



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
<b>Total operating revenue</b>		<b>1,846,739</b>	<b>1,723,559</b>
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
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>		<b>79,161</b>	<b>52,312</b>
Depreciation and value adjustments of tangible assets	11	-41,724	-26,338
Amortisation and value adjustments of intangible assets	12	-3,658	-3,856
<b>Earnings before interest and taxes (EBIT)</b>		<b>33,779</b>	<b>22,118</b>
Financial income	13	21,431	4,043
Financial expenses	13	-35,574	-31,855
<b>Earnings before taxes</b>		<b>19,636</b>	<b>-5,694</b>
Income taxes	14	363	4,673
<b>Group earnings</b>		<b>19,999</b>	<b>-1,021</b>
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		
<b>Assets</b>			
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
<b>Non-current assets</b>		<b>856,310</b>	<b>837,851</b>
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
<b>Current assets</b>		<b>966,111</b>	<b>862,778</b>
<b>Total assets</b>		<b>1,822,421</b>	<b>1,700,629</b>

		31.12.2017	31.12.2016
CHF thousand			
	Note		
<b>Liabilities and shareholders' equity</b>			
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
<b>Shareholders' equity excluding minorities</b>		<b>726,503</b>	<b>699,888</b>
Minorities		42,953	37,047
<b>Shareholders' equity</b>		<b>769,456</b>	<b>736,935</b>
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
<b>Non-current liabilities</b>		<b>482,438</b>	<b>416,144</b>
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
<b>Current liabilities</b>		<b>570,527</b>	<b>547,550</b>
<b>Liabilities</b>		<b>1,052,965</b>	<b>963,694</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,822,421</b>	<b>1,700,629</b>

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										
<b>Equity at 1 January 2016 according to IFRS</b>	<b>2,783</b>	<b>625</b>	<b>-</b>	<b>-</b>	<b>623,265</b>	<b>-3,584</b>	<b>-55,283</b>	<b>567,806</b>	<b>32,063</b>	<b>599,869</b>
Change in accounting policies and estimates				37,893	126,633	3,584	55,283	-29,873	-9,783	-39,656
<b>Equity at 1 January 2016 according to Swiss GAAP FER</b>	<b>2,783</b>	<b>625</b>	<b>-</b>	<b>37,893</b>	<b>496,632</b>	<b>-</b>	<b>-</b>	<b>537,933</b>	<b>22,280</b>	<b>560,213</b>
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
<b>Equity at 31 December 2016 according to Swiss GAAP FER</b>	<b>7,391</b>	<b>-</b>	<b>-21</b>	<b>201,998</b>	<b>491,169</b>	<b>-</b>	<b>-649</b>	<b>699,888</b>	<b>37,047</b>	<b>736,935</b>

	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 share-holders' 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
<b>Cash flow from operating activities before change in net current assets</b>		<b>68,824</b>	<b>30,036</b>
<b>Changes</b>			
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
<b>Change in net current assets</b>		<b>-26,183</b>	<b>47,577</b>
<b>Cash flow from operating activities</b>		<b>42,641</b>	<b>77,613</b>



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
<b>Cash flow from investing activities</b>		<b>–58,134</b>	<b>20,580</b>
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
<b>Cash flow from financing activities</b>		<b>77,571</b>	<b>–178,434</b>
Effect of currency translation		14,230	528
<b>Change in cash and cash equivalents</b>		<b>76,308</b>	<b>–79,713</b>
Cash and cash equivalents at 1 January		318,171	397,884
<b>Cash and cash equivalents at 31 December</b>	<b>26</b>	<b>394,479</b>	<b>318,171</b>

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		
<b>Equity according to IFRS</b>	<b>763,422</b>	<b>599,869</b>
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
<b>Swiss GAAP FER restatement</b>	<b>-26,487</b>	<b>-39,656</b>
<b>Equity according to Swiss GAAP FER</b>	<b>736,935</b>	<b>560,213</b>

	2016
CHF thousand	
<b>Group earnings according to IFRS</b>	<b>-12,753</b>
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
<b>Swiss GAAP FER restatement</b>	<b>11,732</b>
<b>Group earnings according to Swiss GAAP FER</b>	<b>-1,021</b>

## 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 <sup>1)</sup>
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 <sup>2)</sup>	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 <sup>3)</sup>	Dortmund	EUR	25	0.00%	57.00%	F
Repartner Wind GmbH <sup>3)</sup>	Dortmund	EUR	25	51.00%	57.00%	F
Repower Wind Lübbenau GmbH <sup>3)</sup>	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. <sup>2)</sup>	Milan	EUR	50	0.00%	100.00%	F
Repower Trading Česká republika s.r.o. v likvidaci <sup>2)</sup>	Prague	CZK	3,000	0.00%	100.00%	F
S.C. Repower Vanzari Romania S.R.L. <sup>2)</sup>	Bucharest	RON	165	0.00%	100.00%	F
Repower Serbia d.o.o. - u likvidaciji <sup>2)</sup>	Belgrad	EUR	20	0.00%	100.00%	F
Repower Hrvatska d.o.o. u likvidaciji <sup>2)</sup>	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 <sup>4)</sup>	Pontresina	CHF	500	10.00%	10.00%	E
Grischelectra AG <sup>5)</sup>	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:

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

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		
<b>Net sales from goods and services</b>	<b>1,835,469</b>	<b>1,699,776</b>
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		
<b>Own costs capitalised</b>	<b>6,014</b>	<b>7,971</b>

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

## 3 CHANGE IN INVENTORY OF SALES ORDERS

	2017	2016
CHF thousand		
<b>Change in inventory of sales orders</b>	<b>-707</b>	<b>496</b>

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

## 4 OTHER OPERATING INCOME

	2017	2016
CHF thousand		
<b>Other operating income</b>	<b>5,963</b>	<b>15,316</b>
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		
<b>Share of earnings from associates and joint ventures</b>	<b>-3,406</b>	<b>-3,284</b>
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		
<b>Energy procurement</b>	<b>-1,600,944</b>	<b>-1,478,049</b>
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		
<b>Concession fees</b>	<b>-17,831</b>	<b>-16,293</b>
Water rates/hydro plant taxes	-9,608	-8,749
Other concession fees	-8,223	-7,544

## 8 PERSONNEL EXPENSES

	2017	2016
CHF thousand		
<b>Personnel expenses</b>	<b>-67,977</b>	<b>-69,700</b>
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		
<b>Materials and third party services</b>	<b>-30,847</b>	<b>-27,965</b>
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		
<b>Other operating expenses</b>	<b>-46,573</b>	<b>-75,956</b>
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		
<b>Depreciation and value adjustments of tangible assets</b>	<b>-41,724</b>	<b>-26,338</b>
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		
<b>Amortisation and value adjustments of intangible assets</b>	<b>-3,658</b>	<b>-3,856</b>
Amortisation of intangible assets	-3,658	-3,286
Impairment of intangible assets	-	-570

## 13 NET FINANCIAL INCOME

	2017	2016
CHF thousand		
<b>Financial income</b>	<b>21,431</b>	<b>4,043</b>
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	-
<b>Financial expenses</b>	<b>-35,574</b>	<b>-31,855</b>
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
<b>Net financial result</b>	<b>-14,143</b>	<b>-27,812</b>

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		
<b>Income taxes referred to in the income statement</b>	<b>363</b>	<b>4,673</b>
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		
<b>Reconciliation</b>		
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 <sup>1)</sup>	1,173	-1,276
Other	277	996
<b>Income taxes referred to in the income statement</b>	<b>363</b>	<b>4,673</b>
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						
<b>Gross values at 1 January 2016</b>	<b>877,483</b>	<b>757,328</b>	<b>100,833</b>	<b>98,591</b>	<b>48,514</b>	<b>1,882,749</b>
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
<b>Gross values at 31 December 2016</b>	<b>873,681</b>	<b>749,599</b>	<b>87,059</b>	<b>76,322</b>	<b>48,149</b>	<b>1,834,810</b>
<b>Accumulated depreciation and value adjustments at 1 January 2016</b>	<b>-518,981</b>	<b>-423,015</b>	<b>-88,716</b>	<b>-50,692</b>	<b>-27,536</b>	<b>-1,108,940</b>
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
<b>Accumulated depreciation and value adjustments at 31 December 2016</b>	<b>-516,806</b>	<b>-425,415</b>	<b>-69,067</b>	<b>-34,795</b>	<b>-28,724</b>	<b>-1,074,807</b>
<b>Net values at 31 December 2016</b>	<b>356,875</b>	<b>324,184</b>	<b>17,992</b>	<b>41,527</b>	<b>19,425</b>	<b>760,003</b>
of which security pledged for debts						2,513
<b>Gross values at 1 January 2017</b>	<b>873,681</b>	<b>749,599</b>	<b>87,059</b>	<b>76,322</b>	<b>48,149</b>	<b>1,834,810</b>
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
<b>Gross values at 31 December 2017</b>	<b>900,382</b>	<b>758,671</b>	<b>80,864</b>	<b>72,293</b>	<b>53,565</b>	<b>1,865,775</b>
<b>Accumulated depreciation and value adjustments at 1 January 2017</b>	<b>-516,806</b>	<b>-425,415</b>	<b>-69,067</b>	<b>-34,795</b>	<b>-28,724</b>	<b>-1,074,807</b>
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
<b>Accumulated depreciation and value adjustments at 31 December 2017</b>	<b>-546,331</b>	<b>-439,179</b>	<b>-69,485</b>	<b>-33,627</b>	<b>-31,987</b>	<b>-1,120,609</b>
<b>Net values at 31 December 2017</b>	<b>354,051</b>	<b>319,492</b>	<b>11,379</b>	<b>38,666</b>	<b>21,578</b>	<b>745,166</b>
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				
<b>Gross values at 1 January 2016</b>	<b>24,828</b>	<b>15,969</b>	<b>1,125</b>	<b>41,922</b>
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
<b>Gross values at 31 December 2016</b>	<b>25,466</b>	<b>17,059</b>	<b>955</b>	<b>43,480</b>
<b>Accumulated amortisation and value adjustments at 1 January 2016</b>	<b>-18,800</b>	<b>-11,258</b>	<b>-226</b>	<b>-30,284</b>
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
<b>Accumulated amortisation and value adjustments at 31 December 2016</b>	<b>-20,053</b>	<b>-12,219</b>	<b>-129</b>	<b>-32,401</b>
<b>Net values at 31 December 2016</b>	<b>5,413</b>	<b>4,840</b>	<b>826</b>	<b>11,079</b>
<b>Gross values at 1 January 2017</b>	<b>25,466</b>	<b>17,059</b>	<b>955</b>	<b>43,480</b>
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
<b>Gross values at 31 December 2017</b>	<b>26,479</b>	<b>17,146</b>	<b>1,586</b>	<b>45,211</b>
<b>Accumulated amortisation and value adjustments at 1 January 2017</b>	<b>-20,053</b>	<b>-12,219</b>	<b>-129</b>	<b>-32,401</b>
Amortisation	-3,275	-348	-35	-3,658
Disposals	1,906	-	-	1,906
Effect of currency translation	-457	-	-13	-470
<b>Accumulated amortisation and value adjustments at 31 December 2017</b>	<b>-21,879</b>	<b>-12,567</b>	<b>-177</b>	<b>-34,623</b>
<b>Net values at 31 December 2017</b>	<b>4,600</b>	<b>4,579</b>	<b>1,409</b>	<b>10,588</b>

## 17 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2017	2016
CHF thousand		
<b>Investments in associates and joint ventures</b>	<b>3,632</b>	<b>3,162</b>
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
<b>Carrying amounts at 1 January</b>	<b>3,162</b>	<b>6,885</b>
Investments	-	100
Reclassification of active loans	-	-
Disposals	-	-3,779
Dividends	-	-49
Effect of currency translation	285	-29
Share of earnings	185	34
Impairments	-	-
<b>Carrying amounts at 31 December</b>	<b>3,632</b>	<b>3,162</b>
<b>Decrease in loans receivable</b>		
<b>01.01.2018</b>	<b>-11,926</b>	<b>-9,473</b>
Share of earnings	-3,591	-3,318
Reclassification of loans receivable into equity	523	814
Effect of currency translation	-536	51
<b>31 December</b>	<b>-15,530</b>	<b>-11,926</b>

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		
<b>Financial assets</b>	<b>62,783</b>	<b>20,796</b>
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		
<b>Deferred tax assets</b>	<b>34,141</b>	<b>42,811</b>

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		
<b>Inventories</b>	<b>24,745</b>	<b>16,343</b>
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		
<b>Trade accounts receivable</b>	<b>382,940</b>	<b>313,852</b>
Trade accounts receivable	392,539	357,659
Allowances for doubtful accounts	−9,599	−43,807
<b>Development of allowances for doubtful accounts</b>		
<b>Carrying amount at 1 January</b>	<b>43,807</b>	<b>31,014</b>
Additions	9,515	23,640
Utilisations	−44,110	−8,319
Reversals	−3,527	−2,272
Effect of currency translation	3,914	−256
<b>End balance at 31 December</b>	<b>9,599</b>	<b>43,807</b>

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		
<b>Other receivables</b>	<b>32,513</b>	<b>47,194</b>
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		
<b>Prepaid expenses and accrued income</b>	<b>2,876</b>	<b>2,161</b>

## 24 SECURITIES

	31.12.2017	31.12.2016
CHF thousand		
<b>Securities</b>	<b>20,530</b>	<b>17,285</b>
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		
<b>Positive replacement values</b>	<b>108,028</b>	<b>147,772</b>
<b>Negative replacement values</b>	<b>107,153</b>	<b>141,941</b>

## 26 CASH AND CASH EQUIVALENTS

	31.12.2017	31.12.2016
CHF thousand		
<b>Cash and cash equivalents</b>	<b>394,479</b>	<b>318,171</b>
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		
<b>Credit lines</b>	<b>207,442</b>	<b>164,788</b>
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						
<b>Carrying value at 1 January 2016</b>	<b>1,132</b>	<b>2,428</b>	<b>9,164</b>	<b>3,053</b>	<b>6,941</b>	<b>22,718</b>
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
<b>Carrying value at 31 December 2016</b>	<b>1,697</b>	<b>2,440</b>	<b>10,581</b>	<b>3,252</b>	<b>2,130</b>	<b>20,100</b>
<b>Carrying value at 1 January 2017</b>	<b>1,697</b>	<b>2,440</b>	<b>10,581</b>	<b>3,252</b>	<b>2,130</b>	<b>20,100</b>
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
<b>Carrying value at 31 December 2017</b>	<b>796</b>	<b>2,926</b>	<b>9,978</b>	<b>3,692</b>	<b>2,404</b>	<b>19,796</b>
<b>Non-current Provisions</b>						
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
<b>Current provisions</b>						
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		
<b>Deferred tax liabilities</b>	<b>21,368</b>	<b>33,056</b>

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		
<b>Non-current financial liabilities</b>				<b>378,452</b>	<b>301,007</b>
<b>Loans</b>				<b>139,450</b>	<b>115,000</b>
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	-
<b>Bonds</b>				<b>114,144</b>	<b>113,893</b>
Bond par value	CHF	20.07.2022	2.375%	115,000	115,000
Net expenditures	CHF			-856	-1,107
<b>Registered bond</b>				<b>2,809</b>	<b>2,568</b>
Registered bond	EUR	08.08.2034	3.400%	2,926	2,685
Net expenditures	EUR			-117	-117
<b>Other financial liabilities</b>				<b>122,049</b>	<b>69,546</b>
Investment loan <sup>1)</sup>	CHF	31.12.2020	no interest	425	638
Loan (minorities) <sup>2)</sup>	CHF	31.12.2070	no interest	20,281	18,139
Loan (minorities) <sup>2)</sup>	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
<b>Financial liabilities are carried in the following currencies:</b>					
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		
<b>Other non-current liabilities</b>	<b>63,081</b>	<b>62,001</b>
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		
<b>Current financial liabilities</b>	<b>40,151</b>	<b>20,090</b>
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		
<b>Trade accounts payable</b>	<b>380,401</b>	<b>346,003</b>

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		
<b>Other current liabilities</b>	<b>26,102</b>	<b>21,733</b>
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		
<b>Deferred income and accrued expenses</b>	<b>16,461</b>	<b>17,763</b>
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						
<b>Pension institutions</b>	<b>80</b>	<b>80</b>	<b>92</b>	<b>-12</b>	<b>-12</b>	<b>-51</b>

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
<b>Total</b>	<b>-</b>	<b>-3,692</b>	<b>-3,252</b>	<b>-440</b>	<b>4,016</b>	<b>4,157</b>	<b>4,387</b>

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

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		
<b>Income statement item</b>		
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
<b>Balance sheet item</b>		
<b>Assets</b>		
Financial assets	7,516	5,516
Trade accounts receivable	17,177	10,990
Positive replacement values of held for trading positions	2,626	896
<b>Liabilities</b>		
Non-current liabilities	99	-
Trade accounts payable	981	12,773
Negative replacement values of held for trading positions	13,954	15,125
<b>Off-balance-sheet energy derivatives</b>		
<b>Held for cash flow hedges</b>		
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				
<b>2017</b>				
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				
<b>2016</b>				
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		
<b>Off-balance-sheet liabilities</b>		
<b>Operating lease (nominal value)</b>	<b>16,842</b>	<b>21,864</b>
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
<b>Procurement contracts</b>	<b>765,397</b>	<b>860,297</b>
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
<b>Total operating revenue</b>		<b>648,238</b>	<b>583,540</b>
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
<b>Operating expenses</b>		<b>-640,753</b>	<b>-591,315</b>
<b>Operating earnings before interest, extraordinary items and taxes</b>		<b>7,485</b>	<b>-7,775</b>
Financial income		52,036	51,056
Financial expenses		-48,678	-49,595
<b>Operating earnings before taxes</b>		<b>10,843</b>	<b>-6,314</b>
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
<b>Earnings before taxes</b>		<b>28,175</b>	<b>8,602</b>
Taxes		-2,839	-5,323
<b>Net earnings for the year</b>		<b>25,336</b>	<b>3,279</b>

# Balance sheet

		31.12.2017	31.12.2016
CHF thousand			
	Note		
<b>Assets</b>			
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
<b>Current assets</b>		<b>739,551</b>	<b>571,513</b>
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
<b>Non-current assets</b>		<b>876,573</b>	<b>782,355</b>
<b>Total assets</b>		<b>1,616,124</b>	<b>1,353,868</b>

		31.12.2017	31.12.2016
CHF thousand			
	Note		
<b>Liabilities and shareholders' equity</b>			
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
<b>Current liabilities</b>		<b>411,375</b>	<b>322,106</b>
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
<b>Non-current liabilities</b>		<b>467,586</b>	<b>319,948</b>
<b>Liabilities</b>		<b>878,961</b>	<b>642,054</b>
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
<b>Shareholders' equity</b>	<b>18</b>	<b>737,163</b>	<b>711,814</b>
<b>Total liabilities and shareholder's equity</b>		<b>1,616,124</b>	<b>1,353,868</b>

## 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		
<b>Net sales</b>	<b>613,259</b>	<b>545,256</b>
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		
<b>Depreciation/amortisation and impairment</b>	<b>-26,792</b>	<b>-35,994</b>
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		
<b>Extraordinary, non-recurring or prior period income</b>	<b>17,210</b>	<b>24,997</b>
Gains on disposals of assets	3,648	12,963
Other extraordinary, non-recurring or prior period income <sup>1)</sup>	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		
<b>Extraordinary, non-recurring or prior period expenses</b>	<b>-801</b>	<b>-10,821</b>
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		
<b>Cash and cash equivalents and current assets listed at the stock exchange</b>	<b>432,812</b>	<b>286,926</b>
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		
<b>Current securities and other financial instruments not listed at the stock exchange</b>	<b>20,000</b>	<b>35,000</b>
Fixed- term deposits (maturity within 12 months)	20,000	35,000

## 7 TRADE ACCOUNTS RECEIVABLE

	31.12.2017	31.12.2016
CHF thousand		
<b>Trade accounts receivable</b>	<b>262,269</b>	<b>230,004</b>
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		
<b>Other receivables</b>	<b>8,222</b>	<b>8,824</b>
Third parties	6,929	8,824
Investments	1,293	-

## 9 INVENTORIES AND NON-INVOICED SERVICES

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

## 10 FINANCIAL ASSETS

	31.12.2017	31.12.2016
CHF thousand		
<b>Financial assets</b>	<b>245,709</b>	<b>147,184</b>
Securities	2,542	2,551
Fixed-term deposits >12 months <sup>1)</sup>	40,000	32,217
Non-current receivables third parties	822	-
Loans to investments <sup>2)</sup>	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		
<b>Intangible assets</b>	<b>21,549</b>	<b>23,693</b>
Concessions and reversion waiver compensation <sup>1)</sup>	18,100	20,965
Rights of use <sup>1)</sup>	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		
<b>Trade accounts payable</b>	<b>239,621</b>	<b>200,191</b>
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		
<b>Current interest-bearing liabilities</b>			<b>27,029</b>	<b>15,000</b>
<b>Loans</b>			<b>25,000</b>	<b>15,000</b>
Private placement	3.625%	2008-2017	-	15,000
Private placement	3.660%	2008-2018	25,000	-
<b>Other current interest-bearing liabilities</b>			<b>2,029</b>	<b>-</b>
Investments			2,029	-

## 14 OTHER CURRENT LIABILITIES

	31.12.2017	31.12.2016
CHF thousand		
<b>Other current liabilities</b>	<b>121,998</b>	<b>86,379</b>
Third parties	115,407	66,426
Participants and management bodies	5,768	12,748
Investments	823	7,205
<b>Other current liabilities</b>	<b>121,998</b>	<b>86,379</b>
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		
<b>Non-current interest-bearing liabilities</b>			<b>392,378</b>	<b>232,685</b>
<b>Loans</b>			<b>138,510</b>	<b>115,000</b>
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 <sup>1)</sup>	1,820%	2006-2026	50,000	50,000
Bank loan	3,100%	2005-2020	-	10,000
<b>Bonds</b>			<b>117,926</b>	<b>117,685</b>
Bond	2,375%	2010-2022	115,000	115,000
Registered bond	3,400%	2014-2034	2,926	2,685
<b>To investments</b>			<b>135,942</b>	<b>-</b>

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		
<b>Other non-current liabilities</b>	<b>46,398</b>	<b>42,876</b>
<b>Connection fees and grid cost contributions</b>	<b>4,552</b>	<b>-</b>
Connection fees and grid cost contributions <sup>1)</sup>	4,552	-
<b>Other non-current liabilities</b>	<b>41,846</b>	<b>42,876</b>
Third parties <sup>2)</sup>	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		
<b>Provisions</b>	<b>28,810</b>	<b>44,387</b>
For reversion waiver compensation	-	13,400
For contract risks	9,978	10,581
Other risks <sup>1)</sup>	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		
<b>Shareholders' equity</b>	<b>737,163</b>	<b>711,814</b>
<b>Share capital</b>	<b>7,391</b>	<b>7,391</b>
Share capital <sup>1)</sup>		
7,390,968 registered shares at a par value of CHF 1 per share	7,391	7,391
<b>Reserves</b>	<b>663,433</b>	<b>664,534</b>
Legal capital reserves		
Capital reserves <sup>1) 2)</sup>	184,335	185,442
Legal reserve from retained earnings	17,123	17,123
Other reserves <sup>3)</sup>	461,975	461,969
<b>Retained earnings</b>	<b>66,354</b>	<b>39,910</b>
Retained earnings carried forward	41,018	36,631
Net income for the year	25,336	3,279
<b>Treasury shares</b>	<b>-15</b>	<b>-21</b>

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 <sup>1)</sup>	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 <sup>2)</sup>	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 <sup>3)</sup>	Prague	CZK	-	3,000,000	-	100.00%
S.C. Repower Vanzari Romania S.R.L. <sup>3)</sup>	Bucharest	RON	-	165,000	-	100.00%
Repower Serbia d.o.o. - u likvidaciji <sup>3)</sup>	Belgrade	EUR	-	20,000	-	100.00%
Repower Hrvatska d.o.o. u likvidaciji <sup>3)</sup>	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 <sup>1)</sup>	Dortmund	EUR	-	25,000	-	57.00%
Repartner Wind GmbH <sup>2)</sup>	Dortmund	EUR	25,000	25,000	51.00%	57.00%
Repower Wind Lübbenau GmbH <sup>1)</sup>	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. <sup>3)</sup>	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		
<b>Lease liabilities</b>	<b>9,463</b>	<b>10,872</b>
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
<b>Retained earnings</b>	<b>TCHF</b>	<b>66,354</b>
Amount carried to other reserves	TCHF	–30,000
<b>Balance carried forward</b>	<b>TCHF</b>	<b>36,354</b>

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

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**April 2018**