

Consolidated income statement

CHF thousand		2019	2018
	Note		
Net sales from goods and services	1	1,915,261	2,073,879
Own costs capitalised	2	6,412	6,946
Change in inventory of sales orders	3	553	1,052
Other operating income	4	15,052	8,137
Total operating revenue		1,937,278	2,090,014
Share of earnings from associates and joint ventures	5	-133	-3,936
Energy procurement	6	-1,617,586	-1,826,488
Concession fees	7	-18,357	-16,974
Personnel expenses	8	-76,166	-73,160
Materials and third party services	9	-48,850	-31,948
Other operating expenses	10	-58,838	-55,543
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		117,348	81,965
Depreciation and value adjustments of tangible assets	11	-49,303	-43,459
Amortisation and value adjustments of intangible assets	12	-2,825	-3,133
Earnings before interest and taxes (EBIT)		65,220	35,373
Financial income	13	15,085	9,372
Financial expenses	13	-26,758	-25,548
Earnings before taxes		53,547	19,197
Income taxes	14	-3,147	-2,875
Group earnings		50,400	16,322
Share of group earnings attributable to Repower shareholders		46,383	13,893
Share of group earnings attributable to minorities		4,017	2,429
Share of group earnings attributable to Repower shareholders per registered share (in CHF) *		6.28	1.88
Average number of registered shares in circulation		7,390,665	7,390,755

* The diluted 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.

Consolidated balance sheet

		31.12.2019	31.12.2018 Restated*
CHF thousand			
	Note		
Assets			
Tangible assets	15	809,039	836,677
Intangible assets	16	12,657	12,088
Investments in associates and joint ventures	17	6,450	3,945
Financial assets	18	36,024	45,440
Deferred tax assets	19	34,600	37,810
Non-current assets		898,770	935,960
Inventories	20	16,692	40,302
Trade accounts receivable	21	54,994	48,861
Other receivables	22	37,352	26,150
Prepaid expenses and accrued income	23	306,408	279,167
Securities	24	107,562	63,684
Positive replacement values of held for trading positions	25	86,691	162,117
Cash and cash equivalents	26	367,131	316,314
Current assets		976,830	936,595
Total assets		1,875,600	1,872,555

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

		31.12.2019	31.12.2018 Restated*
CHF thousand			
	Note		
Liabilities and shareholders' equity			
Share capital		7,391	7,391
Treasury shares		-16	-22
Capital reserves		198,320	202,008
Retained earnings (including group earnings)		561,525	515,174
Accumulated translation differences		-2,437	1,408
Shareholders' equity excluding minorities		764,783	725,959
Minorities		79,705	80,983
Shareholders' equity		844,488	806,942
Non-current provisions	27	11,032	16,033
Deferred tax liabilities	28	22,209	24,243
Non-current financial liabilities	29	435,347	430,281
Other non-current liabilities	30	61,773	63,500
Non-current liabilities		530,361	534,057
Current financial liabilities	29	17,719	11,437
Negative replacement values of held for trading positions	25	64,000	150,277
Current provisions	27	841	32
Trade accounts payable	31	77,984	68,930
Other current liabilities	32	23,155	29,109
Deferred income and accrued expenses	33	317,052	271,771
Current liabilities		500,751	531,556
Liabilities		1,031,112	1,065,613
Total liabilities and shareholders' equity		1,875,600	1,872,555

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

Changes in consolidated shareholders' equity

	Share capital	Treasury shares	Capital reserves	Retained earnings	Accumulated translation differences	Shareholders' equity excluding minorities	Minorities	Total shareholders' equity
CHF thousand								
Equity at 1 January 2018	7,391	-15	202,004	511,625	5,498	726,503	42,953	769,456
Group earnings				13,893		13,893	2,429	16,322
Effect of currency translation					-4,090	-4,090	-194	-4,284
Dividends						-	-1,065	-1,065
Purchase/sale of treasury shares		-7	4			-3		-3
Changes in consolidation				-10,344		-10,344	36,860	26,516
Equity at 31 December 2018	7,391	-22	202,008	515,174	1,408	725,959	80,983	806,942

	Share capital	Treasury shares	Capital reserves	Retained earnings	Accumulated translation differences	Shareholders' equity excluding minorities	Minorities	Total shareholders' equity
CHF thousand								
Equity at 1 January 2019	7,391	-22	202,008	515,174	1,408	725,959	80,983	806,942
Group earnings				46,383		46,383	4,017	50,400
Effect of currency translation					-3,821	-3,821	-2,022	-5,843
Dividends			-3,695			-3,695	-1,176	-4,871
Purchase/sale of treasury shares		-196	7			-189	-62	-251
Changes in consolidation		202		-202		-	-1,335	-1,335
Purchase/sale of minorities				170	-24	146	-700	-554
Equity at 31 December 2019	7,391	-16	198,320	561,525	-2,437	764,783	79,705	844,488

The share capital consists of 7,390,968 fully paid-up registered shares, each with a nominal value of CHF 1.00.

Consolidated cash flow statement

CHF thousand		2019	2018 Restated*
	Note		
Group earnings		50,400	16,322
Income taxes	14	3,147	2,875
Share of earnings from associates and joint ventures	5	133	3,936
Dividends from associates and joint ventures	17	5	1
Net financial income	13	11,673	16,176
Depreciation/amortisation, impairment and reversal of impairment of tangible and intangible assets	11/12	52,128	46,592
Gain/loss on the disposals of tangible and intangible assets		612	312
Gain/loss on the sales of group companies		-518	-
Change in non-current provisions (without interest)		-5,543	-6,056
Change in replacement values of held for trading positions		-10,888	-10,944
Other non-cash income and expenses		-1,553	-1,896
Other financial cash outflow and inflow		3,326	-7,238
Funds from Operations (FFO)		102,922	60,080
Changes			
Inventory		22,871	-16,406
Trade accounts receivable		-8,382	25,011
Other receivables (without income taxes)		-13,164	8,031
Prepaid expenses and accrued income		-36,194	28,183
Current provisions		829	-223
Trade accounts payable		10,203	-5,787
Other current liabilities (without taxes)		-4,966	1,419
Deferred income and accrued expenses		54,260	-44,409
Income taxes paid		-2,259	-918
Cash flow from operating activities		126,120	54,981

CHF thousand		2019	2018 Restated*
	Note		
Additions of tangible assets	15	-36,496	-28,071
Disposals of tangible assets		2,736	833
Additions of current and non-current financial assets		-74,561	-115,660
Disposals of current and non-current financial assets		44,896	90,092
Additions of intangible assets	16	-4,422	-3,848
Additions of group companies		-	-8,223
Disposals of group companies (less cash and cash equivalents disposed of)		-2,313	-
Dividends received from third parties		201	224
Interest received		770	276
Cash flow from investing activities		-69,189	-64,377
Increase in financial liabilities		36,338	-
Repayment of financial liabilities		-19,076	-51,317
Dividend payments		-4,871	-1,065
Purchase/sale of treasury shares		-251	-3
Purchase of minorities		-554	-
Interest paid		-9,616	-9,526
Cash flow from financing activities		1,970	-61,911
Effect of currency translation		-8,084	-6,858
Change in cash and cash equivalents		50,817	-78,165
Cash and cash equivalents at 1 January		316,314	394,479
Cash and cash equivalents at 31 December	26	367,131	316,314

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

Funds from operations (FFO) is defined as cash flow from operating activities before change in net current assets and income taxes paid.

A payment of CHF 2,313 thousand received from disposals of group companies in the year under review relates to the change for esolva ag, formerly SWIBI AG, from full consolidation to the equity method (see the “[Transition from full consolidation to equity method](#)” section).

Payments of CHF 8,223 thousand for investments in group companies in 2018 relate to the acquisition of Elettrostudio Energia S.p.A., made by way of a cash payment and a contribution of existing group companies (see “[Additions to the scope of consolidation](#)” section).

Notes to the consolidated financial statements: principles

1 ACCOUNTING AND VALUATION PRINCIPLES

GENERAL INFORMATION

Repower Group prepares 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.

The disclosure of accruals and deferrals for goods and services delivered or received but not yet invoiced was changed (see the section entitled "[2 Correction of accounting error](#)").

In individual cases roundings can mean that figures in this report do not add up to the exact total specified, and that the specified percentages do not exactly result from the stated figures.

2 CORRECTION OF ACCOUNTING ERRORS AND CHANGES IN PRESENTATION

In 2019 Repower corrected an accounting error. Accruals and deferrals for goods and services delivered or received but not yet invoiced, previously recognised in trade accounts receivable and payable, are now recognised in prepaid expenses and accrued income/deferred income and accrued expenses. In making this change, Repower is adhering to the minimum format recommended in Swiss GAAP FER 3 Presentation and format. According to the Swiss GAAP FER Framework, the prior year figures affected must be restated. The consequences are as follows:

	2018	Restatement	2018 Restated
CHF thousands			
Impact on the consolidated balance sheet			
Assets			
Trade accounts receivable	324,354	-275,493	48,861
Prepaid expenses and accrued income	3,674	275,493	279,167
Liabilities and shareholders' equity			
Trade accounts payable	323,990	-255,060	68,930
Deferred income and accrued expenses	16,711	255,060	271,771

There are reclassifications within current assets and current liabilities.

	2018	Restatement	2018 Restated
CHF thousands			
Impact on the consolidated cash flow statement			
Changes			
Trade accounts receivable	54,182	-29,171	25,011
Prepaid expenses and accrued income	-988	29,171	28,183
Trade accounts payable	-50,229	44,442	-5,787
Deferred income and accrued expenses	33	-44,442	-44,409

Cash flow from operating activities remains unchanged.

3 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 31.12.2019	Method ¹⁾
Repower AG	Brusio	CHF	7,391	-	F
Ovra elettrica Ferrera SA	Trun	CHF	3,000	49.00%	F
Alvezza SA in Liquidation	Disentis	CHF	500	62.00%	F
Repartner Produktions AG	Poschiavo	CHF	20,000	51.00%	F
Repower Deutschland GmbH	Dortmund	EUR	11,525	100.00%	F
Repartner Wind GmbH	Dortmund	EUR	25	51.00%	F
Repower Italia S.p.A.	Milan	EUR	2,000	100.00%	F
Repower Vendita Italia S.p.A.	Milan	EUR	4,000	100.00%	F
SET S.p.A.	Milan	EUR	120	61.00%	F
Energia Sud S.r.l.	Milan	EUR	1,500	100.00%	F
SEA S.p.A.	Milan	EUR	120	65.00%	F
REC S.r.l.	Milan	EUR	10	65.00%	F
MERA S.r.l.	Milan	EUR	100	100.00%	F
Immobiliare Saline S.r.l.	Milan	EUR	10	100.00%	F
REV S.r.l.	Milan	EUR	10	100.00%	F
Repower Renewable S.p.A.	Venice	EUR	66,736	65.00%	F
Impianto Eolico Pian dei Corsi S.r.l.	Venice	EUR	200	37.38%	F
ESE Cerignola S.r.l.	Venice	EUR	100	65.00%	F
RES S.r.l.	Venice	EUR	150	65.00%	F
Cramet Energie S.r.l.	Venice	EUR	20	65.00%	F
ESE Terlizzi S.r.l.	Venice	EUR	20	65.00%	F
ESE Salento S.r.l.	Venice	EUR	10	65.00%	F
Elettrosud Rinnovabili S.r.l.	Venice	EUR	10	65.00%	F
Quinta Energia S.r.l.	Erice	EUR	50	65.00%	F
ESE Armo S.r.l.	Venice	EUR	30	65.00%	F
ESE Nurra S.r.l.	Venice	EUR	200	43.55%	F
ESE Castelguglielmo S.r.l.	Venice	EUR	30	65.00%	F
Compagnia Energie Rinnovabili S.r.l.	Venice	EUR	100	65.00%	F
Parco Eolico Busetto S.p.A.	Erice	EUR	500	65.00%	F
ERA S.c.ar.l.	Venice	EUR	30	64.99%	F
ESE Apricena S.r.l.	Venice	EUR	30	65.00%	F
EL.IT.E. S.p.A.	Milan	EUR	3,889	46.55%	E
Aerochetto S.r.l.	Catania	EUR	2,000	39.00%	E
Kraftwerk Morteratsch AG ²⁾	Pontresina	CHF	500	10.00%	E
Grischelectra AG ³⁾	Chur	CHF	1,000	11.00%	E
Terra di Conte S.r.l.	Lucera	EUR	10	32.50%	E
esolva ag	Weinfelden	CHF	792	42.05%	E

1) Key: F Fully consolidated, E Equity Method

2) Repower AG holds 10% of the share capital and 35,7% of the voting rights of Kraftwerk Morteratsch AG.

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

Under the contractual arrangements governing the interests in Kraftwerk Morteratsch AG and Terra di Conte S.r.l., all relevant decisions must be made unanimously. Kraftwerk Morteratsch AG and Terra di Conte S.r.l. are joint ventures.

ADDITIONS TO THE SCOPE OF CONSOLIDATION

There were no additions to the scope of consolidation in 2019.

In 2018 Repower acquired an interest of 65 per cent in Repower Renewable S.p.A., which for its part has holdings in hydro-, solar and wind power assets, by way of a contribution of the existing group companies SEA S.p.A. and REC S.r.l. and a cash payment.

The table below summarises the material amounts booked for assets and liabilities acquired on the date of acquisition, plus the purchase price and goodwill resulting from the acquisition.

CHF thousand	Note	Total
Tangible assets	15	115,068
Investments in associates and joint ventures	17	267
Financial assets and securities	18, 24	3,030
Deferred tax assets	19	733
Inventories	20	12
Trade accounts receivable	21	4,564
Other receivables	22	4,098
Prepaid expenses and accrued income	23	611
Cash and cash equivalents	26	6,185
Current and non-current provisions	27	-1,676
Current and non-current financial liabilities	29	-87,367
Trade accounts payable	31	-3,364
Other current liabilities	32	-1,039
Deferred income and accrued expenses	33	-1,160
Book value SEA S.p.A. and REC S.r.l.		29,555
Share attributable to minorities		-26,516
Total net assets		43,001
Goodwill	16	962
Book value SEA S.p.A. and REC S.r.l.		-29,555
Cash consideration paid		14,408
Acquired cash and cash equivalents		-6,185
Cash out flow from acquisition		8,223

The goodwill was capitalised as intangible assets and will be amortised over a period of five years.

TRANSITION FROM THE EQUITY METHOD TO RECOGNITION AT COST

In March 2019 Engie New Business acquired an interest in tiko Energy Solutions AG by way of a unilateral capital increase. Repower's interest in tiko Energy Solutions AG declined from 35.0 to 19.85 per cent. The existing investment and loan receivable that compose the net investment in the company are recognised at cost; the recognised value is based on the equity value of Repower's interest in the company at the moment the significant influence ceased to be exercised. Impairment of CHF 4,481 thousand on the investment and loan receivable resulting from the application of the equity method was reversed.

TRANSITION FROM FULL CONSOLIDATION TO EQUITY METHOD

At the end of November 2019, energy services companies EcoWatt AG, Sacin AG and SWIBI AG merged, commencing joint operations as esolva ag on 1 December 2019.

In the run-up to the merger, to create the target shareholder structure Repower sold 10 per cent of its shares in SWIBI AG to one of the participating shareholders for CHF 2,486 thousand. With effect 30 September 2019 the previous shareholders of EcoWatt AG and Sacin AG deposited their shares in return for new shares in SWIBI AG. Repower AG's interest in the capital and votes of SWIBI declined from 76.58 per cent to 42.05 per cent. The investment is no longer fully consolidated, but is recognised in the consolidated financial statements as an associate.

The investment in the associate is initially recognised in the transitional consolidation according to the proportional carrying value (CHF 2,396 thousand) of the net assets of SWIBI AG measured at the time of disposal. The investment is then recorded in accordance with the equity method.

The transitional consolidation gives income of CHF 518 thousand, disclosed in the consolidated income statement under other operating income. Net cash outflow of CHF 2,313 thousand is disclosed in the cash flow statement in disposals of group companies (less cash and cash equivalents) under cash flow from investing activities.

The material balance sheet effects are shown in the following table:

CHF thousands	Note	Total
Tangible assets	15	375
Intangible assets	16	553
Financial assets	18	68
Inventories	20	285
Trade accounts receivable	21	846
Other receivables	22	114
Prepaid expenses and accrued income	23	148
Cash and cash equivalents	26	4,799
Deferred tax liabilities	28	-114
Trade accounts payable	31	-404
Other current liabilities	32	-193
Deferred income and accrued expenses	33	-778
Minorities		-1,335
Net assets derecognised		4,364
Cash consideration received		2,486
Investments in associate company		2,396
Net assets derecognised		-4,364
Result from transition consolidation		518
Cash consideration received		2,486
Cash and cash equivalents disposed of		-4,799
Net cash outflow arising from transition consolidation		-2,313

CHANGES IN THE OWNERSHIP INTERESTS WITHOUT LOSS OF CONTROL

On 1 January 2019 the wholly-owned subsidiary Lagobianco SA was merged into Repower AG.

In 2019, non-controlling interests were acquired in ESE Salento S.r.l. and ESE Nurra S.r.l. The net cash outflow of CHF 554 thousand is offset by non-controlling interests of CHF 700 thousand. The difference was allocated to the majority shareholder's capital.

In connection with the acquisition of Repower Renewable S.p.A. in the 2018 financial year, the group's interest in SEA S.p.A. and REC S.r.l. has declined to 65 per cent.

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 5 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	
		31.12.2019	31.12.2018	2019	2018
EUR	1	1.08540	1.12690	1.11276	1.15463

CASH FLOW STATEMENT

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

4 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 while 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. Any goodwill is a component of the interest in the entity.

FINANCIAL ASSETS

Financial assets comprise securities and loans extended for the purposes 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.

INVENTORY

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.

Repower provides services for third parties. Individually not-material contracts are recognised under inventories recognised at acquisition or production cost.

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 debtor's payment has not been received. Receivables are measured at nominal value taking due account of necessary impairment.

OTHER RECEIVABLES

Individually material orders for Repower in the context of its service business, are recognised as other receivables in proportion to revenues, net of any amounts already invoiced and prepayments received, provided the relevant requirements of FER 22 Long-term contracts are met. The percentage of completion for application of the percentage of completion method is calculated individually for each contract using the cost to cost method.

This item still contains 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 on an accrual basis in the income statement.

In particular, goods and services delivered or received but not yet invoiced are recognised in prepaid expenses and accrued income/deferred income and accrued expenses.

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 FOR 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.

The open contracts are measured on the basis of market data from electricity exchanges (e.g. EEX Leipzig). For contracts for which no liquid market exists, measurement is based on a valuation model.

Current transactions are offset at positive and negative replacement value if the respective contract terms provide for this and the intention to offset exists and is legally permitted.

Realised and unrealised income from held-for-trading positions is recognised 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 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 for payment purposes by termination within 90 days.

PROVISIONS

A provision is a probable liability based on an event that occurred 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 twelve months) and non-current provisions (due after twelve 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 twelve 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

Payables from goods and services are current liabilities with a remaining term of less than twelve 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 payables from goods and services. They are recognised at nominal values.

PENSION PROVISIONS

On the balance sheet date, employees of Repower AG 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 asset leased under a finance lease is 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

CHF thousand	2019	2018
Net sales from goods and services	1,915,261	2,073,879
Revenue from energy business	1,881,936	2,049,398
Revenues from services and other usual business activities	33,325	24,481

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.

Long-term contracts are recognised in accordance with the percentage of completion method. Revenues from services and other usual business activities contain revenues of CHF 6,767 thousand (prior year: CHF 0 thousand).

A breakdown of net revenues by Repower AG business segment is presented in the note on segment reporting ([Note 37](#)).

2 INTERNALLY PRODUCED AND CAPITALISED ASSETS

CHF thousand	2019	2018
Own costs capitalised	6,412	6,946

Internally produced and capitalised assets essentially comprise investments in Repower AG's generation and grid assets.

3 CHANGE IN INVENTORY OF SALES ORDERS

CHF thousand	2019	2018
Change in inventory of sales orders	553	1,052

The item "Change in inventory of sales orders" relates to work orders not yet completed for inventories.

4 OTHER OPERATING INCOME

CHF thousand	2019	2018
Other operating income	15,052	8,137
Profit from disposal of tangible assets	853	633
Refund from insurance for operating loss	9,737	2,944
Revenue from other operating activities	4,462	4,560

In 2018 a technical fault occurred at the Teverola power plant which was remedied in the course of the annual overhauls in 2018 and 2019. Repower received reimbursement of CHF 9,737 thousand (2019) and CHF 2,944 thousand (2018) from its business interruption insurance for downtime.

Furthermore in 2019 a good performance guarantee for the construction of a power plant was collected for an amount of CHF 967 thousand (see [Note 15](#)).

5 EARNINGS FROM ASSOCIATES AND JOINT VENTURES

	2019	2018
CHF thousand		
Share of earnings from associates and joint ventures	-133	-3,936
Associated organisations	-197	-3,938
Joint ventures	64	2

The prior year loss was substantially due to tiko Energy Solutions AG. In 2019 the company was no longer recognised using the equity method, but was recognised under financial assets (see [Note 18](#)).

6 ENERGY PROCUREMENT

	2019	2018
CHF thousand		
Energy procurement	-1,617,586	-1,826,488

In 2019 provisions of CHF 5,900 thousand for long-term energy procurement agreements (versus CHF 5,954 thousand the prior year) were reversed and recognised under energy procurement (see [Note 27](#)).

7 CONCESSION FEES

	2019	2018
CHF thousand		
Concession fees	-18,357	-16,974
Water rates/hydro plant taxes	-10,317	-9,365
Other concession fees	-8,040	-7,609

8 PERSONNEL EXPENSES

	2019	2018
CHF thousand		
Personnel expenses	-76,166	-73,160
Wages and salaries	-57,959	-57,669
Social security costs and other personnel costs	-18,207	-15,491

To compensate for the future reduction in conversion rates for the occupational pensions of employees in Switzerland, Repower AG made an additional employer's contribution of CHF 3,087 thousand in the 2019 financial year. The resulting expense is recognised in social security costs and other personnel costs.

9 MATERIALS AND OUTSIDE SERVICES

	2019	2018
CHF thousand		
Materials and third party services	-48,850	-31,948
Materials	-8,003	-7,554
Third party services	-40,847	-24,394

Materials and outside services contain expenses for maintaining and operating technical assets, external services for operational processes and the performance of services by third parties.

The increase in outside services is due among other things to the following: growth in contracts for third parties, particularly the construction of the Mendrisio substation; the development of new products and the first-time inclusion of Repower Renewable for a full year, and higher compensation paid to commercial agents in Italy.

10 OTHER OPERATING EXPENSES

	2019	2018
CHF thousand		
Other operating expenses	-58,838	-55,543
Cost of premises	-4,260	-4,133
Vehicle and transport costs	-2,059	-2,217
Administrative costs	-8,116	-9,138
IT costs	-10,085	-10,343
Marketing & communications	-10,363	-9,268
Allowances for doubtful accounts	-3,821	-5,573
Capital taxes, levies and fees	-6,404	-6,265
Other operating expenses	-13,730	-8,606

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

11 DEPRECIATION/AMORTISATION, IMPAIRMENT AND REVERSAL OF IMPAIRMENT OF TANGIBLE ASSETS

	2019	2018
CHF thousand		
Depreciation and value adjustments of tangible assets	-49,303	-43,459

The balance for the 2018 financial year contains neither a reversal nor impairment, while the 2019 balance contains impairment of CHF 1,983 thousand (see [Note 15](#)).

12 DEPRECIATION/AMORTISATION, IMPAIRMENT AND REVERSAL OF IMPAIRMENT OF INTANGIBLE ASSETS

	2019	2018
CHF thousand		
Amortisation and value adjustments of intangible assets	-2,825	-3,133

Neither impairment gains nor impairment losses were recognised in 2018 and 2019.

13 NET FINANCIAL INCOME

	2019	2018
CHF thousand		
Financial income	15,085	9,372
Interest income	1,142	726
Dividend income	201	224
Changes in the value of securities held for trading	8,031	8,398
Reversal of impairment financial investments	4,481	-
Gain on early repayment of liabilities	1,193	-
Other financial income	37	24
Financial expenses	-26,758	-25,548
Interest expense	-10,804	-9,318
Interest accumulated on provisions	-775	-1,217
Changes in securities held for trading	-2,414	-574
Currency translation	-9,885	-8,924
Loss on premature repayment of liabilities	-	-1,595
Other financial expenses	-2,880	-3,920
Net financial result	-11,673	-16,176

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.

The revaluation of financial assets in 2019 comprises the reversal of the equity investment and loan to tiko Energy Solutions AG up to the acquisition costs.

In 2019 the early repayment of a loan liability continued to result in income of CHF 1,193 thousand.

In 2018 the losses on early repayment of liabilities related to the early partial re-purchase of bonds with a nominal value of CHF 18,555 thousand.

14 INCOME TAXES

	2019	2018
CHF thousand		
Income taxes referred to in the income statement	-3,147	-2,875
Current income taxes	-3,961	-4,096
Deferred income taxes	814	1,221

The reconciliation between the actual tax burden and the expected tax burden for the financial years ending on 31 December 2019 and 2018 is as follows:

	2019	2018
CHF thousand		
Reconciliation		
Income before taxes	53,547	19,197
Income tax rate for parent company	16.1%	16.1%
Income taxes at expected income tax rate	-8,632	-3,095
Tax effect from income taxed at other tax rates	-3,393	-4,132
Tax effect from tax-free income/non-tax-deductible expenses	-105	20,910
Tax losses in the current year for which no deferred tax assets were recognised	-324	-17,042
Tax loss carryforwards for which no deferred tax assets were recognised	10,093	3,796
Regional production tax in Italy - IRAP	-2,142	-1,573
Change in tax rate	1,625	0
Income taxes for previous years	297	-928
Non-usable withholding tax	-562	-202
Other	-4	-609
Income taxes referred to in the income statement	-3,147	-2,875
Effective income tax rate	5.9%	15.0%

UNRECOGNISED TAX LOSS CARRYFORWARDS

On the balance sheet date there were unrecognised tax loss carryforwards of CHF 106,960 thousand (prior year: CHF 214,660 thousand). The ability to offset of loss carryforwards against future earnings involves uncertainty.

This results in unrecognised deferred tax assets of CHF 22,395 thousand (prior year: CHF 43,218 thousand). Given the uncertainty involved in offsetting loss carryforwards against future earnings, deferred taxes are not capitalised (Swiss GAAP FER 11/23).

15 TANGIBLE ASSETS

	Power plants	Grids	Assets under construction	Land and buildings	Other	Total
CHF thousand						
Gross values at 1 January 2018	900,382	758,671	80,864	72,293	53,565	1,865,775
Own costs capitalised	-	345	6,601	-	-	6,946
Additions	77	389	18,493	151	2,015	21,125
Additions from changes in consolidation	110,117	-	4,937	8	6	115,068
Disposals	-	-6,089	-9,522	-14	-125	-15,750
Reclassifications between asset classes	320	18,165	-19,542	-68	1,125	-
Effect of currency translation	-16,039	-	-309	-639	-848	-17,835
Gross values at 31 December 2018	994,857	771,481	81,522	71,731	55,738	1,975,329
Accumulated depreciation and value adjustments at 1 January 2018	-546,331	-439,179	-69,485	-33,627	-31,987	-1,120,609
Depreciation	-21,340	-17,226	-	-670	-4,223	-43,459
Disposals	-	4,941	9,517	14	118	14,590
Reclassifications between asset classes	-	-12	-	12	-	-
Effect of currency translation	9,627	-	188	574	437	10,826
Accumulated depreciation and value adjustments at 31 December 2018	-558,044	-451,476	-59,780	-33,697	-35,655	-1,138,652
Net values at 31 December 2018	436,813	320,005	21,742	38,034	20,083	836,677
of which security pledged for debts						53,565
Gross values at 1 January 2019	994,857	771,481	81,522	71,731	55,738	1,975,329
Own costs capitalised	-	330	6,082	-	-	6,412
Additions	189	262	27,331	22	2,438	30,242
Disposals	-	-14,791	-52,897	-73	-445	-68,206
Disposals from changes in consolidation	-	-	-	-	-2,394	-2,394
Reclassifications between asset classes	8,630	18,034	-28,181	10	1,728	221
Effect of currency translation	-18,863	-	-499	-603	-872	-20,837
Gross values at 31 December 2019	984,813	775,316	33,358	71,087	56,193	1,920,767
Accumulated depreciation and value adjustments at 1 January 2019	-558,044	-451,476	-59,780	-33,697	-35,655	-1,138,652
Depreciation	-25,283	-17,229	-	-679	-4,129	-47,320
Impairments	-	-	-1,983	-	-	-1,983
Disposals	-	10,713	52,094	43	343	63,193
Disposals from changes in consolidation	-	-	-	-	2,019	2,019
Effect of currency translation	9,807	-	178	550	480	11,015
Accumulated depreciation and value adjustments at 31 December 2019	-573,520	-457,992	-9,491	-33,783	-36,942	-1,111,728
Net values at 31 December 2019	411,293	317,324	23,867	37,304	19,251	809,039
of which security pledged for debts						77,953

Land and buildings connected with power generation and grid facilities are accounted for under power plants and grid assets.

The increase in the net values of tangible assets pledged as security for debts relates essentially to a bank loan taken up in the 2019 financial year.

The impairment charge recognised in 2019 related to a payment to a supplier that was unable to meet its obligation. In this context a good performance guarantee was collected for an amount of CHF 967 thousand. The income is recognised as other operating income (see [Note 4](#)).

LEASED POWER PLANTS

CHF 47,469 thousand of the addition in scope of consolidation the prior year relates to leased power plants (see the “Additions to the scope of consolidation” section).

The net carrying amount of the generation assets held as part of the finance leasing agreement totalled CHF 41,057 thousand (previous year: CHF 46,721 thousand) at the closing date.

Total lease liabilities come to CHF 27,431 thousand (prior year: CHF 31,375 thousand).

16 INTANGIBLE ASSETS

CHF thousand	Goodwill	Software	Concessions and rights of use	Other	Total
Gross values at 1 January 2018	-	26,479	17,146	1,586	45,211
Additions	-	1,640	254	1,954	3,848
Additions from changes in consolidation	962	-	-	-	962
Disposals	-	-21	-	-	-21
Reclassifications between asset classes	-	1,093	-	-1,093	-
Effect of currency translation	-7	-349	-40	-62	-458
Gross values at 31 December 2018	955	28,842	17,360	2,385	49,542
Accumulated amortisation and value adjustments at 1 January 2018	-	-21,879	-12,567	-177	-34,623
Amortisation	-	-2,746	-352	-35	-3,133
Disposals	-	21	-	-	21
Effect of currency translation	-	274	-	7	281
Accumulated amortisation and value adjustments at 31 December 2018	-	-24,330	-12,919	-205	-37,454
Net values at 31 December 2018	955	4,512	4,441	2,180	12,088
Gross values at 1 January 2019	955	28,842	17,360	2,385	49,542
Additions	-	1,891	26	2,505	4,422
Disposals	-	-	-5	-	-5
Disposals from changes in consolidation	-	-1,696	-	-	-1,696
Reclassifications between asset classes	-	909	-	-1,130	-221
Effect of currency translation	-35	-392	-39	-117	-583
Gross values at 31 December 2019	920	29,554	17,342	3,643	51,459
Accumulated amortisation and value adjustments at 1 January 2019	-	-24,330	-12,919	-205	-37,454
Amortisation	-189	-2,231	-354	-51	-2,825
Disposals from changes in consolidation	-	1,143	-	-	1,143
Effect of currency translation	5	320	-	9	334
Accumulated amortisation and value adjustments at 31 December 2019	-184	-25,098	-13,273	-247	-38,802
Net values at 31 December 2019	736	4,456	4,069	3,396	12,657

The goodwill stems from the acquisition of Repower Renewable S.p.A. in December 2018 (see the “Additions to the scope of consolidation” section).

17 INVESTMENTS IN ASSOCIATED ORGANISATIONS AND JOINT VENTURES

	2019	2018
CHF thousand		
Investments in associates and joint ventures	6,450	3,945
EL.IT.E S.p.A.	3,616	3,556
esolva ag	2,396	-
Terra di conte S.r.l.	286	257
Grischelectra AG	27	27
Kraftwerk Morteratsch AG	125	105
Carrying amounts at 1 January	3,945	3,632
Additions from changes in consolidation	-	267
Addition of esolva ag	2,396	
Dividends	-5	-1
Effect of currency translation	-148	-138
Share of earnings	262	185
Carrying amounts at 31 December	6,450	3,945
Decrease in loans receivable		
01.01.2020	-19,404	-15,530
Share of earnings	-395	-4,121
Disposal tiko Energy Solutions AG	12,834	-
Effect of currency translation	252	247
31 December	-6,713	-19,404

Losses exceeding the carrying amount of the investments deriving from at-equity valuation are netted with the loans receivable (see Note 18) as part of the net investment, and are presented in the table above.

Since 1 October 2019, SWIBI AG has no longer been recognised as a subsidiary, but as an associate under the name of esolva ag in the consolidated financial statements (see the "[Transition from full consolidation to equity method](#)" section).

In March 2019 Engie New Business acquired an interest in tiko Energy Solutions AG by way of a unilateral capital increase. Repower's interest declined from 35.0 to 19.85 per cent. The carrying amount of the investment came to CHF 0 thousand, and the cumulated loan's reductions for losses came to CHF 12,843 thousand. The investment and loan are recognised at cost under financial assets (see [Note 18](#)).

The loan's reductions for losses of CHF 6,713 thousand as of 31 December 2019 relates to the loan to the associate Aerochetto S.r.l.

18 FINANCIAL ASSETS

	31.12.2019	31.12.2018
CHF thousand		
Financial assets	36,024	45,440
AKEB Aktiengesellschaft für Kernenergiebeteiligungen	6,500	6,300
Kraftwerke Hinterrhein AG	6,300	6,500
tiko energy solutions AG	2,813	-
Loans receivable	4,628	5,989
Non-current securities	4,071	4,074
Employer contribution reserves	-	68
Fixed term deposits	11,712	22,509

Repower AG 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. Repower's interest in tiko Energy Solutions AG, Ittingen, is 19.85 per cent.

The investment in tiko Energy Solutions AG was recognised as an associate the prior year (see [Note 17](#)). The carrying amounts of the investment and loan to the company came to CHF 0 thousand and CHF 5,365 thousand respectively. With the inclusion of the new investor and the debt relief, an impairment gain of CHF 4,481 thousand was recognised in financial income (see [Note 13](#)). The carrying amounts disclosed for both the investment and the loan correspond to their amortised cost.

The active loans relate to loans to associates and joint ventures amounting to CHF 486 thousand (prior year: CHF 5,873 thousand). Accumulated impairments of CHF 6,713 thousand (prior year: CHF 19,404 thousand) were recognised under this item (see [Note 17](#)).

The employer contribution reserve account in the prior year related to SWIBI AG, which in the prior year was fully consolidated and is now recognised as an associate under the name esolva ag (see the "[Transition from full consolidation to equity method](#)" section).

19 DEFERRED TAX ASSETS

CHF thousand	2019	2018
Deferred tax assets	34,600	37,810

The tax rates used to calculate deferred income tax items are 14.7 per cent for Switzerland (prior year: 16.1 per cent), 24.0 per cent for Italy, and between 29.0 and 32.8 per cent for Germany.

20 INVENTORIES

CHF thousand	31.12.2019	31.12.2018
Inventories	16,692	40,302
Emission certificates	3,583	5,836
Gas	-	23,527
Work in progress	7,782	5,418
Inventories of materials	5,327	5,521

Work in progress relates to services provided by Repower to third parties and not yet billed. In the 2019 financial year impairment losses of CHF 51 thousand were recognised on inventories (prior year: CHF 0 thousand), and CHF 0 thousand (prior year: CHF 18 thousand) in impairment losses was reversed.

By the end of the year the entire inventories of gas had been sold.

21 RECEIVABLES FROM GOODS AND SERVICES

	31.12.2019	31.12.2018 Restated*
CHF thousand		
Trade accounts receivable	54,994	48,861
Trade accounts receivable	67,233	60,720
Allowances for doubtful accounts	-12,239	-11,859
Development of allowances for doubtful accounts		
Carrying amount at 1 January	11,859	9,599
Additions	4,264	4,992
Utilisations	-2,719	-2,206
Reversals	-739	-175
Effect of currency translation	-426	-351
End balance at 31 December	12,239	11,859

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

The stated receivables from goods and services also include claims on associates and joint ventures amounting to CHF 476 thousand (prior year restated: CHF 523 thousand).

Receivables from goods and services 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

	31.12.2019	31.12.2018
CHF thousand		
Other receivables	37,352	26,150
Current income tax receivables	4,151	5,338
VAT receivables	11,783	5,373
Advance payments for inventories	5,514	3,347
Security deposits paid	9,685	4,189
Other receivables	6,219	7,903

Other receivables include accrued revenues from contracts amounting to CHF 6,767 (prior year: CHF 0 thousand) less advance payments received of CHF 5,761 thousand (prior year: CHF 0 thousand).

23 PREPAID EXPENSES AND ACCRUED INCOME

	31.12.2019	31.12.2018 Restated*
CHF thousand		
Prepaid expenses and accrued income	306,408	279,167
Trade accounts receivable invoices not issued yet	299,625	273,285
Power trades from participations	221	2,208
Other prepaid expenses and accrued income	6,562	3,674

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

24 SECURITIES

	31.12.2019	31.12.2018
CHF thousand		
Securities	107,562	63,684
Fixed term deposits (4-12 months)	102,562	61,269
Forward foreign currency contracts	4,596	2,000
Other securities	404	415

25 REPLACEMENT VALUES OF HELD-FOR-TRADING POSITIONS

	31.12.2019	31.12.2018
CHF thousand		
Positive replacement values	86,691	162,117
Negative replacement values	64,000	150,277

26 CASH AND CASH EQUIVALENTS

	31.12.2019	31.12.2018
CHF thousand		
Cash and cash equivalents	367,131	316,314
Sight deposits	309,142	221,238
Cash invested for less than 90 days	57,989	95,076

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

	31.12.2019	31.12.2018
CHF thousand		
Credit lines	158,714	199,705
Unused general credit lines	36,088	31,174
Additional unused credit lines for the purpose of issuing guarantees	122,626	168,531

27 PROVISIONS

	Litigation and court proceedings	Dismantling provisions	Provisions for onerous contracts	Severance pay	Other provisions	Total
CHF thousand						
Carrying value at 1 January 2018	796	2,926	9,978	3,692	2,404	19,796
Additions	231	-	-	588	391	1,210
Additions from changes in consolidation	11	1,665	-	-	-	1,676
Utilisations	-	-	-	-275	-92	-367
Reversals	-	-	-5,954	-217	-951	-7,122
Interest	-	39	1,178	-	-	1,217
Effect of currency translation	-35	-98	-	-139	-73	-345
Carrying value at 31 December 2018	1,003	4,532	5,202	3,649	1,679	16,065
Carrying value at 1 January 2019	1,003	4,532	5,202	3,649	1,679	16,065
Additions	-	159	-	553	1,233	1,945
Utilisations	-11	-	-	-188	-11	-210
Reversals	-	-	-5,900	-	-390	-6,290
Interest	-	77	698	-	-	775
Effect of currency translation	-37	-150	-	-143	-82	-412
Carrying value at 31 December 2019	955	4,618	-	3,871	2,429	11,873
Non-current Provisions						
Carrying value at 31 December 2018	1,003	4,532	5,202	3,649	1,647	16,033
Carrying value at 31 December 2019	955	4,618	-	3,871	1,588	11,032
Current provisions						
Carrying value at 31 December 2018	-	-	-	-	32	32
Carrying value at 31 December 2019	-	-	-	-	841	841

PROVISIONS FOR ONEROUS CONTRACTS

The decision on whether there is a threat of loss on a long-term sales or procurement contract and the resulting recognition of a provision essentially depends on the situation of the relevant contractual prices and expected procurement or sales prices. In 2019 the entire provision that existed at the end of the prior year was released under energy procurement in the Market Switzerland segment because there was no longer a provisioning requirement on the 31 December 2019 cut-off date.

SEVERANCE PAY

When an employment relationship is terminated in Italy, the employee is entitled to severance pay corresponding to almost one month's pay for each year of employment (see [Note 34](#)).

DISMANTLING PROVISIONS

The dismantling provisions category comprises various provisions for the dismantling of operating installations. Taken individually they are immaterial. Additions in 2019 were recognised under tangible assets.

OTHER PROVISIONS

A supplier of wind power equipment was unable to meet its commitment (see [Note 15](#)), delaying the construction of a Repower AG wind power plant for which a minimum feed-in tariff had already been agreed. Given the threat of a penalty resulting from the delay in the commencement of production, a provision of CHF 818 thousand was made.

28 DEFERRED TAX LIABILITIES

	2019	2018
CHF thousand		
Deferred tax liabilities	22,209	24,243

The tax rates used to calculate deferred income tax items are 14.7 per cent for Switzerland (prior year: 16.1 per cent), 24.0 per cent for Italy, and between 29.0 and 32.8 per cent for Germany.

29 CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

	Currency	Interest rate	Current	Maturity 1- years	Maturity more than 5 years	Total Non Current
CHF thousand						
Financial liabilities 31.12.2019			17,719	192,592	242,755	435,347
Bonds	CHF	2.4%	-200	96,128	-	96,128
Loans	CHF	1.2% - 3.6%	865	10,000	70,000	80,000
Loans ¹⁾	EUR	variable	9,011	28,620	35,573	64,193
Loans	EUR	1.7% - 1.9%	-	27,135	27,135	54,270
Liabilities for finance leasing	EUR	1.1% - 1.4%	2,837	11,834	12,760	24,594
Loan from minorities	CHF	no interest	390	1,560	17,941	19,501
Loan from minorities ²⁾	CHF	0.3%	745	3,725	51,773	55,498
Loan from minorities	EUR	no interest	-34	-138	2,057	1,919
Loan from minorities	EUR	3.9%	3,088	13,616	9,642	23,258
Registered bond	EUR	3.4%	-7	-28	2,646	2,618
Other financial liabilities ³⁾	CHF	no interest	738	-	-	-
Other financial liabilities	EUR	no interest	100	140	-	140
Forward foreign currency contracts	CHF		186	-	-	-
Swaps	CHF		-	-	13,228	13,228
Financial liabilities are carried in the following currencies:						
Swiss francs			2,724	111,413	152,942	264,355
Euro (translated)			14,995	81,179	89,813	170,992

1) This item includes bank loans in the amount of TCHF 62'207. Mortgage assignments were pledged as security for the investment. The fixed assets pledged in this connection are disclosed in Note 15.

2) The balances of short-term loans, loans with a «maturity of 1-5 years» and TCHF 44,706 of loans with a «maturity of more than 5 years» are released to income in accordance with the maturities shown. As of 1 January 2020, the balances are reclassified to other liabilities (see events after the balance sheet date).

3) Mortgage assignments were pledged as security for the investment loan of TCHF 212. The fixed assets pledged in this connection are disclosed in Note 15.

	Currency	Interest rate	Current	Maturity 1- years	Maturity more than 5 years	Total Non Current
CHF thousand						
Financial liabilities 31.12.2018			11,437	154,817	275,464	430,281
Bonds	CHF	2.4%	-200	95,927	-	95,927
Loans	CHF	1.2% - 3.6%	75	10,865	70,000	80,865
Loans ¹⁾	EUR	variable	3,420	17,004	30,311	47,315
Loans	EUR	1.7% - 1.9%	-	-	56,345	56,345
Liabilities for finance leasing	CHF	2.5%	21	11	-	11
Liabilities for finance leasing	EUR	1.2% - 1.4%	2,895	12,079	16,401	28,480
Loan from minorities	CHF	no interest	390	1,560	18,331	19,891
Loan from minorities	CHF	0.3%	852	3,409	52,834	56,243
Loan from minorities	EUR	no interest	-57	-228	3,340	3,112
Loan from minorities	EUR	3.9%	3,084	13,601	13,752	27,353
Registered bond	EUR	3.4%	-7	-29	2,740	2,711
Other financial liabilities ²⁾	CHF	no interest	719	213	-	213
Other financial liabilities	EUR	no interest	189	405	-	405
Forward foreign currency contracts	CHF		56	-	-	-
Swaps	CHF		-	-	11,410	11,410

Financial liabilities are carried in the following currencies:

Swiss francs	1,913	111,985	152,575	264,560
Euro (translated)	9,524	42,832	122,889	165,721

1) This item includes bank loans in the amount of TCHF 40'069 coming from the acquired companies. The fixed assets pledged in this connection are disclosed in Note 15.

2) Mortgage assignments were pledged as security for the investment loan of TCHF 425. The fixed assets pledged in this connection are disclosed in Note 15.

Negative amounts presented in the table are scheduled allocations of net expenditures.

30 OTHER NON-CURRENT LIABILITIES

	2019	2018
CHF thousand		
Other non-current liabilities	61,773	63,500
Connection fees and grid cost contributions	61,559	63,273
Other	214	227

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 TRADE CREDITORS

	31.12.2019	31.12.2018 Restated*
CHF thousand		
Trade accounts payable	77,984	68,930

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

The stated liabilities from goods and services also include liabilities vis-à-vis associates and joint ventures amounting to CHF 838 thousand (prior year restated: CHF 1,704 thousand)

32 OTHER CURRENT LIABILITIES

	31.12.2019	31.12.2018
CHF thousand		
Other current liabilities	23,155	29,109
Excise taxes	7,119	7,778
Connection fees and grid cost contributions	3,541	3,576
Customer prepayments	1,378	3,917
VAT liabilities	1,328	513
Current income tax liabilities	124	1,390
Other current liabilities	9,665	11,935

The customer prepayments item contains prepayments of CHF 1,032 thousand (prior year: CHF 3,855 thousand) for third-party contracts.

33 DEFERRED INCOME AND ACCRUED EXPENSES

	31.12.2019	31.12.2018 Restated*
CHF thousand		
Deferred income and accrued expenses	317,052	271,771
Trade accounts payable invoices to be received	296,363	251,717
Deferred income for capital and other taxes, charges and levies	5,389	5,306
Accrued annual leave and overtime	4,937	5,760
Accrued other personnel expenses	3,664	2,601
Accrued power trades from participations	3,190	3,343
Accrued interest	2,644	2,710
Other accrued expenses	865	334

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

34 PENSION SCHEMES

EMPLOYER CONTRIBUTION RESERVES

The employer contribution reserve account of CHF 68 thousand recognised as of 31 December 2018 under non-current financial assets relates to SWIBI AG, which was a fully consolidated group company the prior year. Since 2019 the company has been recognised as an associate under the name of esolva ag. The utilisation and result of employer contribution reserves came to CHF 0 thousand (prior year: CHF 12 thousand).

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	
	31.12.2019	31.12.2019	31.12.2018	2019	2019	2019	2018
CHF thousand							
Pension plans without overfunding/underfunding	-	-	-	-	6,558	6,558	3,620
Pension institutions with unfunded obligations	-	-3,871	-3,649	-222	234	787	759
Total	-	-3,871	-3,649	-222	6,792	7,345	4,379

In 2019 Repower AG and its employees joined the joint pension scheme of the PKE Vorsorgestiftung foundation. The previous year the pension fund for employees of Repower AG had still been organised as an independent pension scheme of the collective foundation of the PKE Vorsorgestiftung foundation.

The item "Pension institutions with unfunded obligations" relates to the obligation to pay severance pay in Italy (see [Note 27](#)). The change in the stated provision related to pension benefit expenses in the income statement comes to CHF 554 thousand at the average exchange rate.

To compensate for the future reduction in conversion rates for the occupational pensions of employees in Switzerland, Repower AG made an additional employer's contribution of CHF 3,087 thousand in the 2019 financial year (see [Note 8](#)).

35 DERIVATIVE FINANCIAL INSTRUMENTS

	Replacement values		Replacement values	
	positive	negative	positive	negative
	31.12.2019		31.12.2018	
CHF thousand				
On-balance-sheet derivatives				
Held for trading				
Interest derivatives	-	13,228	-	11,410
Currency derivatives	4,596	186	2,000	56
Energy derivatives	837,020	814,329	1,009,980	998,141
Total on-balance-sheet derivatives	841,616	827,743	1,011,980	1,009,607
Netting	-750,329	-750,329	-847,863	-847,863
Net value on balance sheet	91,287	77,414	164,117	161,744
Off-balance-sheet derivatives				
Held for cash flow hedges				
Interest derivatives	-	2,804	-	2,129
Energy derivatives	130,549	120,398	33,621	56,870
Total off-balance-sheet derivatives	130,549	123,202	33,621	58,999
Total derivative financial instruments	221,836	200,616	197,738	220,743

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.

36 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 AG entities, associates, partner plants 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:

	31.12.2019	31.12.2018 Restated*
CHF thousand		
Income statement item		
Net Sales from goods and services	15,935	67,759
Energy procurement	-73,972	-46,425
Financial and other operating income	402	437
Financial and other operating expenses	-2,684	-192
Balance sheet item		
Assets		
Financial assets	1,486	5,873
Trade accounts receivable	840	917
Prepaid expenses and accrued income	2,612	3,328
Positive replacement values of held for trading positions	3,415	7,899
Liabilities		
Non-current liabilities	9,418	9,571
Trade accounts payable	1,725	1,856
Deferred income and accrued expenses	9,857	6,362
Negative replacement values of held for trading positions	16,756	11,017
Off-balance-sheet energy derivatives		
Held for cash flow hedges		
Positive replacement values	5,280	453
Negative replacement values	5,842	6,694

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

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

Compensation paid to members of the board of directors and executive board is disclosed in the Corporate Governance section.

37 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 income 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				
2019				
Net sales from goods and services	676,324	1,269,071	-30,134	1,915,261
Net sales from goods and services	675,696	1,239,425	140	1,915,261
Net sales from goods and services between segments	628	29,646	-30,274	-
Earnings before interest and taxes (EBIT)	29,778	50,903	-15,461	65,220

	Market Switzerland	Market Italy	Other segments and activities	Group
CHF thousand				
2018				
Net sales from goods and services	715,313	1,419,405	-60,839	2,073,879
Net sales from goods and services	691,193	1,382,535	151	2,073,879
Net sales from goods and services between segments	24,120	36,870	-60,990	-
Earnings before interest and taxes (EBIT)	17,478	29,317	-11,422	35,373

38 TREASURY SHARES

	2019		2018	
	Number of shares	Carrying amount in CHF	Number of shares	Carrying amount in CHF
Initial balance at 1 January	301	22,084	256	15,365
Purchases	351	30,227	605	42,835
Disposals	-480	-36,303	-560	-36,116
Ending balance at 31 December	172	16,008	301	22,084

Purchases/disposals of treasury shares relate to Repower AG registered shares. In the year under review Repower AG bought 351 shares (prior year 605) at CHF 86.12 (prior year CHF 70.80) and sold 480 shares (prior year 560) at an average price of CHF 90.29 (prior year CHF 71.31).

39 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 CHF 144,431 thousand (prior year: CHF 150,236 thousand).

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 CHF 10,431 thousand as per 31 December 2019 (prior year: CHF 11,970 thousand).

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 (see [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.

	31.12.2019	31.12.2018
CHF thousand		
Off-balance-sheet liabilities		
Operating lease (nominal value)	13,320	14,777
Due within 1 year	3,085	2,976
Due in 1-5 years	4,658	5,323
Due in more than 5 years	5,577	6,478
Procurement contracts	733,681	646,002
Due within 1 year	120,753	112,394
Due in 1-5 years	367,720	363,206
Due in more than 5 years	245,208	170,402

At the reporting date of the financial year under review, the outstanding minimum lease payments consisted of CHF 12,297 thousand for property and buildings (prior year: CHF 13,850 thousand) and CHF 1,023 thousand for motor vehicles (prior year CHF 927 thousand).

Obligations to take delivery of electrical energy deriving from 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 companies.

Pledges are recognised under the relevant assets.

40 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 17 December 2019 Repower AG, its subsidiary Repartner Produktions AG, and the other companies with interests in this company agreed to transfer the power generation assets in the Prättigau, including the concessions, to Repartner Produktions AG. The transfer took place on 1 January 2020. In connection with this transaction the shareholders of Repartner Produktions AG transferred their shareholder loan of CHF 49,176 thousand to Repower AG. From the group point of view this transfer should be seen as an advance payment received for energy delivery, and will be charged to profit or loss over the remaining 66 year concession period.

The financial statements were approved for publication by the board of directors on 2 April 2020. They are subject to the approval of the annual general meeting, which will take place on 20 May 2020.

Report of the statutory auditor



Ernst & Young AG
Maagplatz 1
Postfach
CH-8010 Zürich

Telefon +41 58 286 31 11
Fax +41 58 286 30 04
www.ey.com/ch

Zurich, 6 April 2020

To the General Meeting of Repower AG, Brusio

REPORT OF THE AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

As statutory auditor, we have audited the financial statements of Repower AG, which comprise the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement, the changes in consolidated equity, and the notes to the consolidated financial statements, for the year ended 31 December 2019.



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 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 judgement, 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 2019 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities 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

Risk	<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. These include the definition of 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 35 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> <p>Our audit did not give rise to any objections with regard to the recognition and measurement of the energy derivatives.</p>

Valuation of tangible assets and energy procurement contracts

Risk	<p>Tangible assets are a material balance sheet item amounting to 43.1% of total assets in the consolidated balance sheet. These comprise primarily power plants, grids and other non-current assets of the Group. In the financial year 2019, no extraordinary value adjustments were made. In addition, there are long-term purchase commitments which could significantly affect the amount of contractual commitments and thus the potential need for provisions.</p> <p>The valuation of tangible assets and energy procurement contracts by Repower depends on various valuation parameters and has a material impact on net income. The testing for potential value adjustments 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 and 27 for further information.</p>
Our audit response	<p>We assessed the Group's valuation approach related to its tangible assets and energy procurement contracts. We further assessed the process to derive the underlying assumptions and estimates around forecast production volumes, the forecast long-term energy price curve and foreign exchange rates. We evaluated the internal controls related to the budgeting and forecasting process as well as the process to derive assumptions and estimates. We evaluated the mathematical correctness of the impairment testing model and involved valuation specialists to evaluate the methodology.</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> <p>Our audit did not give rise to any objections with regard to the process used to derive the assumptions and valuation of the tangible assets and energy procurement contracts.</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 the consolidated financial statements according to the instructions of the board of directors.

We recommend that the financial statements submitted to you be approved.

Ernst & Young AG

Income statement

CHF thousand		2019	2018
	Note		
Net sales	1	654,674	691,709
Change in inventories for work in progress	2	553	1,052
Own costs capitalised		6,413	6,948
Other operating income		21,618	27,588
Total operating revenue		683,258	727,297
Energy procurement		-518,137	-580,786
Materials and third party services		-28,494	-19,805
Concession fees		-17,969	-16,611
Personnel expenses		-53,359	-49,827
Other operating expenses		-21,631	-24,313
Depreciation/amortisation and impairment	3	-25,588	-31,728
Operating expenses		-665,178	-723,070
Operating earnings before interest, extraordinary items and taxes		18,080	4,227
Financial income		60,324	55,017
Financial expenses		-61,840	-51,777
Operating earnings before taxes		16,564	7,467
Non-operating income		578	682
Extraordinary, non-recurring or prior period income	4	3,685	1,217
Extraordinary, non-recurring or prior period expenses	5	-1,274	-354
Earnings before taxes		19,553	9,012
Taxes		-4,598	-5,087
Net earnings for the year		14,955	3,925

Balance sheet

		31.12.2019	31.12.2018
CHF thousand			
	Note		
Assets			
Cash and cash equivalents and current assets listed at the stock exchange	6	368,861	381,312
Current securities and other financial instruments not listed at the stock exchange	7	102,562	61,269
Trade accounts receivable	8	53,993	322,063
Other receivables	9	30,960	8,246
Inventories and non-invoiced services	10	6,862	10,725
Prepaid expenses and accrued income	11	350,893	2,791
Current assets		914,131	786,406
Financial assets	12	132,867	233,687
Shareholdings		220,250	233,422
Tangible assets		371,574	366,444
Intangible assets	13	10,799	16,507
Non-current assets		735,490	850,060
Total assets		1,649,621	1,636,466
CHF thousand		31.12.2019	31.12.2018
	Note		
Liabilities and shareholders' equity			
Trade accounts payable	14	18,683	298,140
Current interest-bearing liabilities	15	-	2,029
Other current liabilities	16	73,231	136,571
Deferred income and accrued expenses	17	372,281	20,507
Current liabilities		464,195	457,247
Non-current interest-bearing liabilities	18	367,342	369,520
Other non-current liabilities	19	49,657	49,104
Non-current provisions	20	16,071	19,511
Non-current liabilities		433,070	438,135
Liabilities		897,265	895,382
Share capital		7,391	7,391
Legal reserve from capital		180,640	184,335
Legal reserve from retained earnings		17,123	17,123
Free reserves from earnings			
Other reserves		511,985	491,979
Retained earnings		35,233	40,278
Treasury shares		-16	-22
Shareholders' equity	21	752,356	741,084
Total liabilities and shareholder's equity		1,649,621	1,636,466

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.

Provided the conditions for large orders are met, long-term construction contracts are valued in accordance with the percentage of completion (PoC) method. Following the consolidated financial statements, these are recognised in other receivables. Under the PoC method, in addition to acquisition or production costs a portion of profits corresponding to the percentage of completion of the order is recognised, provided that the order's realisation is reasonably certain. The percentage of completion is calculated on the basis of the accrued costs in relation to the anticipated total costs (cost to cost). If the conditions for applying the PoC method are not met, recognition is under non-invoiced services.

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.

ACCOUNTING STANDARDS/CONSISTENCY

In the 2019 financial year Repower AG corrected an accounting error versus the prior year. Accruals and deferrals for goods and services delivered or received but not yet invoiced, previously recognised in trade accounts receivable and payable, are now recognised in prepaid expenses and accrued income/deferred income and accrued expenses. Prepaid expenses and accrued income contains accruals and deferrals for CHF 347,789 thousand, while deferred income and accrued expenses contains accruals and deferrals for CHF 354,174 thousand. From this financial year the accounting method used for the individual financial statements will follow the disclosure method used in the consolidated financial statements.

Investments where Repower AG holds an interest of less than 20 per cent were until now recognised under investments. From the 2019 financial year, such minority interests are recognised as financial assets as prescribed by the Swiss Code of Obligations. Minority interests totalled CHF 15,935 thousand (prior year: CHF 13,122 thousand).

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 intangible assets.

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 deriving from 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 under the other reserves.

Notes to the financial statements: C. Notes

1 NET SALES

	2019	2018
CHF thousand		
Net sales	654,674	691,709
Revenue from energy sales	628,815	688,275
Gain on held-for-trading positions	19,092	3,434
Revenue from long term contracts ¹⁾	6,767	-

1) Long term contracts are recognised to the percentage of completion-method erfasst.

2 CHANGES IN VALUE OF WORK IN PROGRESS

	2019	2018
CHF thousand		
Change in inventories for work in progress	553	1,052
Change in inventories for work in progress	553	1,052

3 DEPRECIATION/AMORTISATION AND IMPAIRMENT

	2019	2018
CHF thousand		
Depreciation/amortisation and impairment	-25,588	-31,728
Depreciation of tangible assets	-16,138	-15,966
Amortisation of intangible assets	-6,166	-6,207
Impairment of financial assets and investments	-3,284	-9,555

4 EXTRAORDINARY, NON-RECURRING OR PRIOR-PERIOD INCOME

	2019	2018
CHF thousand		
Extraordinary, non-recurring or prior period income	3,685	1,217
Gains on disposals of assets	2,463	782
Other extraordinary, non-recurring or prior period income ¹⁾	1,222	435

1) This item mainly includes insurance compensations for fire damage to the plant of Papierfabrik Landquart, storm damage caused by Burglind and incidents due to high snow loads in the supply area (previous year: mainly insurance compensation for damage and compensation for the granting of an advance sale right after contract termination).

5 EXTRAORDINARY, NON-RECURRING OR PRIOR PERIOD EXPENSES

	2019	2018
CHF thousand		
Extraordinary, non-recurring or prior period expenses	-1,274	-354
Loss on disposals of assets under construction	-806	-5
Loss on disposals of assets	-348	-347
Other extraordinary, non-recurring or prior period expenses	-120	-2

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

	31.12.2019	31.12.2018
CHF thousand		
Cash and cash equivalents and current assets listed at the stock exchange	368,861	381,312
Cash and cash equivalents	270,933	217,094
Energy trading	10,347	27,320
Positive replacement values of held for trading positions	87,581	136,898

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

	31.12.2019	31.12.2018
CHF thousand		
Current securities and other financial instruments not listed at the stock exchange	102,562	61,269
Fixed- term deposits (maturity within 12 months)	102,562	61,269

8 TRADE ACCOUNTS RECEIVABLE

	31.12.2019	31.12.2018
CHF thousand		
Trade accounts receivable	53,993	322,063
Third parties	29,227	273,097
Participants and management bodies	336	11,952
Investments	24,430	37,014

The prior year total for receivables from goods and services includes accruals and deferrals for invoices from investments and energy bills amounting to CHF 289,671 thousand. In the year under review the entire accruals and deferrals were recognised under prepaid expenses and accrued income.

9 OTHER RECEIVABLES

	31.12.2019	31.12.2018
CHF thousand		
Other receivables	30,960	8,246
Third parties ¹⁾	15,147	6,953
Investments	15,813	1,293

1) This item includes accrued contract revenues of TCHF 6'767 (previous year: TCHF 0) less advance payments received of TCHF 5'761 (previous year: TCHF 0).

10 INVENTORIES AND NON-INVOICED SERVICES

	31.12.2019	31.12.2018
CHF thousand		
Inventories and non-invoiced services	6,862	10,725
Inventories	2,012	6,428
Non-invoiced services	4,850	4,297

11 PREPAID EXPENSES AND ACCRUED INCOME

	31.12.2019	31.12.2018
CHF thousand		
Prepaid expenses and accrued income	350,893	2,791
Third parties	326,974	2,559
Participants and management bodies	20,561	-
Investments	3,358	232

The total for the year under review contains prepaid expenses and accrued income of CHF 347,789 thousand from investments and for energy bills.

12 FINANCIAL ASSETS

	31.12.2019	31.12.2018
CHF thousand		
Financial assets	132,867	233,687
Securities	18,501	2,547
Fixed-term deposits >12 months	10,000	20,000
Non-current receivables third parties	4,030	411
Loans to investments ¹⁾	100,336	210,729

1) In the «Loans to investments» there is a credit, for which a subordination of 4'348 thousand francs has been granted (2018: TCHF 13'150).

13 INTANGIBLE ASSETS

	31.12.2019	31.12.2018
CHF thousand		
Intangible assets	10,799	16,507
Concessions and reversion waiver compensation	6,516	12,562
Rights of use	1,782	1,307
Software	2,501	2,223
Intangible assets under development	-	415

14 TRADE ACCOUNTS PAYABLE

	31.12.2019	31.12.2018
CHF thousand		
Trade accounts payable	18,683	298,140
Third parties	16,655	271,289
Participants and management bodies	887	12,767
Investments	1,141	14,084

The prior year total for trade accounts payable includes accruals and deferrals from investments and for energy bills amounting to CHF 279,778 thousand. In the year under review the entire accruals and deferrals were recognised under deferred income and accrued expenses.

15 CURRENT INTEREST-BEARING LIABILITIES

	31.12.2019	31.12.2018
CHF thousand		
Current interest-bearing liabilities	-	2,029
Other current interest-bearing liabilities	-	2,029
Investments	-	2,029

16 OTHER CURRENT LIABILITIES

	31.12.2019	31.12.2018
CHF thousand		
Other current liabilities	73,231	136,571
Third parties ¹⁾	63,018	132,510
Participants and management bodies	9,163	3,133
Investments	1,050	928
Other current liabilities	73,241	136,571
Negative replacement values of held for trading positions	61,660	124,263
Other current liabilities	11,581	12,308

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

17 DEFERRED INCOME AND ACCRUED EXPENSES

	31.12.2019	31.12.2018
CHF thousand		
Deferred income and accrued expenses	372,281	20,507
Third parties	331,269	18,892
Participants and management bodies	24,021	-
Investments	16,991	1,615

The total for the year under review contains prepaid expenses and accrued income of CHF 354,174 thousand from investments and for energy bills.

18 NON-CURRENT INTEREST-BEARING LIABILITIES

			31.12.2019	31.12.2018
CHF thousand				
	Interest rate	Duration		
Non-current interest-bearing liabilities			367,342	369,520
Loans			134,270	136,346
Loan	2,500%	2010-2030	20,000	20,000
Private placement	3,625%	2008-2023	10,000	10,000
Bank loan	1.698%	2017-2024	27,135	28,173
Bank loan	1.922%	2017-2025	27,135	28,173
Bank loan	1.820%	2006-2026	50,000	50,000
Bonds			99,159	99,261
Bond	2.375%	2010-2022	96,445	96,445
Registered bond	3.400%	2014-2034	2,714	2,816
To investments			133,913	133,913

19 OTHER NON-CURRENT LIABILITIES

			31.12.2019	31.12.2018
CHF thousand				
Other non-current liabilities			49,657	49,104
Connection fees and grid cost contributions			9,765	8,287
Connection fees and grid cost contributions			9,765	8,287
Other non-current liabilities			39,892	40,817
Third parties			-	127
Investments			39,892	40,690

20 PROVISIONS

			31.12.2019	31.12.2018
CHF thousand				
Provisions			16,071	19,511
For contract risks			-	5,202
Other risks ¹⁾			16,071	14,309

1) Other risks include the value of interest rate swaps amounting to TCHF 13,228 (previous year: TCHF 11,410). Taken individually, the other items are immaterial.

21 EQUITY

	31.12.2019	31.12.2018
CHF thousand		
Shareholders' equity	752,356	741,084
Share capital	7,391	7,391
Share capital		
7,390,968 registered shares at a par value of CHF 1 per share	7,391	7,391
Reserves	709,748	693,437
Legal capital reserves		
Capital reserves	180,640	184,335
Legal reserve from retained earnings	17,123	17,123
Other reserves ¹⁾	511,985	491,979
Retained earnings	35,233	40,278
Retained earnings carried forward ¹⁾	20,278	36,353
Net income for the year	14,955	3,925
Treasury shares	-16	-22

1) In the year under review the increase of TCHF 7 in other reserves is attributable to gains and losses from the sale of treasury shares. The previous year the general meeting of shareholders of 15 May 2019 approved a transfer of TCHF 20,000 from retained earnings to other reserves.

SHARE CAPITAL

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

	31.12.2019	31.12.2018
Elektrizitätswerke des Kantons Zürich (EKZ)	32.12%	29.83%
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

	2019		2018	
	Number of shares	Carrying value in CHF	Number of shares	Carrying value in CHF
Initial balance at 1 January	301	22,084	256	15,365
Purchases	351	30,227	605	42,835
Disposals	-480	-36,303	-560	-36,116
End balance at 31 December	172	16,008	301	22,084

In the year under review Repower AG bought 351 shares at an average price of CHF 86.12 and sold 480 shares at an average price of CHF 90.29.

The previous year Repower AG bought 605 shares at an average price of CHF 70.80 and sold 560 shares at an average price of CHF 71.31.

Notes to the financial statements: D. Further notes

NET RELEASE OF HIDDEN RESERVES

In the reporting year, hidden reserves of CHF 12,644 thousand were released (prior year: CHF 8,166 thousand).

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 %	
			31.12.2019	31.12.2018	31.12.2019	31.12.2018
Ovra elettrica Ferrera SA	Trun	CHF	3,000,000	3,000,000	49.00%	49.00%
esolva ag (vormals SWIBI AG) ¹⁾	Landquart	CHF	792,000	500,000	42.05%	76.58%
Alvezza SA in Liquidation	Disentis	CHF	500,000	500,000	62.00%	62.00%
Lagobianco SA ²⁾	Poschiavo	CHF	-	1,000,000	-	100.00%
Repartner Produktions AG	Poschiavo	CHF	20,000,000	20,000,000	51.00%	51.00%
tiko Energy Solutions AG ³⁾	Ittigen	CHF	-	13,342,325	-	35.00%
Kraftwerk Morteratsch AG ⁴⁾	Pontresina	CHF	500,000	500,000	10.00%	10.00%
Repower Deutschland GmbH	Dortmund	EUR	11,525,000	11,525,000	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%

1) Esolva ag results from the merger of SWIBI AG, EcoWatt AG and Sacin AG and is officially active until 1st December 2019.

2) In the current year Lagobianco SA was merged into Repower AG.

3) Since the french energy group ENGIE joined the company, Repower AG still holds 19,85 percent of the shares and reports notw the participation under the financial assets.

4) Repower AG holds 10% of the share capital and 35,7% of the voting rights of Kraftwerk Morteratsch AG.

INDIRECT PARTICIPATIONS

Company	Head office	Currency	Issued capital		Share of equity and votes in %	
			31.12.2019	31.12.2018	31.12.2019	31.12.2018
Repartner Wind GmbH	Dortmund	EUR	25,000	25,000	51.00%	51.00%
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	65.00%	65.00%
REC S.r.l.	Milan	EUR	10,000	10,000	65.00%	65.00%
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%
Aerochetto S.r.l.	Catania	EUR	2,000,000	2,000,000	39.00%	39.00%
Repower Renewable S.p.A.	Venice	EUR	66,735,660	66,735,660	65.00%	65.00%
Impianto Eolico Pian dei Corsi S.r.l.	Venice	EUR	200,000	200,000	37.38%	37.38%
ESE Cerignola S.r.l.	Venice	EUR	100,000	100,000	65.00%	65.00%
RES S.r.l.	Venice	EUR	150,000	150,000	65.00%	65.00%
Cramet Energie S.r.l.	Venice	EUR	19,600	19,600	65.00%	65.00%
ESE Trelizzi S.r.l.	Venice	EUR	19,600	19,600	65.00%	65.00%
ESE Salento S.r.l. ¹⁾	Venice	EUR	10,000	10,000	65.00%	61.75%
Elettrosud Rinnovabili S.r.l.	Venice	EUR	10,000	10,000	65.00%	65.00%
Quinta Energia S.r.l.	Erice	EUR	50,000	50,000	65.00%	65.00%
ESE Armo S.r.l.	Venice	EUR	30,000	30,000	65.00%	65.00%
ESE Nurra S.r.l. ²⁾	Venice	EUR	200,000	200,000	43.55%	33.15%
ESE Castelguglielmo S.r.l.	Venice	EUR	30,000	30,000	65.00%	65.00%
Compagnia Energie Rinnovabili S.r.l.	Venice	EUR	100,000	100,000	65.00%	65.00%
Parco Eolico Busetto S.p.A.	Erice	EUR	500,000	500,000	65.00%	65.00%
ERA S.c.r.l.	Venice	EUR	30,006	30,006	64.99%	64.99%
ESE Apricena S.r.l.	Venice	EUR	30,000	30,000	65.00%	65.00%
Terra di Conte S.r.l.	Lucera	EUR	10,000	10,000	32.50%	32.50%

1) Successive share acquisition of 3,25 percent (5 percent direct share) through Repower Renewable S.p.A.

2) Successive share acquisition of 10,4 percent (16 percent direct share) through Repower Renewable S.p.A.

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

Joint liability for VAT group taxation Repartner Produktions AG and Ovra electrica Ferrera SA.

To the benefit of group companies, letters of intent and financing agreements amounting to EUR 84 million (equivalent to CHF 91 million) were concluded (prior year: EUR 97 million, equivalent to CHF 109 million).

Guarantees in favour of third parties amounting to CHF 5.9 million and EUR 6.8 million (equivalent to CHF 7.3 million) were provided (prior year: CHF 5.9 million and EUR 3.1 million, equivalent to CHF 3.5 million).

TOTAL ASSETS CEDED OR PLEDGED TO SECURE OWN LIABILITIES

Nominal value of mortgage assignment: CHF 2.55 million of which CHF 213 thousand used (prior year: CHF 213 thousand).

LEASE LIABILITIES

The maturities of lease liabilities that do not mature or cannot be terminated within 12 months break down as follows:

	31.12.2019	31.12.2018
CHF thousand		
Lease liabilities	7,132	8,321
Within 1 year	1,197	1,220
2-5 years	3,154	3,580
Over 5 years	2,781	3,521

PENSION FUND LIABILITY

On the balance sheet date there is a liability to the pension fund of CHF 413 thousand (prior year: CHF 427 thousand).

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 21) of Repower AG and the auditors.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 17 December 2019 Repower AG, its subsidiary Repartner Produktions AG, and the other companies with interests in this company agreed to transfer the power generation assets in the Prättigau, including the concessions, to Repartner Produktions AG. The power generation assets in the Prättigau were sold to Repartner Produktions AG on 1 January 2020 at their carrying amount. In connection with this transaction the shareholders of Repartner Produktions AG transferred their shareholder loan of CHF 49,176 thousand to Repower AG. The loan obligation received is recognised directly in profit or loss.

The financial statements were approved for publication by the board of directors on 2 April 2020. They are subject to the approval of the annual general meeting, which will take place on 20 May 2020.

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

Board of directors	Shares in 2019	Shares in 2018
Dr Urs Rengel (from 21.06.16)	400	400
Peter Eugster, vice-chairman (from 21.06.16)	1,400	1,400

Executive board	Shares in 2019	Shares in 2018
Kurt Bobst, CEO (until 15.09.2019)	1	150
Fabio Bocchiola	-	5
Samuel Bontadelli (from 01.01.2017)	101	101

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 2019	CHF	14,954,821
Retained earnings carried forward	CHF	20,278,424
Retained earnings	CHF	35,233,245
Amount carried to other reserves	CHF	-15,000,000
Balance carried forward	CHF	20,233,245

The board of directors further moves that the annual general meeting approve a dividend of CHF 2.50 per registered share, to be paid from capital reserves:

Capital reserves carried forward	CHF	180,639,889
Dividend on share capital of 7.4 million CHF ¹⁾	CHF	18,477,420
Capital reserves carried forward on the next year	CHF	162,162,469

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

No payment will be made on registered shares held by Repower AG on the due date. This may reduce the actual distribution accordingly.

Provided the annual general meeting passes this motion, the dividend paid from capital reserves will be due on 27 May 2020.

Poschiavo, 2 April 2020

For the Board of Directors:



Dr Monika Krüsi Chair
of the Board of
Directors

Report of the statutory auditor



Ernst & Young AG
Maagplatz 1
Postfach
CH-8010 Zürich

Telefon +41 58 286 3111
Fax +41 58 286 30 04
www.ey.com/ch

Zurich, 6 April 2020

To the General Meeting of Repower AG, Brusio

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the attached financial statements of Repower AG, which comprise the balance sheet, income statement and notes, for the year ended 31 December 2019.



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 judgement, 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 2019 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 judgement, 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.

Valuation of participations and loans to group companies

Risk	<p>Participations and loans to group companies represent 19.4% 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, the 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. This 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> <p>Our audit did not give rise to any objections with regard to the procedure and valuation of the investments and loans to group companies.</p>

Classification, valuation and presentation of energy derivatives

Risk	<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. They include the definition of segregation of duties and controls.</p> <p>Due to the materiality of these transactions, significant judgments and the potential impact on the financial statements, the accounting of energy derivatives was a focus area of our audit. Refer to notes 1, 6 and 16 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> <p>Our audit did not give rise to any objections with regard to the recognition and measurement of the energy derivatives.</p>

Valuation of tangible assets and energy procurement contracts

Risk	<p>Tangible assets are a material balance sheet item amounting to 22.5% of total assets in the balance sheet. These comprise primarily power plants, grids and other non-current assets of the Group. In the financial year 2019, no extraordinary value adjustments were made. In addition, there are long-term purchase commitments which could significantly affect the amount of contractual commitments and thus the potential need for provisions.</p> <p>The valuation of tangible assets and energy procurement contracts by Repower depends on various valuation parameters and has a material impact on net income. The testing for potential value adjustments 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 Group's valuation approach related to its tangible assets and energy procurement contracts. We further assessed the process to derive the underlying assumptions and estimates around forecast production volumes, the forecast long-term energy price curve and foreign exchange rates. We evaluated the internal controls related to the budgeting and forecasting process as well as the process to derive assumptions and estimates. We evaluated the mathematical correctness of the impairment testing model and involved valuation specialists to evaluate the methodology.</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> <p>Our audit did not give rise to any objections with regard to the process used to derive the assumptions and valuation of the tangible assets and energy procurement contracts.</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 AG



2019 annual report

Events

The next dates in Repower's financial calendar:

- **20 May 2020:** Annual general meeting in Klosters
- **19 August 2020:** Information on the first six months of 2020
- **07 October 2020:** Analyst and investor conference
- **08 April 2021:** Annual media conference
- **19 May 2021:** Annual general meeting in Poschiavo

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