau GmbH were merged into Repartner Wind GmbH.

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

5) Only 20 percent of the issued capital has been paid in.

All subsidiaries, associates and joint ventures with the exception of Grischelectra AG, which closes its accounts on 30 September, close their accounts at the end of the calendar year.

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

In contrast to the share capital held, Repower exercises 30 per cent of the votes in Grischelectra AG and on the basis of contractual arrangements controls Grischelectra AG in conjunction with Canton Graubünden.

Under the contractual arrangements governing the interest in Kraftwerk Morteratsch AG, all relevant decisions must be made unanimously. Kraftwerk Morteratsch AG is a joint venture.

Changes in the ownership interests without loss of control

Repower Wind Deutschland GmbH, Repartner Wind GmbH (formerly Repower Wind Prettin GmbH) and Repower Wind Lübbenau GmbH merged with effect 1 January 2017, with Repartner Wind GmbH absorbing the other companies.

In the 2017 financial year Repower sold another 6 per cent of its interest in Repartner Produktions AG to the shareholder EKZ. The cash inflow of TCHF 5,721 is offset against minority interests of TCHF 2,902. The difference of TCHF 2,819 was allocated to the majority shareholder's capital. Repower likewise sold 0.1 per cent of its interest to Swibi AG. Minority interests of TCHF 6 are offset against sales proceeds of TCHF 24. The difference of TCHF 18 was allocated to the majority shareholder's capital.

In 2016 Repower sold another 2 per cent of its interest in Repartner Produktions AG to outside energy utilities. The cash inflow of TCHF 2,046 is offset against minority interests of TCHF 1,842. The difference of TCHF 204 was allocated to the majority shareholder's capital.

Consequences of the loss of subsidiary control

In 2017 the companies Elbe Beteiligungs AG in Liquidation, Energia Eolica Pontremoli S.r.l., Repower Trading Česká republika s.r.o. v likvidaci, S.C. Repower Vanzari Romania S.R.L., Repower Serbia d.o.o. - u likvidaciji and Repower Hrvatska d.o.o. u likvidaciji were liquidated. Translation losses of TCHF 19 from accumulated translation differences were reclassified directly to retained earnings.

In the 2016 financial year the fully consolidated companies connecta ag and Repower Furnizare Romania S.r.l. were sold.

The components of the balance sheets of the companies sold related to:

	Total
CHF thousand	
Book value of net assets over which control was lost	
Non-current assets	5,098
Current assets	40,438
Inventories	13,560
Receivables	26,676
Prepaid expenses and accrued income	435
Cash and cash equivalents/overdraft facility	-233
Non-current liabilities	-207
Current liabilities	-26,752
Liabilities	-26,641
Deferred income and accrued expenses	-111
Net assets derecognised	18,577
Consideration received	
Cash consideration received	21,304
Total consideration	21,304
Gain/loss on disposal	
Total consideration	21,304
Net assets derecognised	-18,577
Gain/loss on disposal	2,727
Net cash inflow/outflow arising on disposal	
Cash consideration received	21,304
Cash and cash equivalents disposed of	233
Net cash inflow/outflow arising on disposal	21,537

With the disposal of Repower Furnizare Romania S.r.l., translation gains of TCHF 5 from accumulated translation differences were reclassified to retained earnings.

SEI S.p.A., Repower Macedonia DOOEL Skopje and Repower Adria d.o.o. were liquidated. This resulted in translation losses of THCF 297 to be reclassified.

Consolidation method

Capital consolidation is done in accordance with the purchase method. When an entity is purchased, its assets and liabilities as of the date of acquisition are revalued in accordance with uniform group principles. Any remaining goodwill (the difference between the purchase price and the share of equity) is capitalised and amortised over five years or a maximum of 20 years. Assets and liabilities and income and expenses at fully consolidated entities are integrated in their entirety in the consolidated financial statements. Minority interests in the equity and minority interests in the profits of fully consolidated entities are stated separately.

Intragroup receivables and liabilities, income and expenses and investments are netted out and interim gains eliminated. Investments in associates and joint ventures are accounted for using the equity method.

Conversion of foreign currencies

Each group company determines the functional currency in which it draws up its individual financial statements. Company financial statements in foreign currencies are converted as follows: assets and liabilities at the closing rate on the balance sheet date, equity at historical rates. The income and cash flow statements are converted at the average rate for the year. The resulting translation differences are recognised directly in equity. On the disposal of entities, the translation differences attributable to them are reclassified in the consolidated statement of changes in equity from accumulated translation differences to retained earnings.

Foreign currency transactions contained in the individual financial statements of consolidated entities are converted at the relevant daily rate, and foreign currency balances are converted on the closing date at the closing rate on the balance sheet date. The resulting differences in rates are recognised in profit or loss.

The following exchange rates were used for the most important foreign currency:

Currency	Unit	Closing exchange rate		Average exchange rate	
		31.12.2017	31.12.2016	2017	2016
EUR	1	1.17020	1.07390	1.11194	1.09001

Cash flow statement

The cash and cash equivalents fund forms the basis of the consolidated cash flow statement. Cash flow from operating activities is calculated by the indirect method.

3 VALUATION PRINCIPLES

Tangible assets

Tangible assets are initially recognised at the lower of cost (acquisition or manufacturing cost). Repower capitalises borrowing costs if construction takes more than one year and it is a major investment project. For the purposes of subsequent measurement, Repower does scheduled straight-line amortisation over the expected useful life. Estimated useful lives are calculated in accordance with the recommendations of the Association of Swiss Electricity Companies and are within the following ranges for each category:

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

Intangible assets

Intangible assets are initially recognised at the lower of cost (acquisition or manufacturing cost). Provided the prerequisites for capitalisation are met, intangible assets generated internally are capitalised. Amortisation is done on a straight-line basis. The estimated useful lives for the individual categories are within the following ranges:

Category	Useful life
Goodwill	5 - 20 years
Other intangible assets	3 - 5 years

The useful lives of concession rights and rights of use are determined by the relevant contractual provisions.

Impairment

Assets are tested for impairment on every balance sheet date. If there is evidence of impairment, an impairment test is carried out to calculate the recoverable value. The recoverable value is the higher of net selling price and value in use. If the carrying amount exceeds the recoverable value, an adjustment is made in the income statement by way of unscheduled amortisation. If there is a material improvement in the facts considered in the course of calculating the recoverable value, an impairment recognised in earlier reporting periods will be fully or partially reversed in the income statement, with the exception of goodwill.

Investments in associates and joint ventures

Investments in associates and joint ventures are recognised using the equity method.

Financial assets

Financial assets comprise securities and loans extended for the purpose of long-term investment, and derivatives. Non-current securities and loans are recognised at cost less any impairment. Derivatives are recognised at current values.

Deferred taxes

Deferred taxes are calculated on the basis of balance sheet temporary differences. Temporary differences between the values of balance sheet positions determined in accordance with Swiss GAAP FER principles and those determined in accordance with tax law form the basis for recognising deferred income tax assets and liabilities. Given the uncertainty involved in offsetting loss carryforwards against future earnings, deferred taxes are not capitalised.

Inventories

Inventories are goods used in the regular course of business for the purposes of disposal, manufacturing goods or providing services. They are initially recognised at the lower of cost (acquisition or manufacturing cost). The closing inventory is valued at the lower of average cost or net market price. Settlement discounts received are recognised as financial income.

Work in progress comprises goods and services not yet transferred. Smaller contracts are measured at acquisition or production cost, comprising all expenses actually incurred to bring orders to their current status (completed contract method). Large contracts are recognised as per Swiss GAAP FER 22 as long-term contracts according to the percentage-of-completion method if the respective preconditions are met. The percentage of completion is calculated for each contract using the cost-to-cost method.

Receivables from goods and services

Receivables from goods and services comprise receivables from business activities where the delivery or service has already been fulfilled but the counterperformance or debt has not been fulfilled. Receivables are measured at nominal value taking due account of necessary impairment.

Other receivables

This item comprises all other current receivables. They are measured at nominal value taking due account of necessary impairment.

Prepaid expenses and accrued income/deferred income and accrued expenses

Prepaid expenses and accrued income/deferred income and accrued expenses are designed to ensure that assets and liabilities at the balance sheet date are presented correctly and that income and expense are recognised in the appropriate period in the income statement.

Securities

Securities comprise shares, bonds and fund units as well as derivatives and short-term investments. Both initial and subsequent measurement is done at current values. If no current value is available, non-current securities are valued no higher than their acquisition costs less any impairments.

Replacement values of held-for-trading positions

Contracts in the form of forward transactions (forwards and futures) conducted with the intention of achieving a trading profit or margin are treated as derivative financial instruments and recognised as held-for-trading positions or replacement values. On the balance sheet date, all open derivative financial instruments from energy trading transactions are measured at fair value through profit or loss, and the positive and negative replacement values are recognised under assets and liabilities. Positive replacement values represent receivables. Negative replacement values represent liabilities. The replacement value is the difference in price compared to the closing price.

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 as net sales from goods and services.

Cash and cash equivalents

The cash and cash equivalents item comprises cash, sight deposits at banks and other financial institutions (e.g. PostFinance) and cash equivalents, provided they are held as a cash reserve, are highly liquid and convertible to cash at short notice, and are subject to only negligible fluctuations in value. Cash equivalents have a maximum residual term to maturity of 90 days at the balance sheet date. Fixed-term deposits callable at short notice with an agreed term of more than 90 days are likewise deemed to be cash equivalents, provided that on the balance sheet date they are available to Repower for payment purposes on 90 days' notice.

Provisions

A provision is a probable liability on the basis of an event before the balance sheet date; the amount of the liability and/or the date on which it will fall due is uncertain but can be estimated. Provisions are recognised for actual and statutory obligations and for impending risks and losses. Existing provisions are remeasured on every balance sheet date. Provisions are divided into current provisions (due within 12 months) and non-current provisions (due after 12 months). If there is a material time factor involved, the provision is discounted.

Financial liabilities

Financial liabilities comprise both financing activities and derivatives, and are recognised at nominal or current values. Any differences between the acquisition cost and the redemption value of bonds or registered bonds are amortised on a straight-line basis over the term of the instruments. Interest accrued but not yet charged is accrued and recognised as deferred income and accrued expenses on the balance sheet date. Depending on the term, it is recognised under non-current or current financial liabilities.

Other non-current liabilities

Other non-current liabilities comprise all liabilities not belonging to the other categories that are not due within 12 months after the balance sheet date. In particular, under this item Repower recognises received connection fees and grid cost contributions, which are charged to profit or loss over a period of 35 years.

Liabilities from goods and services

Liabilities from goods and services are current liabilities with a remaining term of less than 12 months arising from deliveries, work performances, services, lease agreements, etc.). They are recognised at nominal values.

Other current liabilities

This item comprises all other current liabilities that cannot be assigned to liabilities from goods and services. They are recognised at nominal values.

Pension provisions

On the balance sheet date, employees of Repower 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). Pension benefit obligations are measured and recognised in accordance with Swiss GAAP FER 16. The economic impacts of pension institutions on the entity are either economic benefits or economic obligations. Economic benefits and economic obligations are evaluated at the balance sheet date and recognised in the entity's financial statements. Employer contribution reserves are recognised at nominal or present value as financial assets.

A peculiarity of Italian law is the payment of severance pay. This corresponds to around one month's pay for every year of employment, and must be paid in all cases when an employment relationship is terminated. The provision for this obligation is calculated according to a recognised method specific to the country, and the change is recognised in personnel expenses.

Cash flow hedges

Derivative transactions entered into for the purpose of hedging cash flows with a high probability of occurrence are not recorded on the balance sheet, but are disclosed in the notes.

Leases

A lease is an agreement whereby certain goods are ceded for the use of the lessee in return for a payment. A distinction is made between finance and operating leases. A finance lease is defined as a lease that transfers all material risks and rewards of ownership to the lessee. Otherwise the lease is deemed to be an operating lease. The components of a finance lease are recognised as tangible assets and financial liabilities. Lease instalments paid are apportioned between the finance charge and the reduction in the outstanding liability. Assets leased under operating leases are not recognised on the balance sheet. Paid and received leasing instalments are recognised in the period in which they occur.

Off-balance-sheet business

Contingent assets and liabilities are measured at the balance sheet date and disclosed in the notes. If an outflow of funds without a simultaneous usable inflow of funds is probable and estimable, a corresponding provision is recognised.

Transactions with related parties

Related parties (natural persons and legal entities) are parties which can directly or indirectly exert a significant influence on the group's financial and operational decisions. Organisations that for their part are directly or indirectly controlled by related parties are likewise deemed to be related. All material transactions and resulting balances or liabilities vis-à-vis related parties are disclosed in these consolidated financial statements.

Notes to the consolidated financial statements: notes

1 NET SALES FROM GOODS AND SERVICES

	2017	2016
CHF thousand		
Net sales from goods and services	1,835,469	1,699,776
Revenue from energy business	1,809,322	1,672,262
Revenues from services and other usual business activities	26,147	27,514

Revenue from energy business and revenues from services and other usual business activities are recognised in the income statement when delivery of goods or services has been performed. Sales of products and related services are broken down into their material performance obligations, measured, and realised on the date they are performed.

A breakdown of net revenues by Repower business segment is presented in the note on segment reporting ([Note 38](#)).

2 OWN COSTS CAPITALISED

	2017	2016
CHF thousand		
Own costs capitalised	6,014	7,971

Own costs capitalised essentially comprise investments in Repower's generation and grid assets.

3 CHANGE IN INVENTORY OF SALES ORDERS

	2017	2016
CHF thousand		
Change in inventory of sales orders	-707	496

The change in inventory of sales orders relates to as yet uncompleted work for third parties.

4 OTHER OPERATING INCOME

	2017	2016
CHF thousand		
Other operating income	5,963	15,316
Profit from sale of group companies	-	2,727
Profit from disposal of tangible assets	2,860	11,178
Revenue from other operating activities	3,103	1,411

The profit from the sale of group companies in the 2016 financial year relates to the disposals of connecta ag, amounting to TCHF 1,066 (in the Market Switzerland segment), and Repower Furnizare România S.r.l., amounting to TCHF 1,661 (in other segments and activities).

The profit from the disposal of tangible assets in the current and prior year relate in particular to income from the sale of properties in other segments and activities.

5 SHARE OF EARNINGS FROM ASSOCIATES AND JOINT VENTURES

	2017	2016
CHF thousand		
Share of earnings from associates and joint ventures	-3,406	-3,284
Associated organisations	-3,418	-3,270
Joint ventures	12	-14

The development of interests in associates and joint ventures is shown in [Note 17](#).

6 ENERGY PROCUREMENT

	2017	2016
CHF thousand		
Energy procurement	-1,600,944	-1,478,049
Procurement of electricity, gas and certificates	-1,598,664	-1,466,640
Other energy expenses	-2,280	-11,409

The other energy expenses item essentially comprises broker fees.

7 CONCESSION FEES

	2017	2016
CHF thousand		
Concession fees	-17,831	-16,293
Water rates/hydro plant taxes	-9,608	-8,749
Other concession fees	-8,223	-7,544

8 PERSONNEL EXPENSES

	2017	2016
CHF thousand		
Personnel expenses	-67,977	-69,700
Wages and salaries	-53,581	-54,837
Social security costs and other personnel costs	-14,396	-14,863

9 MATERIALS AND THIRD PARTY SERVICES

	2017	2016
CHF thousand		
Materials and third party services	-30,847	-27,965
Materials	-8,283	-7,601
Third party services	-22,564	-20,364

The materials and third party services item contains expenses for maintaining and operating technical assets, external services for operational processes and the performance of services by third parties.

10 OTHER OPERATING EXPENSES

	2017	2016
CHF thousand		
Other operating expenses	-46,573	-75,956
Cost of premises	-3,701	-3,909
Vehicle and transport costs	-2,284	-2,436
Administrative costs	-7,835	-8,370
IT costs	-8,280	-7,625
Marketing & communications	-7,078	-7,692
Allowances for doubtful accounts	-7,213	-32,863
Capital taxes, levies and fees	-3,842	-5,923
Other operating expenses	-6,340	-7,138

Information on the development of allowances for doubtful accounts can be found in [Note 21](#).

11 DEPRECIATION AND VALUE ADJUSTMENTS OF TANGIBLE ASSETS

	2017	2016
CHF thousand		
Depreciation and value adjustments of tangible assets	-41,724	-26,338
Depreciation of tangible assets	-41,724	-41,844
Reversal of impairments of tangible assets	-	15,506

Reversals of impairments of generations assets are explained by segment:

Market Switzerland segment

In 2016 THCF 2,834 in reversals of impairments of intangible assets was recognised for the Taschinas plant. This 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 market situation.

Market Italy segment

A reversal of TCHF 12,672 in the 2016 financial year relates to the Teverola combined-cycle gas turbine plant. The reversal for the plant was prompted by a substantial improvement in revenues from ancillary services. The generation asset is valued on the basis of its value in use calculated on a discounted cash flow basis.

12 DEPRECIATION AND VALUE ADJUSTMENTS OF INTANGIBLE ASSETS

	2017	2016
CHF thousand		
Amortisation and value adjustments of intangible assets	-3,658	-3,856
Amortisation of intangible assets	-3,658	-3,286
Impairment of intangible assets	-	-570

13 NET FINANCIAL INCOME

	2017	2016
CHF thousand		
Financial income	21,431	4,043
Interest income	928	1,227
Dividend income	288	205
Other financial income	90	539
Changes in the value of securities held for trading	1,450	2,072
Currency translation	18,675	-
Financial expenses	-35,574	-31,855
Interest expense	-10,287	-17,741
Interest accumulated on provisions	-1,146	-760
Changes in securities held for trading	-18,370	-940
Currency translation	-	-2,056
Impairments	-	-4
Loss on premature repayment of liabilities	-1,468	-5,131
Other financial expenses	-4,303	-5,223
Net financial result	-14,143	-27,812

In 2017 the losses on premature repayment of liabilities relate to the premature closing of an off-balance-sheet interest rate swap held until that point for hedging purposes; in 2016 the losses related to the premature repayment of registered bonds.

The changes in the value of securities held for trading relate to interest rate swaps and forward exchange transactions to hedge currency and interest rate risks.

14 INCOME TAXES

	2017	2016
CHF thousand		
Income taxes referred to in the income statement	363	4,673
Current income taxes	335	-2,061
Deferred income taxes	28	6,734

The reconciliation between the actual tax burden and the expected tax burden for the financial years ending on 31 December 2017 and 2016 is as follows:

	2017	2016
CHF thousand		
Reconciliation		
Income before taxes	19,636	-5,694
Income tax rate for parent company	16.1%	16.7%
Income taxes at expected income tax rate	-3,165	950
Tax effect from income taxed at other tax rates	-1,878	-2,705
Tax effect from tax-free income/non-tax-deductible expenses	493	4,385
Tax losses in the current year for which no deferred tax assets were recognised	-8,434	-1,289
Tax loss carryforwards for which no deferred tax assets were recognised	4,018	2,974
Regional production tax in Italy - IRAP	-1,559	-995
Change in tax rate	-	908
Re-evaluation of deferred tax on intercompany receivables	9,728	-
Income taxes for previous years	-290	725
Non-usable withholding tax ¹⁾	1,173	-1,276
Other	277	996
Income taxes referred to in the income statement	363	4,673
Effective income tax rate	1.8%	-82.1%

1) In 2017 this item includes a refund from the flat tax payment for the years 2013 and 2014. This amount was recorded as current income tax.

Unrecognised tax loss carryforwards

On the balance sheet date there were unrecognised tax loss carryforwards of TCHF 174,317 (prior year: TCHF 203,114).

This results in unrecognised deferred tax assets of TCHF 37,770 (prior year: TCHF 40,154). Given the uncertainty involved in offsetting loss carryforwards against future earnings, deferred taxes are not capitalised (Swiss GAAP FER 11/23).

15 TANGIBLE ASSETS

	Power plants	Grids	Assets under construction	Land and buildings	Other	Total
CHF thousand						
Gross values at 1 January 2016	877,483	757,328	100,833	98,591	48,514	1,882,749
Own costs capitalised	-	293	7,678	-	-	7,971
Additions	5	526	15,034	185	1,227	16,977
Disposals	-4,540	-5,657	-288	-22,299	-2,094	-34,878
Disposals from changes in consolidation	-	-14,154	-19,470	-	-467	-34,091
Reclassifications between asset classes	4,104	11,263	-16,500	-	1,133	-
Effect of currency translation	-3,371	-	-228	-155	-164	-3,918
Gross values at 31 December 2016	873,681	749,599	87,059	76,322	48,149	1,834,810
Accumulated depreciation and value adjustments at 1 January 2016	-518,981	-423,015	-88,716	-50,692	-27,536	-1,108,940
Depreciation	-19,829	-17,687	-	-866	-3,462	-41,844
Reversal of impairments	15,506	-	-	-	-	15,506
Disposals	4,540	5,167	-	16,635	1,916	28,258
Disposals from changes in consolidation	-	10,120	19,433	-	275	29,828
Effect of currency translation	1,958	-	216	128	83	2,385
Accumulated depreciation and value adjustments at 31 December 2016	-516,806	-425,415	-69,067	-34,795	-28,724	-1,074,807
Net values at 31 December 2016	356,875	324,184	17,992	41,527	19,425	760,003
of which security pledged for debts						2,513
Gross values at 1 January 2017	873,681	749,599	87,059	76,322	48,149	1,834,810
Own costs capitalised	-	241	5,773	-	-	6,014
Additions	-	179	13,630	184	3,759	17,752
Disposals	-10,734	-4,328	-9,428	-4,490	-1,438	-30,418
Reclassifications between asset classes	3,525	12,980	-16,686	-1,182	1,363	-
Effect of currency translation	33,910	-	516	1,459	1,732	37,617
Gross values at 31 December 2017	900,382	758,671	80,864	72,293	53,565	1,865,775
Accumulated depreciation and value adjustments at 1 January 2017	-516,806	-425,415	-69,067	-34,795	-28,724	-1,074,807
Depreciation	-19,925	-17,447	-	-667	-3,685	-41,724
Disposals	10,734	3,683	-	3,111	1,259	18,787
Effect of currency translation	-20,334	-	-418	-1,276	-837	-22,865
Accumulated depreciation and value adjustments at 31 December 2017	-546,331	-439,179	-69,485	-33,627	-31,987	-1,120,609
Net values at 31 December 2017	354,051	319,492	11,379	38,666	21,578	745,166
of which security pledged for debts						2,458

Land and buildings connected with power generation and grid facilities are stated under power plants and grids.

Information on reversals of impairments in 2016 can be found in [Note 11](#).

Leased tangible assets

The net carrying amount of the motor vehicles held as part of the finance leasing agreement totalled TCHF 64 (previous year: TCHF 80) at the closing date.

Total lease liabilities come to TCHF 53 (prior year: TCHF 74).

16 INTANGIBLE ASSETS

	Software	Concessions and rights of use	Other	Total
CHF thousand				
Gross values at 1 January 2016	24,828	15,969	1,125	41,922
Additions	2,392	1,099	231	3,722
Disposals	-1,606	-	-49	-1,655
Disposals from changes in consolidation	-139	-	-287	-426
Reclassifications between asset classes	59	-	-59	-
Effect of currency translation	-68	-9	-6	-83
Gross values at 31 December 2016	25,466	17,059	955	43,480
Accumulated amortisation and value adjustments at 1 January 2016	-18,800	-11,258	-226	-30,284
Amortisation	-2,850	-391	-45	-3,286
Impairments	-	-570	-	-570
Disposals	1,601	-	49	1,650
Disposals from changes in consolidation	24	-	19	43
Reclassifications between asset classes	-73	-	73	-
Effect of currency translation	45	-	1	46
Accumulated amortisation and value adjustments at 31 December 2016	-20,053	-12,219	-129	-32,401
Net values at 31 December 2016	5,413	4,840	826	11,079
Gross values at 1 January 2017	25,466	17,059	955	43,480
Additions	2,313	-	788	3,101
Disposals	-2,182	-	-	-2,182
Reclassifications between asset classes	234	-	-234	-
Effect of currency translation	648	87	77	812
Gross values at 31 December 2017	26,479	17,146	1,586	45,211
Accumulated amortisation and value adjustments at 1 January 2017	-20,053	-12,219	-129	-32,401
Amortisation	-3,275	-348	-35	-3,658
Disposals	1,906	-	-	1,906
Effect of currency translation	-457	-	-13	-470
Accumulated amortisation and value adjustments at 31 December 2017	-21,879	-12,567	-177	-34,623
Net values at 31 December 2017	4,600	4,579	1,409	10,588

17 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2017	2016
CHF thousand		
Investments in associates and joint ventures	3,632	3,162
EL.IT.E S.p.A.	3,508	3,050
Aerochetto S.r.l.	-	-
Swisscom Energy Solutions AG	-	-
Grischelectra AG	28	27
Kraftwerk Morteratsch AG	96	85
Carrying amounts at 1 January	3,162	6,885
Investments	-	100
Reclassification of active loans	-	-
Disposals	-	-3,779
Dividends	-	-49
Effect of currency translation	285	-29
Share of earnings	185	34
Impairments	-	-
Carrying amounts at 31 December	3,632	3,162
Decrease in loans receivable		
01.01.2018	-11,926	-9,473
Share of earnings	-3,591	-3,318
Reclassification of loans receivable into equity	523	814
Effect of currency translation	-536	51
31 December	-15,530	-11,926

Part of the net investments in associates Swisscom Energy Solutions AG and Aerochetto S.r.l. are loans extended to these entities recognised under financial assets. Losses of TCHF 15,530 in excess of the carrying value of the investments (prior year: TCHF 11,926) were netted with the loans ([Note 18](#)).

Prior-year disposals amounting to TCHF 3,779 related to the sale of the interest in Rhienergie AG. This resulted in income of TCHF 98, which is recognised under other financial income ([Note 13](#)). The transaction resulted in a cash inflow of CHF 3,877.

In 2016, together with Reichmuth Infrastruktur Schweiz KGK, Repower established the joint venture company Kraftwerk Morteratsch AG. The establishment of the company in cash entailed investment of TCHF 100 on Repower's part.

18 FINANCIAL ASSETS

	31.12.2017	31.12.2016
CHF thousand		
Financial assets	62,783	20,796
AKEB Aktiengesellschaft für Kernenergiebeteiligungen	6,500	6,500
Kraftwerke Hinterrhein AG	6,300	6,300
Loans receivable	6,516	4,516
Non-current securities	3,387	3,388
Employer contribution reserves	80	92
Fixed term deposits	40,000	-

Repower holds interests of 7.0 per cent and 6.5 per cent respectively in the partner plants AKEB Aktiengesellschaft für Kernenergie-Beteiligungen, Lucerne, and Kraftwerke Hinterrhein AG, Thusis. These investments are carried at acquisition cost.

The active loans relate to loans to associates and joint ventures. Accumulated impairments of TCHF 15,530 (prior year: TCHF 11,926) were recognised under this item (see [Note 17](#)).

Information on the development of the employer contribution reserve account can be found in [Note 35](#).

19 DEFERRED TAX ASSETS

	2017	2016
CHF thousand		
Deferred tax assets	34,141	42,811

The tax rates used to calculate deferred income tax items are 16.1 per cent for Switzerland, 24.0 per cent for Italy, and between 27.9 and 32.8 per cent for Germany.

20 INVENTORIES

	31.12.2017	31.12.2016
CHF thousand		
Inventories	24,745	16,343
Emission certificates	8,660	4,147
Gas	7,142	2,588
Work in progress	3,245	3,952
Inventories of materials	5,698	5,656

Work in progress relates to services provided by Repower to third parties and not yet billed. In the 2017 financial year no impairment loss was recognised on inventories (prior year: TCHF 98), and TCHF 36 (prior year: TCHF 0) in impairment losses was reversed.

21 TRADE ACCOUNTS RECEIVABLE

	31.12.2017	31.12.2016
CHF thousand		
Trade accounts receivable	382,940	313,852
Trade accounts receivable	392,539	357,659
Allowances for doubtful accounts	−9,599	−43,807
Development of allowances for doubtful accounts		
Carrying amount at 1 January	43,807	31,014
Additions	9,515	23,640
Utilisations	−44,110	−8,319
Reversals	−3,527	−2,272
Effect of currency translation	3,914	−256
End balance at 31 December	9,599	43,807

In 2017 impaired receivables were sold to a factoring company. This transaction resulted in a loss of TCHF 586 recognised under other operating expense in the Market Italy segment.

The stated trade accounts receivable also include claims on associates and joint ventures amounting to TCHF 7,081 (prior year: TCHF 4,431).

Trade accounts receivable are measured by applying individual and lump-sum adjustments to the non-impaired positions based on their maturity structure and historical experience.

22 OTHER RECEIVABLES

	31.12.2017	31.12.2016
CHF thousand		
Other receivables	32,513	47,194
Current income tax receivables	6,290	7,870
VAT receivables	7,646	10,319
Advance payments for inventories	2,418	9,859
Security deposits paid	6,280	4,041
Other receivables	9,879	15,105

23 PREPAID EXPENSES AND ACCRUED INCOME

	31.12.2017	31.12.2016
CHF thousand		
Prepaid expenses and accrued income	2,876	2,161

24 SECURITIES

	31.12.2017	31.12.2016
CHF thousand		
Securities	20,530	17,285
Fixed term deposits (4-12 months)	20,000	15,000
Positive replacement values	414	2,160
Other securities	116	125

The positive replacement values are related to forward exchange transactions.

25 REPLACEMENT VALUES OF HELD-FOR-TRADING POSITIONS

	31.12.2017	31.12.2016
CHF thousand		
Positive replacement values	108,028	147,772
Negative replacement values	107,153	141,941

26 CASH AND CASH EQUIVALENTS

	31.12.2017	31.12.2016
CHF thousand		
Cash and cash equivalents	394,479	318,171
Sight deposits	259,373	220,871
Cash invested for less than 90 days	135,106	97,300

At the balance sheet date, Repower also had the following unused bank credit lines:

	31.12.2017	31.12.2016
CHF thousand		
Credit lines	207,442	164,788
Unused general credit lines	16,681	7,594
Additional unused credit lines for the purpose of issuing guarantees	190,761	157,194

27 PROVISIONS

	Litigation and court proceedings	Dismantling provisions	Provisions for onerous contracts	Severance pay	Other provisions	Total
CHF thousand						
Carrying value at 1 January 2016	1,132	2,428	9,164	3,053	6,941	22,718
Additions	959	-	5,531	406	368	7,264
Utilisations	-314	-	-	-177	-4,607	-5,098
Reversals	-	-	-4,846	-	-562	-5,408
Interest	-	28	732	-	-	760
Disposals from changes in consolidation	-63	-	-	-	-	-63
Effect of currency translation	-17	-16	-	-30	-10	-73
Carrying value at 31 December 2016	1,697	2,440	10,581	3,252	2,130	20,100
Carrying value at 1 January 2017	1,697	2,440	10,581	3,252	2,130	20,100
Additions	-	277	-	555	474	1,306
Utilisations	-423	-	-	-414	-96	-933
Reversals	-578	-	-1,719	-	-299	-2,596
Interest	-	30	1,116	-	-	1,146
Effect of currency translation	100	179	-	299	195	773
Carrying value at 31 December 2017	796	2,926	9,978	3,692	2,404	19,796
Non-current Provisions						
Carrying value at 31 December 2016	1,697	2,440	10,581	3,252	2,110	20,080
Carrying value at 31 December 2017	796	2,926	9,978	3,692	2,145	19,537
Current provisions						
Carrying value at 31 December 2016	-	-	-	-	20	20
Carrying value at 31 December 2017	-	-	-	-	259	259

PROVISIONS FOR ONEROUS CONTRACTS

Provisions were recognised for onerous energy procurement contracts. The reversal in the amount of TCHF 1,719 (previous year: TCHF 4,846) was recognised under energy procurement in the Market Switzerland segment. The provision was calculated on the basis of a risk-adjusted interest rate of 11.15 per cent (prior year: 10.37 per cent).

SEVERANCE PAY

When an employment relationship is terminated in Italy, the employee is entitled to severance pay corresponding to around one month's pay for each year of employment (see [Note 35](#)).

DISMANTLING PROVISIONS

The dismantling provisions category comprises various provisions for the dismantling of operating installations. Taken individually they are immaterial.

28 DEFERRED TAX LIABILITIES

	2017	2016
CHF thousand		
Deferred tax liabilities	21,368	33,056

The tax rates used to calculate deferred income tax items are 16.1 per cent for Switzerland, 24.0 per cent for Italy, and between 27.9 and 32.8 per cent for Germany.

29 NON-CURRENT FINANCIAL LIABILITIES

				31.12.2017	31.12.2016
CHF thousand					
	Currency	Due date	Nominal interest rate		
Non-current financial liabilities				378,452	301,007
Loans				139,450	115,000
Private placement	CHF	28.03.2018	3.660%	-	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
Promissory note (SSD)	EUR	23.01.2024	1.698%	29,255	-
Promissory note (SSD)	EUR	23.01.2025	1.922%	29,255	-
Bank loan	CHF	04.07.2026	1.820%	50,000	50,000
Bank loan	CHF	31.03.2020	1.160%	940	-
Bonds				114,144	113,893
Bond par value	CHF	20.07.2022	2.375%	115,000	115,000
Net expenditures	CHF			-856	-1,107
Registered bond				2,809	2,568
Registered bond	EUR	08.08.2034	3.400%	2,926	2,685
Net expenditures	EUR			-117	-117
Other financial liabilities				122,049	69,546
Investment loan ¹⁾	CHF	31.12.2020	no interest	425	638
Loan (minorities) ²⁾	CHF	31.12.2070	no interest	20,281	18,139
Loan (minorities) ²⁾	CHF	31.12.2085	0.250%	56,951	-
Interest rate swap	CHF	28.06.2024		-	4,529
Interest rate swap	CHF	01.07.2031		5,764	6,392
Interest rate swap	CHF	18.11.2031		6,587	7,409
Other financial liability	EUR	31.12.2021	no interest	401	551
Loan (minorities)	EUR	30.06.2027	3.900%	31,608	31,835
Liabilities for finance leasing	CHF		2.500%	32	53
Financial liabilities are carried in the following currencies:					
Swiss francs				285,123	266,053
Euro (translated)				93,329	34,954

1) Mortgage assignments were pledged as security for the investment loan of TCHF 425 (previous year: TCHF 638). The fixed assets pledged in this connection are disclosed in Note 15.

2) Loan from minority shareholders in Repartner Produktions AG to participate in the production of selected hydroelectric power plants in Canton Graubünden.

A bank loan originally due on 11 December 2020 and an interest rate swap maturing on 28 June 2024 were paid off prematurely.

30 OTHER NON-CURRENT LIABILITIES

	2017	2016
CHF thousand		
Other non-current liabilities	63,081	62,001
Connection fees and grid cost contributions	62,982	62,001
Other	99	-

This item comprises accrued connection fees and grid cost contributions received from customers, which are charged to profit or loss over a period of 35 years via net sales from goods and services in the Market Switzerland segment.

31 CURRENT FINANCIAL LIABILITIES

	31.12.2017	31.12.2016
CHF thousand		
Current financial liabilities	40,151	20,090
Bonds and loans	30,388	19,761
Negative replacement values	9,742	308
Liabilities for finance leasing	21	21

The replacement values are related to forward exchange transactions.

The prior year's current financial liabilities include a bank loan of 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 15](#).

32 TRADE ACCOUNTS PAYABLE

	31.12.2017	31.12.2016
CHF thousand		
Trade accounts payable	380,401	346,003

The stated trade accounts payable also include liabilities vis-à-vis associates and joint ventures amounting to TCHF 889 (prior year: TCHF 4,720).

33 OTHER CURRENT LIABILITIES

	31.12.2017	31.12.2016
CHF thousand		
Other current liabilities	26,102	21,733
Current income tax liabilities	501	1,470
VAT liabilities	3,262	1,505
Connection fees and grid cost contributions	3,529	3,551
Customer prepayments	785	3,763
Excise taxes	5,918	129
Other current liabilities	12,107	11,315

34 DEFERRED INCOME AND ACCRUED EXPENSES

	31.12.2017	31.12.2016
CHF thousand		
Deferred income and accrued expenses	16,461	17,763
Deferred income for capital and other taxes, charges and levies	5,158	5,130
Accrued interest	3,655	3,001
Accrued annual leave and overtime	5,700	6,454
Accrued other personnel expenses	1,667	1,590
Other accrued expenses	281	1,588

35 PENSION SCHEMES

EMPLOYER CONTRIBUTION RESERVES

	Nominal value	Balance sheet		Additions/utilisations	Result of ECR in personnel expenses	
	31.12.2017	31.12.2017	31.12.2016	2017	2017	2016
CHF thousand						
Pension institutions	80	80	92	-12	-12	-51

For reasons of materiality, employer contribution reserves are not discounted. The nominal value corresponds to the carrying value. Employer contribution reserves are recognised under non-current financial assets.

ECONOMIC BENEFIT/ECONOMIC LIABILITY AND PENSION BENEFIT EXPENSES

	Overfunding/ underfunding	Organisation's share of economic liability		Change on prior year	Contributions concerning the business period	Pension benefit expenses within personnel expenses	
	31.12.2017	31.12.2017	31.12.2016	2017	2017	2017	2016
CHF thousand							
Pension plans without overfunding/underfunding	-	-	-	-	3,417	3,417	3,710
Pension institutions with unfunded obligations		-3,692	-3,252	-440	599	740	677
Total	-	-3,692	-3,252	-440	4,016	4,157	4,387

The pension fund for employees of Repower AG is organised as a pension scheme of the collective foundation of the PKE Vorsorgestiftung Energie foundation. Swibi AG is affiliated to a joint pension scheme of the PKE Vorsorgestiftung Energie foundation. Based on the most recent financial statements available, neither of these pension schemes is under- or overfunded.

The item "Pension institutions without unfunded obligations" relates to the obligation to pay severance pay in Italy (see [Note 27](#)). The change in the stated provision in the income statement comes to THCF 141 at the average exchange rate.

36 DERIVATIVE FINANCIAL INSTRUMENTS

	Replacement values		Replacement values	
	positive	negative	positive	negative
	31.12.2017		31.12.2016	
CHF thousand				
On-balance-sheet derivatives				
Held for trading				
Interest derivatives	-	12,351	-	18,330
Currency derivatives	414	9,742	2,160	308
Energy derivatives	373,370	372,495	383,261	377,430
Total on-balance-sheet derivatives	373,784	394,588	385,421	396,068
Netting	-265,342	-265,342	-235,489	-235,489
Net value on balance sheet	108,442	129,246	149,932	160,579
Off-balance-sheet derivatives				
Held for cash flow hedges				
Interest derivatives	-	-	-	1,406
Energy derivatives	38,419	63,655	148,105	161,483
Total off-balance-sheet derivatives	38,419	63,655	148,105	162,889
Total derivative financial instruments	146,861	192,901	298,037	323,468

The line “netting” refers to the netting of energy derivatives transactions entered into with the same counterparty and with whom there are enforceable netting agreements.

Cash flow hedges used as hedging transactions are not recognised on the balance sheet and therefore do not yet impact the balance sheet. Off-balance-sheet energy and interest derivatives are used to hedge future cash flows with a high probability of occurrence.

37 TRANSACTIONS WITH RELATED PARTIES

The balances and liabilities reported on the balance sheet and the transactions contained in the income statement vis-à-vis related parties are related to business with the main shareholders and Repower entities, associates, partner works and joint ventures controlled by them.

The following balance sheet and profit and loss items contain the following amounts vis-à-vis related third parties:

	31.12.2017	31.12.2016
CHF thousand		
Income statement item		
Net Sales from goods and services	88,383	28,968
Energy procurement	-35,047	-42,787
Financial and other operating income	402	562
Financial and other operating expenses	-200	-324
Balance sheet item		
Assets		
Financial assets	7,516	5,516
Trade accounts receivable	17,177	10,990
Positive replacement values of held for trading positions	2,626	896
Liabilities		
Non-current liabilities	99	-
Trade accounts payable	981	12,773
Negative replacement values of held for trading positions	13,954	15,125
Off-balance-sheet energy derivatives		
Held for cash flow hedges		
Positive replacement values	786	292
Negative replacement values	6,126	5,674

Transactions are at market prices, or in the case of Grischelectra AG at annual costs.

Canton Graubünden is deemed to be a related party in its capacity as a shareholder. Official business such as levying taxes, concession-related charges, fees, etc., is done on a statutory basis and is therefore not included here. Canton Graubünden's energy business is transacted via Grischelectra AG, which is included as a related party in the table above.

In 2017 Repower sold 6 per cent of its interest in Repartner Produktions AG to the related party Elektrizitätswerke des Kantons Zürich (EKZ). The net cash inflows for the sale of the interests and the shareholder's loans granted to date by Repower come to TCHF 5,721 and THCF 9,779 respectively. The disposal was made at carrying values. The sale of minority interests in Repartner Produktions AG has resulted in a TCHF 5,721 increase in Repower's consolidated equity.

In the financial year under review, Repower AG sold the Morteratsch power plant, which it built, to the joint venture Kraftwerk Morteratsch AG at a carrying value of TCHF 9,055, realising a gain of TCHF 1,001.

Compensation paid to members of the board of directors and executive board is disclosed in the corporate governance section.

38 SEGMENT REPORTING

Segment reporting is done by geographic market and reflects internal management and reporting structures. The information provided is that used by management for steering and assessing the business performance and development of the individual segments. For each business segment, internal steering, performance measurement and capital allocation are carried out on the basis of the segment's earnings before interest and income taxes (EBIT). Segment income is calculated on the basis of the accounting and valuation principles used at group level.

	Market Switzerland	Market Italy	Other segments and activities	Group
CHF thousand				
2017				
Net sales from goods and services	638,736	1,255,523	–58,790	1,835,469
Net sales from goods and services	620,640	1,214,675	154	1,835,469
Net sales from goods and services between segments	18,096	40,848	–58,944	-
Earnings before interest and taxes (EBIT)	16,066	24,271	–6,558	33,779

	Market Switzerland	Market Italy	Other segments and activities	Group
CHF thousand				
2016				
Net sales from goods and services	577,457	1,121,597	722	1,699,776
Net sales from goods and services	517,781	1,083,661	98,334	1,699,776
Net sales from goods and services between segments	59,676	37,936	–97,612	-
Earnings before interest and taxes (EBIT)	13,121	10,697	–1,700	22,118

39 TREASURY SHARES

	2017		2016	
	Number of shares	Carrying amount in CHF	Number of shares	Carrying amount in CHF
Initial balance at 1 January	382	20,713	-	-
Purchases	2,637	152,507	3,442	167,750
Disposals	–2,763	–157,855	–3,060	–147,037
Ending balance at 31 December	256	15,365	382	20,713

Purchases/disposals of treasury shares relate to Repower AG registered shares. In the year under review Repower AG bought 2,637 shares (prior year 3,442) at CHF 57.83 (prior year CHF 48.74) and sold 2,763 shares (prior year 3,060) at an average price of CHF 59.38 (prior year CHF 50.48).

40 OFF-BALANCE-SHEET BUSINESS

In the course of regular business the group granted guarantees, bank guarantees and sureties in favour of third parties, directly and via commercial banks. These came to TCHF 179,744 (prior year: TCHF 177,225).

There is a service agreement for the Teverola power plant, concluded for 25 years and ending in June 2029. This resulted in an irrevocable payment obligation of TCHF 13,613 as per 31 December 2017 (prior year: TCHF 13,579).

In the course of usual business, litigation can arise which results in contingent liabilities. These contingent liabilities are not expected to result in material liabilities within Repower Group in addition to the provisions already made for litigation (Note 27). On the other hand there is litigation under way where Repower is asserting its rights, which, if it is successful, could result in inflowing payments.

	31.12.2017	31.12.2016
CHF thousand		
Off-balance-sheet liabilities		
Operating lease (nominal value)	16,842	21,864
Due within 1 year	3,184	3,607
Due in 1-5 years	6,269	7,380
Due in more than 5 years	7,389	10,877
Procurement contracts	765,397	860,297
Due within 1 year	109,967	94,901
Due in 1-5 years	416,910	437,159
Due in more than 5 years	238,520	328,237

At the reporting date of the financial year under review, the outstanding minimum lease payments consisted of TCHF 15,640 for property and buildings (prior year: TCHF 20,300) and TCHF 1,202 for motor vehicles (prior year TCHF 1,474). There were no liabilities for IT hardware (prior year: TCHF 90).

Obligations to take delivery of electrical energy on the basis of the interests in AKEB Aktiengesellschaft für Kernenergie, Lucerne, Kraftwerke Hinterrhein AG, Thusis, and Grischelectra AG are not included in the above table. The volume and price of electricity delivered depend on actual future production and costs incurred by these associates and joint ventures.

Pledges are recognised under the relevant assets.

41 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

In January 2018 Repower successfully completed the early repurchase of a portion of its outstanding CHF 115,000 2.375 per cent bond maturing on 20 July 2022. Bonds with a total nominal value of CHF 18,555 were repurchased for CHF 19,807 and destroyed.

The group financial statements were approved for publication by the board of directors on 5 April 2018. They are subject to the approval of the annual general meeting, which will take place on 16 May 2018.

Report of the statutory auditor



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Zurich, 5 April 2018

To the General Meeting of Repower AG, Brusio

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

As statutory auditor, we have audited the consolidated financial statements of Repower AG, which comprise the consolidated balance sheet, consolidated income statement, changes in consolidated equity, consolidated cash flow statement and notes to the consolidated financial statements, for the year ended 31 December 2017.



BOARD OF DIRECTORS' RESPONSIBILITY

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



AUDITOR'S RESPONSIBILITY

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

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



OPINION

In our opinion, the consolidated financial statements for the year ended 31 December 2017 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.



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 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 responsibility* 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.

Classification, valuation and presentation of energy derivatives

Area of focus	<p>The accounting treatment of energy derivatives is a result of its classification as “held-for-trading” or “Cashflow-Hedges”. Classification requires judgment and has a material impact on both consolidated balance sheet presentation and group result.</p> <p>The valuation of these “held-for-trading” 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.</p> <p>The Company defines policies and procedures to account for energy contracts. This process includes segregation of duties and controls.</p> <p>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 1 and 36 of the consolidated financial statements for further information.</p>
Our audit response	<p>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 assessed internal controls over the Group’s accounting for such trading activity.</p> <p>For a sample of energy derivatives, we tested the observable inputs into valuation models by reference to externally available market data.</p>

Impairment of tangible assets

Area of focus	<p>Tangible assets is a material balance sheet item amounting to 40.9% of total assets in the consolidated balance sheet. These comprise primarily power plants, grids and other non-current assets of the Group.</p> <p>Tangible assets are subject to an impairment test at each balance sheet date. This test is based on indicators reflecting a possible impairment of the individual assets. 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. Refer to Note 15 for further information.</p>
Our audit response	<p>We assessed the Group’s valuation approach related to its tangible 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.</p> <p>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 Group and tested them against observable market data.</p>

Conversion to Swiss GAAP FER

Area of focus	<p>The Group converted its consolidated financial statements from International Financial Reporting Standards (IFRS) to Swiss GAAP FER with retrospective effect from the beginning of fiscal year 2017. The amounts for fiscal year 2016 have been restated.</p> <p>We considered the conversion to Swiss GAAP FER to be a key audit matter as the conversion required a reassessment of accounting policies and a restatement of comparatives figures. Refer to section “1 Accounting and Valuation Principles” of the consolidated financial statements for further information.</p>
Our audit response	<p>We discussed with management and assessed the Swiss GAAP FER accounting policies in comparison to the former accounting policies. We assessed the adjustments to the respective account balances in accordance with the requirements set out in Swiss GAAP FER. We also assessed the presentation and disclosures of the consolidated financial statements in accordance to Swiss GAAP FER.</p>

**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 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

Willy Hofstetter
Licensed audit expert
(Auditor in charge)

Fabienne Tremp
Licensed audit expert

Income statement

CHF thousand		2017	2016
	Note		
Net sales	1	613,259	545,256
Change in inventories for work in progress		-707	496
Own costs capitalised		6,014	7,968
Other operating income		29,672	29,820
Total operating revenue		648,238	583,540
Energy procurement		-511,663	-454,204
Materials and third party services		-17,907	-16,961
Concession fees		-17,541	-16,025
Personnel expenses		-46,559	-46,639
Other operating expenses		-20,291	-21,492
Depreciation/amortisation and impairment	2	-26,792	-35,994
Operating expenses		-640,753	-591,315
Operating earnings before interest, extraordinary items and taxes		7,485	-7,775
Financial income		52,036	51,056
Financial expenses		-48,678	-49,595
Operating earnings before taxes		10,843	-6,314
Non-operating income		923	740
Extraordinary, non-recurring or prior period income	3	17,210	24,997
Extraordinary, non-recurring or prior period expenses	4	-801	-10,821
Earnings before taxes		28,175	8,602
Taxes		-2,839	-5,323
Net earnings for the year		25,336	3,279

Balance sheet

		31.12.2017	31.12.2016
CHF thousand			
	Note		
Assets			
Cash and cash equivalents and current assets listed at the stock exchange	5	432,812	286,926
Current securities and other financial instruments not listed at the stock exchange	6	20,000	35,000
Trade accounts receivable	7	262,269	230,004
Other receivables	8	8,222	8,824
Inventories and non-invoiced services	9	11,590	8,064
Prepaid expenses and accrued income		4,658	2,695
Current assets		739,551	571,513
Financial assets	10	245,709	147,184
Shareholdings		250,630	244,213
Tangible assets		358,685	367,265
Intangible assets	11	21,549	23,693
Non-current assets		876,573	782,355
Total assets		1,616,124	1,353,868

		31.12.2017	31.12.2016
CHF thousand			
	Note		
Liabilities and shareholders' equity			
Trade accounts payable	12	239,621	200,191
Current interest-bearing liabilities	13	27,029	15,000
Other current liabilities	14	121,998	86,379
Deferred income and accrued expenses		22,727	20,536
Current liabilities		411,375	322,106
Non-current interest-bearing liabilities	15	392,378	232,685
Other non-current liabilities	16	46,398	42,876
Non-current provisions	17	28,810	44,387
Non-current liabilities		467,586	319,948
Liabilities		878,961	642,054
Share capital		7,391	7,391
Legal reserve from capital		184,335	185,442
Legal reserve from retained earnings		17,123	17,123
Free reserves from earnings			
Other reserves		461,975	461,969
Retained earnings		66,354	39,910
Treasury shares		-15	-21
Shareholders' equity	18	737,163	711,814
Total liabilities and shareholder's equity		1,616,124	1,353,868

Notes to the financial statements: general

GENERAL

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.

Notes to the financial statements: principles

A. ACCOUNTING PRINCIPLES

The present financial statements were prepared 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

	2017	2016
CHF thousand		
Net sales	613,259	545,256
Revenue from energy sales	606,342	544,816
Gains on held-for-trading positions	6,917	440

2 DEPRECIATION/AMORTISATION AND IMPAIRMENT

	2017	2016
CHF thousand		
Depreciation/amortisation and impairment	-26,792	-35,994
Depreciation of tangible assets	-15,358	-15,220
Amortisation of intangible assets	-6,215	-6,744
Amortisation of financial assets and investments	-10	-4
Impairment of tangible assets	-510	-7,833
Impairment of financial assets and investments	-4,699	-6,193

3 EXTRAORDINARY, NON-RECURRING OR PRIOR-PERIOD INCOME

	2017	2016
CHF thousand		
Extraordinary, non-recurring or prior period income	17,210	24,997
Gains on disposals of assets	3,648	12,963
Other extraordinary, non-recurring or prior period income ¹⁾	13,562	12,034

1) In the year under review this item consisted primarily of the release of reversion provisions (the previous year it had consisted primarily of the sale of assets and the reversal of impairments following the repayment of loans).

4 EXTRAORDINARY, NON-RECURRING OR PRIOR PERIOD EXPENSES

	2017	2016
CHF thousand		
Extraordinary, non-recurring or prior period expenses	-801	-10,821
Loss on disposals of assets under construction	-350	-311
Loss on disposals of assets	-335	-166
Other extraordinary, non-recurring or prior period expenses	-116	-10,344

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

	31.12.2017	31.12.2016
CHF thousand		
Cash and cash equivalents and current assets listed at the stock exchange	432,812	286,926
Cash and cash equivalents	332,721	197,386
Energy trading	307	456
Positive replacement values of held for trading positions	99,784	89,084

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

	31.12.2017	31.12.2016
CHF thousand		
Current securities and other financial instruments not listed at the stock exchange	20,000	35,000
Fixed- term deposits (maturity within 12 months)	20,000	35,000

7 TRADE ACCOUNTS RECEIVABLE

	31.12.2017	31.12.2016
CHF thousand		
Trade accounts receivable	262,269	230,004
Third parties	215,041	181,672
Participants and management bodies	15,846	17,518
Investments	31,382	30,814

8 OTHER RECEIVABLES

	31.12.2017	31.12.2016
CHF thousand		
Other receivables	8,222	8,824
Third parties	6,929	8,824
Investments	1,293	-

9 INVENTORIES AND NON-INVOICED SERVICES

	31.12.2017	31.12.2016
CHF thousand		
Inventories and non-invoiced services	11,590	8,064
Inventories	8,345	4,112
Non-invoiced services	3,245	3,952

10 FINANCIAL ASSETS

	31.12.2017	31.12.2016
CHF thousand		
Financial assets	245,709	147,184
Securities	2,542	2,551
Fixed-term deposits >12 months ¹⁾	40,000	32,217
Non-current receivables third parties	822	-
Loans to investments ²⁾	202,345	112,416

1) The previous year's fixed-term deposits with due date >12 months of TCHF 32,217 are disclosed in the year under review in cash and cash equivalents. The deposit can be terminated within 3 months.

2) Loans to investments include a loan of which TCHF 350 has been subordinated.

11 INTANGIBLE ASSETS

	31.12.2017	31.12.2016
CHF thousand		
Intangible assets	21,549	23,693
Concessions and reversion waiver compensation ¹⁾	18,100	20,965
Rights of use ¹⁾	1,136	-
Software	1,756	2,497
Intangible assets under development	557	231

1) In the year under review concessions and rights of use were reclassified from tangible assets to intangible assets.

12 TRADE ACCOUNTS PAYABLE

	31.12.2017	31.12.2016
CHF thousand		
Trade accounts payable	239,621	200,191
Third parties	210,675	168,118
Participants and management bodies	10,078	15,306
Investments	18,868	16,767

13 CURRENT INTEREST-BEARING LIABILITIES

			31.12.2017	31.12.2016
CHF thousand				
	Interest rate	Duration		
Current interest-bearing liabilities			27,029	15,000
Loans			25,000	15,000
Private placement	3.625%	2008-2017	-	15,000
Private placement	3.660%	2008-2018	25,000	-
Other current interest-bearing liabilities			2,029	-
Investments			2,029	-

14 OTHER CURRENT LIABILITIES

	31.12.2017	31.12.2016
CHF thousand		
Other current liabilities	121,998	86,379
Third parties	115,407	66,426
Participants and management bodies	5,768	12,748
Investments	823	7,205
Other current liabilities	121,998	86,379
Negative replacement values of held for trading positions	94,904	76,458
Other current liabilities	27,094	9,921

15 NON-CURRENT INTEREST-BEARING LIABILITIES

			31.12.2017	31.12.2016
CHF thousand				
	Interest rate	Duration		
Non-current interest-bearing liabilities			392,378	232,685
Loans			138,510	115,000
Loan	2,500%	2010-2030	20,000	20,000
Private placement	3,660%	2008-2018	-	25,000
Private placement	3,625%	2008-2023	10,000	10,000
Bank loan	1,698%	2017-2024	29,255	-
Bank loan	1,922%	2017-2025	29,255	-
Bank loan ¹⁾	1,820%	2006-2026	50,000	50,000
Bank loan	3,100%	2005-2020	-	10,000
Bonds			117,926	117,685
Bond	2,375%	2010-2022	115,000	115,000
Registered bond	3,400%	2014-2034	2,926	2,685
To investments			135,942	-

1) The agreement for the TCHF 50,000 bank loan was renewed on 30 April 2017. The new rate of interest is 1.82% (previous year: 2.07%).

16 OTHER NON-CURRENT LIABILITIES

	31.12.2017	31.12.2016
CHF thousand		
Other non-current liabilities	46,398	42,876
Connection fees and grid cost contributions	4,552	-
Connection fees and grid cost contributions ¹⁾	4,552	-
Other non-current liabilities	41,846	42,876
Third parties ²⁾	359	691
Investments	41,487	42,185

1) Connection fees and grid cost contributions were recognised in profit or loss until the 2016 financial year. From 1 January 2017 these revenues have been classified as a liability and charged to revenue over a useful life of 35 years.

2) 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

	31.12.2017	31.12.2016
CHF thousand		
Provisions	28,810	44,387
For reversion waiver compensation	-	13,400
For contract risks	9,978	10,581
Other risks ¹⁾	18,832	20,406

1) Other risks include the value of interest rate swaps amounting to TCHF 12,351 (previous year: TCHF 19,736). Taken individually, the other items are immaterial.

18 SHAREHOLDERS' EQUITY

	31.12.2017	31.12.2016
CHF thousand		
Shareholders' equity	737,163	711,814
Share capital	7,391	7,391
Share capital ¹⁾		
7,390,968 registered shares at a par value of CHF 1 per share	7,391	7,391
Reserves	663,433	664,534
Legal capital reserves		
Capital reserves ^{1) 2)}	184,335	185,442
Legal reserve from retained earnings	17,123	17,123
Other reserves ³⁾	461,975	461,969
Retained earnings	66,354	39,910
Retained earnings carried forward	41,018	36,631
Net income for the year	25,336	3,279
Treasury shares	-15	-21

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 2017 the share capital consisted of 7,390,968 registered shares, each with a nominal value of CHF 1.00.

2) In a letter dated 12 June 2017 the Federal Tax Administration (FTA) confirmed the amount of TCHF 184,335 for the capital reserves. Part of the transaction costs of TCHF 1,107, related to the rights issue held in 2016, has been transferred to retained earnings carried forward.

3) In the year under review the increase of TCHF 6 in other reserves is attributable to gains and losses from the sale of treasury shares. The previous year the general meeting of shareholders of 12 May 2016 approved a transfer of TCHF 100,000 from other reserves to retained earnings.

Share capital

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

	31.12.2017	31.12.2016
Elektrizitätswerke des Kantons Zürich (EKZ)	29.83%	28.32%
Canton Graubünden	21.96%	21.96%
UBS Clean Energy Infrastructure KGK (UBS-CEIS)	18.88%	18.88%
Axpo Holding AG, Baden	12.69%	12.69%

TREASURY SHARES

	2017		2016	
	Number of shares	Carrying value in CHF	Number of shares	Carrying value in CHF
Initial balance at 1 January	382	20,714	-	-
Purchases	2,637	152,507	3,442	167,750
Disposals	-2,763	-157,856	-3,060	-147,037
End balance at 31 December	256	15,365	382	20,714

In the year under review Repower AG bought 2,637 shares at an average price of CHF 57.83 and sold 2,763 shares at an average price of CHF 57.13.

The prior year 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.

Notes to the financial statements: D. Further notes

NET RELEASE OF HIDDEN RESERVES

In the reporting year, hidden reserves of TCHF 7,193 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		Share of equity and votes in %	
			31.12.2017	31.12.2016	31.12.2017	31.12.2016
Ovra elettrica Ferrera SA	Trun	CHF	3,000,000	3,000,000	49.00%	49.00%
SWIBI AG	Landquart	CHF	500,000	500,000	76.58%	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	0.00%	100.00%
Lagobianco SA	Poschiavo	CHF	1,000,000	1,000,000	100.00%	100.00%
Repartner Produktions AG ¹⁾	Poschiavo	CHF	20,000,000	20,000,000	51.00%	57.00%
Swisscom Energy Solutions AG	Ittigen	CHF	13,342,325	13,342,325	35.00%	35.00%
Kraftwerk Morteratsch AG ²⁾	Pontresina	CHF	500,000	500,000	10.00%	10.00%
Repower Deutschland GmbH	Dortmund	EUR	11,525,000	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%
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 ³⁾	Prague	CZK	-	3,000,000	-	100.00%
S.C. Repower Vanzari Romania S.R.L. ³⁾	Bucharest	RON	-	165,000	-	100.00%
Repower Serbia d.o.o. - u likvidaciji ³⁾	Belgrade	EUR	-	20,000	-	100.00%
Repower Hrvatska d.o.o. u likvidaciji ³⁾	Zagreb	HRK	-	366,000	-	100.00%

1) Sale of 6% of the direct and indirect participations in Repartner Produktions AG to a new partner.

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

3) In the year under review Repower Vanzari Romania S.R.L and the other companies in Eastern Europe were liquidated.

Indirect participations

Company	Head office	Currency	Issued capital		Share of equity and votes in %	
			31.12.2017	31.12.2016	31.12.2017	31.12.2016
Repower Wind Deutschland GmbH ¹⁾	Dortmund	EUR	-	25,000	-	57.00%
Repartner Wind GmbH ²⁾	Dortmund	EUR	25,000	25,000	51.00%	57.00%
Repower Wind Lübbenau GmbH ¹⁾	Dortmund	EUR	-	25,000	-	57.00%
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. ³⁾	Milan	EUR	-	50,000	-	100.00%
Aerochetto S.r.l.	Catania	EUR	2,000,000	2,000,000	39.00%	39.00%

1) In the year under review Repower Wind Deutschland GmbH and Repower Wind Lübbenau GmbH were merged into Repartner Wind GmbH.

2) After the merger Repower Wind Prettin GmbH was renamed Repartner Wind GmbH.

3) In the year under review the company Energia Eolica Pontremoli S.r.l. was liquidated.

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

Joint liability for VAT group taxation SWIBI AG, Lagobianco SA, Repartner Produktions AG and Ovra elettrica Ferrera SA.

To the benefit of group companies, letters of intent and financing agreements amounting to EUR 171 million (equivalent to CHF 200 million) were concluded (previous year: EUR 176 million, equivalent to CHF 189 million).

Guarantees in favour of third parties amounting to CHF 0.5 million and EUR 3.0 million (corresponds to CHF 4.0 million) were provided (prior year: CHF 0.4 million and EUR 2.6 million (corresponds to CHF 3.2 million)).

TOTAL ASSETS CEDED OR PLEDGED TO SECURE OWN LIABILITIES

Nominal value of mortgage assignment: CHF 2.55 million, of which TCHF 425 used (previous year: TCHF 637).

During the year under review receivables included CHF 3.0 million in pledges lodged in the context of business, specifically trading operations (prior year: CHF 2.7 million).

LEASE LIABILITIES

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

	31.12.2017	31.12.2016
CHF thousand		
Lease liabilities	9,463	10,872
Within 1 year	1,269	1,570
2-5 years	3,937	4,306
Over 5 years	4,257	4,996

PENSION FUND LIABILITY

On the balance sheet date there is a liability to the pension fund of TCHF 420 (prior year: TCHF 410).

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

In January 2018 Repower successfully completed the early repurchase of a portion of its outstanding CHF 115,000,000 2.375 per cent bond maturing on 20 July 2022 (ISIN CH0109152725). Bonds with a total nominal value of CHF 18,555,000 were repurchased for CHF 19,807,463 and destroyed.

The financial statements were approved for publication by the board of directors on 5 April 2018. They are subject to the approval of the annual general meeting, which will take place on 16 May 2018.

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

Board of directors	Shares in 2017	Shares in 2016
Dr Urs Rengel (from 21.06.16)	400	400
Peter Eugster, vice-chairman (from 21.06.16)	1,200	600

Executive board	Shares in 2017	Shares in 2016
Kurt Bobst, CEO	150	150
Felix Vontobel	240	240
Fabio Bocchiola	5	-

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 earnings for the year 2017	TCHF	25,336
Retained earnings carried forward	TCHF	41,018
Retained earnings	TCHF	66,354
Amount carried to other reserves	TCHF	–30,000
Balance carried forward	TCHF	36,354

Poschiavo, 19 April 2018

For the board of directors:



Peter Eugster
Vice-Chairman of the
Board of Directors

Report of the statutory auditor



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Zurich, 5 April 2018

To the General Meeting of Repower AG, Brusio

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the accompanying financial statements of Repower AG, which comprise the balance sheet, income statement and notes, for the year ended 31 December 2017.



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 2017 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.

Recoverability of participations and loans to group companies

Area of focus	<p>Participations and loans to group companies represent 28% of total assets and are therefore a material item in the balance sheet. Due to significance of the positions and the potential uncertainty around the profitability of participations in the respective markets they operate, assessment of the recoverability of participations and loans to group companies was a focus area of our audit.</p> <p>The Company assesses the recoverability of its participations and loans to group companies 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 recoverability of the positions.</p>
Our audit response	<p>We reviewed the Company's approach to assess the recoverability of its participations and loans to group companies. 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 recoverability of each participation individually to corroborate our understanding about its business prospects and anticipated future developments with the Company.</p>

Classification, valuation and presentation of energy derivatives

Area of focus	<p>The accounting treatment of energy derivatives is a result of its classification as "held-for-trading" or "Cashflow-Hedges". Classification requires judgment and has a material impact on both balance sheet presentation and net income.</p> <p>The valuation of these "held-for-trading" 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.</p> <p>The Company defines policies and procedures to account for energy contracts. This process includes segregation of duties and controls.</p> <p>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 1, 5 and 14 of the financial statements for further information.</p>
Our audit response	<p>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 assessed internal controls over the Company's accounting for such trading activity.</p> <p>For a sample of energy derivatives, we tested the observable inputs into valuation models by reference to externally available market data.</p>

Impairment of tangible assets

Area of focus	<p>Tangible assets is a material balance amounting to 22.2% of total assets in the balance sheet. These comprise primarily power plants, grids and other non-current assets of the Company.</p> <p>Tangible assets are subject to an impairment test at each balance sheet date. This test is based on indicators reflecting a possible impairment of the individual assets. 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.</p>
Our audit response	<p>We assessed the Company's valuation approach related to its tangible 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.</p> <p>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.</p>

**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

Willy Hofstetter
Licensed audit expert
(Auditor in charge)

Fabienne Tremp
Licensed audit expert



2017 annual report

Events

The next dates in Repower's financial calendar:

- **16 May 2018:** Annual general meeting in Landquart
- **22 August 2018:** Information on the first six months of 2018
- **30 October 2018:** Analyst and investor conference
- **9 April 2019:** Information on the 2018 financial year
- **15 May 2019:** Annual general meeting in Pontresina

Publishing information

Published by: Repower, Poschiavo, CH

Design: Repower, Poschiavo, CH

Editorial team: Repower, Poschiavo, CH

Photos: Repower, Poschiavo, CH

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

Publishing-system: Multimedia Solutions AG, Zürich, CH

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

April 2018