ANNUAL REPORT **2014**

REPOWER

Profound changes for hydropower

The power of water has been used to generate electricity for decades. But in the current market environment, hydropower has come under heavy pressure. Repower is convinced that the energy transition cannot succeed without the invaluable contribution of this traditional generation technology. It will continue to play a key role in energy supply in the future. But to do this it needs a supportive market environment. For this reason the images in this annual report pay homage to the resource of water, the way it is used to produce energy, and the unfailing natural spectacle of water in its solid and liquid state.

Kurt Bobst, CEO:

The process of radical change in the energy industry continued in 2014. Repower's results reflect these challenging market conditions. So it's all the more gratifying to report on the growth in our gas business and the numerous outside contracts our company managed to win last year.

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OVERVIEW

- *Repower generated **total operating revenue** of CHF 2,273 million in 2014 (down 4% on the previous year).*

- ***Operating income** (EBIT) of CHF 26 million and a net loss of CHF 33 million reflect an extremely challenging market environment.*

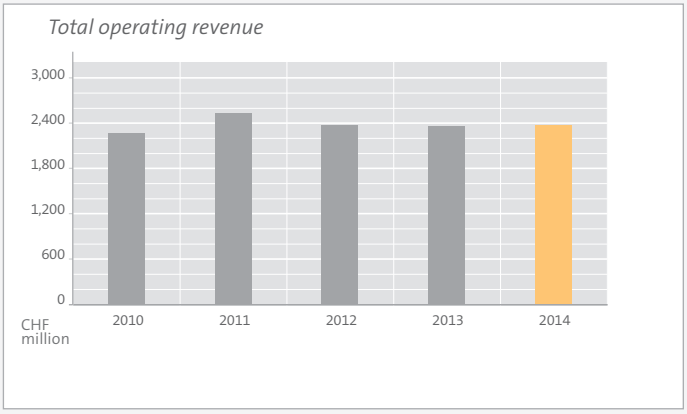
- *EBIT was impacted by provisions for long-term agreements, translation differences from the disposal of non-Swiss subsidiaries, the new pension fund arrangement and various other smaller exceptional items. EBIT before these **exceptional items** came to CHF 39 million (down 47% versus adjusted EBIT in 2013).*

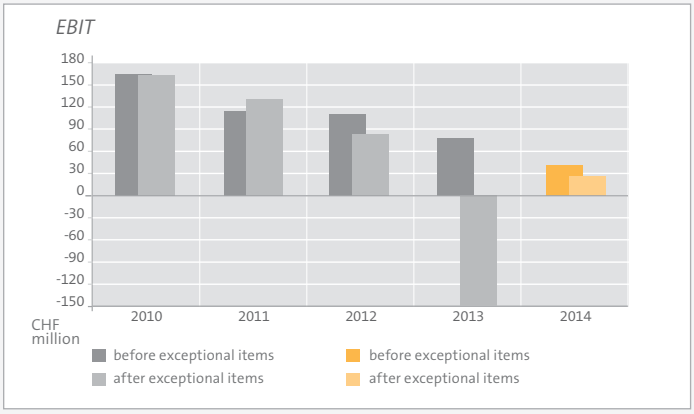
- *The company moved further forward with the development of **innovative new tech solutions** as a complement to its core business.*

- *The **highlights in Repower's key markets in 2014** were various contract wins for Generation, Grid and Trading in Switzerland, the gratifying development of the company's gas business in Italy, and successful efforts to market renewable electricity for small producers in Romania.*

FINANCIAL HIGHLIGHTS

CHF million	2014	2013
Revenue and income		
Total operating revenue	2,273	2,365
Income before interest, income taxes, depreciation and amortisation (EBITDA)	77	74
Depreciation/amortisation and impairment	- 51	- 224
Income before interest and income taxes (EBIT)	26	- 150
Group profit including minority interests	**- 33**	**- 152**
Balance sheet		
Balance sheet total at 31 December	2,104	2,043
Equity at 31 December	766	805
Equity ratio	36 %	39 %





SHARE INFORMATION

Share capital	2,783,115	shares	at CHF	1.00	CHF 2.8 million
	625,000	participation certificates (PC)	at CHF	1.00	CHF 0.6 million

CHF **Share price**		2014	2013
Shares	High	157	210
	Low	102	135
Participation certificates (PC)	High	115	174
	Low	87	97

Dividend	2014*)	2013	2012	2011
Shares	0.00	2.00	2.50	5.00
Participation certificates (PC)	0.00	2.00	2.50	5.00

*) 2014 dividend subject to decision by the Annual General Meeting.
There are no restrictions on transferability or voting rights.

ENERGY BALANCE SHEET

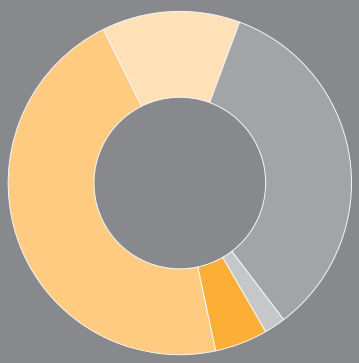
	2014	2013	Change
Electricity business in GWh			
Trading	11,153	10,751	+ 4 %
Supply/sales	5,945	5,908	+ 1 %
Pumps, own use, losses	325	353	- 8 %
Electricity sales	**17,423**	**17,012**	**+ 2 %**
Trading	14,770	14,698	0 %
Own generation	1,471	1,371	+ 7 %
Energy from participations	1,182	943	+ 25 %
Electricity procurement	**17,423**	**17,012**	**+ 2 %**
Gas business in 1,000 m³			
Sales to end customers	222,580	208,624	+ 7 %
Trading (sales)	1,898,881	1,291,990	+ 47 %
Gas sales	**2,121,461**	**1,500,614**	**+ 41 %**
Consumption of Teverola gas-fired power plant (Italy)	119,312	106,483	+ 12 %

HEADCOUNT

at 31 December	2014	2013
Switzerland	456	484
Italy	163	173
Germany	19	24
Romania	28	28
Czech Republic	25	24
Total*	**691**	**733**
Trainees	30	30
Sales consultants Italy	513	498

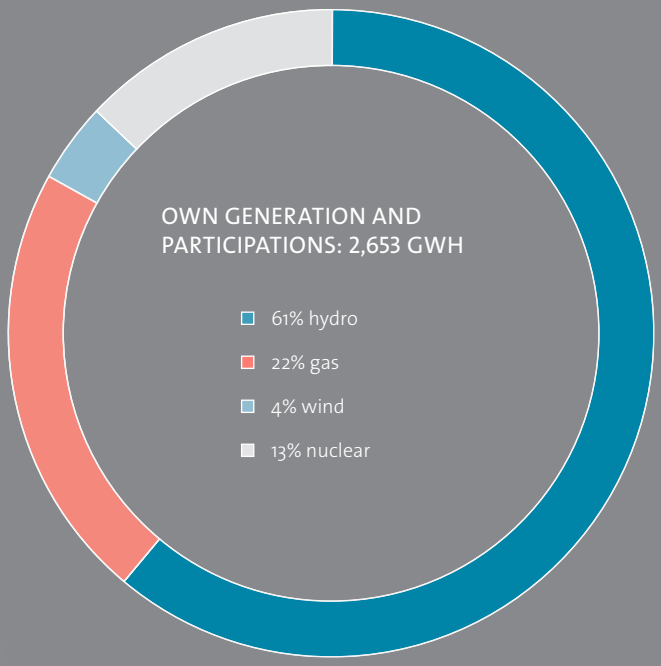
* For the numbers in full-time equivalents (FTEs) see page 69 of this report (Note 2 in the consolidated financial statements).

ELECTRICITY SALES 2014: 17,423 GWH



Trading
- 5% long term*
- 46% mid term*
- 13% short term*

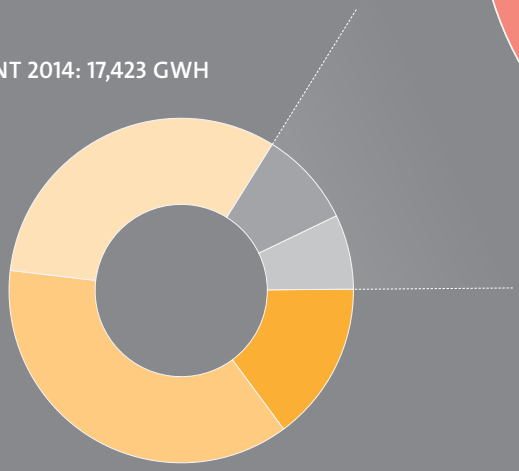
- 34% sales
- 2% pumps, own use, losses



ELECTRICITY PROCUREMENT 2014: 17,423 GWH

Trading
- 15% long term*
- 37% mid term*
- 32% short term*

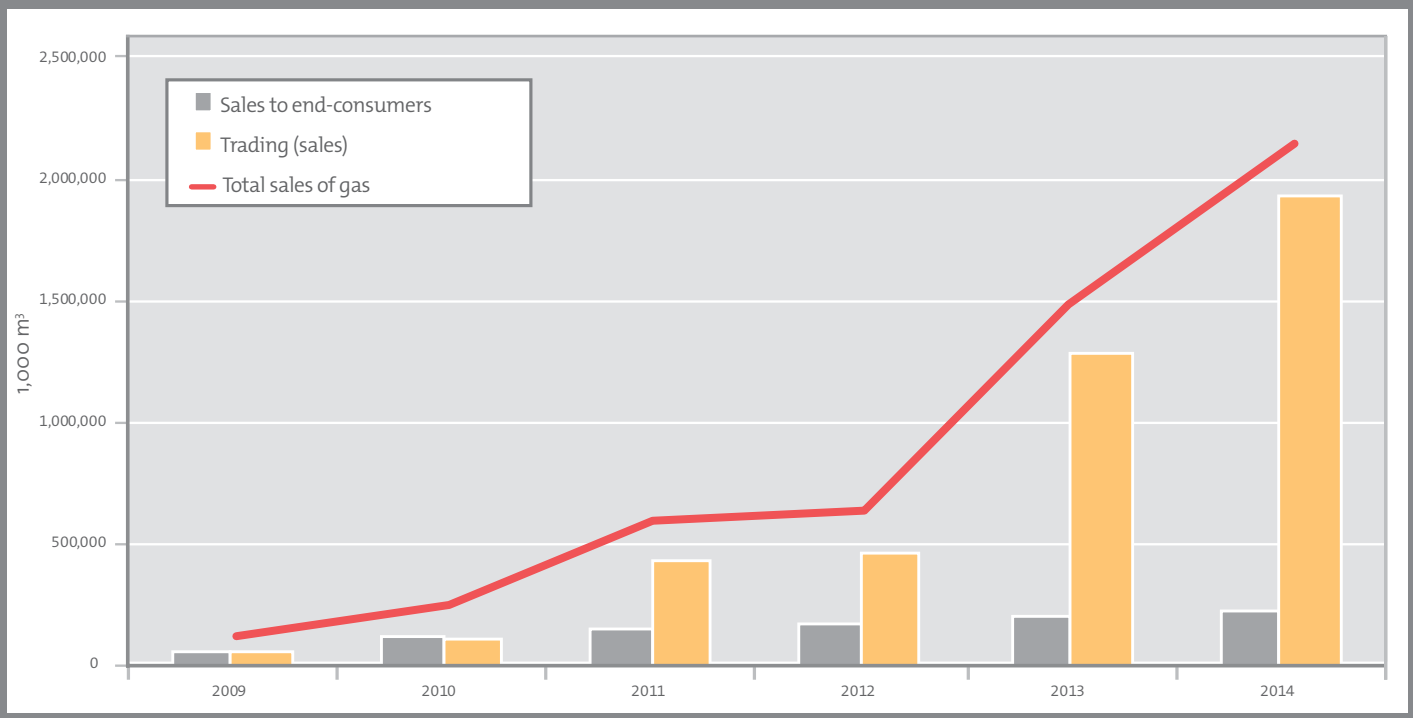
- 9% own generation
- 7% participations and drawing rights



** Trading deals are classified based on the duration between their conclusion and final delivery date (end of contract):*

***Short term** = up to 3 months*
***Mid term** = longer than 3 months and up to a maximum of 2 years following the end of the year in which the deal was concluded*
***Long term** = all contracts with durations beyond those of mid-term deals*

DEVELOPMENT OF REPOWER'S GAS BUSINESS



Since 2009 Repower has been trading in gas and selling gas to end-consumers in Italy. This business has grown rapidly in recent years.

FOREWORD FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO

In 2014 Repower achieved a number of gratifying successes that underscored the company's recognised know-how and innovatory power. At the same time the economic environment remained extremely challenging. This is also evident in the low price of Repower shares, which reflects the difficult conditions on the market. The group posted operating income (EBIT) of CHF 26 million and a net loss of CHF 33 million on total operating revenue of CHF 2.3 billion. EBIT before exceptional items came to CHF 39 million.

HIGHLIGHTS OF 2014

In 2014, Repower managed to win various outside contracts for its generation, grid and trading services. Worthy of particular mention are a contract from national grid operator Swissgrid to replace the 220-kV Avegno substation in Canton Ticino, collaboration with Engadiner Kraftwerke (EKW) on grid operation and the refurbishment of a switching station, trading services delivered to various power providers in Switzerland, and, last but not least, a contract from Swiss Federal Railways (SBB) to optimise deployment of their comprehensive portfolio of power generation assets.

In 2014 the Canton Graubünden authorities approved the concessions for the Lagobianco pumped-storage power plant project. Local communities voted overwhelmingly in favour of the Chlus hydropower plant. Plans to build a combined-cycle gas turbine plant in Leverkusen took a major step forward with the signing of the construction and supply contracts with the preferred bidder.

In the year under review Repower moved decisively ahead with its newly created New Tech business in all its key markets, with innovative projects related to energy efficiency, electric mobility and intelligent uses of electricity well on course. Finally, in 2014 Repower signed an agreement with an intercantonal consortium to sell its Swissgrid shares and convertible bond.

OPERATING ENVIRONMENT

The reporting period was marked by intense debate on energy policy. The Swiss parliament (the National Council) recognised in part the important role of hydroelectric power, which despite representing a renewable resource par excellence has been hardest hit by official schemes to promote and subsidise new renewables. But as the process of setting up a new legal and regulatory framework for the energy business continues, it will be necessary to create a good, efficient basis for competition without ignoring the need for free market mechanisms.

There was another dramatic year-on-year decline in prices on the European energy markets in 2014. This affected other commodities – oil, coal and gas – as well as electricity. Low prices were compounded by the weak euro; doing such a substantial amount of business in the European currency, Repower is tangibly affected by fluctuations in the EUR/CHF exchange rate. The situation will become even more challenging in the wake of the Swiss National Bank's decision in January 2015 to remove the cap on the exchange rate. Apart from this, declining interest rates eroded the value of existing interest rate swaps on the one hand, but at the same time had a positive impact on Repower's refinancing efforts.

RESULTS

Repower's financial results reflect the challenging environment. With total operating revenue of CHF 2.3 billion, Repower posted operating earnings

DR EDUARD RIKLI, CHAIRMAN OF THE BOARD OF DIRECTORS (RIGHT), AND KURT BOBST, CEO:

"In 2014 Repower optimised its core business while moving forward with innovative projects that will help shape the energy business of the future. The net loss reflects an extremely challenging market environment."

(EBIT) before exceptional items of CHF 39 million (down 47% on adjusted EBIT in 2013) and an adjusted net loss of CHF 22 million (adjusted net earnings for 2013: CHF 33 million). Results were negatively impacted by around CHF 6 million in provisions for long-term agreements, translation differences from the disposal of non-Swiss subsidiaries (CHF –8 million) and other smaller exceptional items (CHF –4 million). On the positive side was an exceptional item of around CHF 5 million in connection with the new pension fund arrangement. Repower continues to enjoy very sound finances, and has a strong equity base of CHF 766 million. Various measures led to an improvement in cash flow.

STRATEGY

Repower continues to focus on its key markets in Switzerland, Italy and Romania, but is abandoning the sales business in Germany. Once again this geographic diversification worked in Repower's favour in 2014, with the various country organisations all reaping the benefits of know-how transfer. In addition to optimising its core business, Repower is also increasingly seeking to sell its services outside the company. Added to this, the various areas of its New Tech business continue to take shape. These efforts to supplement the company's core business will also include cooperation with outside organisations.

EFFICIENCY PROGRAMME

The ongoing efficiency programme is having a beneficial effect, with measures to optimise costs resulting in savings of around CHF 17 million in 2014, and savings of more than CHF 20 million anticipated for 2015. Preparations are also under way for another optimisation measure: the merger of Repower Schweiz AG with Repower AG has already been announced, and will take place in 2015.

GRATITUDE

A company's stakeholders are particularly important in a challenging environment. We would like to take this opportunity to thank our shareholders for their trust, our customers for their loyalty, and our employees for their dedication and hard work.

OUTLOOK AND OBJECTIVES

The market situation will remain extremely challenging in the short to medium term. It is hard to predict how market prices and the political and regulatory framework will develop going forward. The outlook is even less clear given the uncertainty on the international front. The EUR/CHF exchange rate is likely to remain volatile at a low level following the removal of the cap. And with market conditions in flux, we have to constantly assess impairment of our plants and projects. The efficiency programme and clearly focused capital expenditure will continue to underpin our business. Repower will continue to consolidate its robust core business and build its New Tech business, an area still in its infancy. These factors, coupled with stable financing, our recognised know-how and ability to forge partnerships, will help assure Repower's good positioning, even through this challenging phase.

Dr Eduard Rikli
Chairman of the Board of Directors

Kurt Bobst
CEO

MARKET SWITZERLAND

The most important milestones in Repower's Swiss home market in 2014 were record production from the company's own hydropower assets and the acquisition of various outside contracts.

Repower operates along the entire electricity value chain in Switzerland, and is firmly established in the various regions of Canton Graubünden. The company generates electricity at its own hydropower plants, operates an international trading business out of Poschiavo, owns and maintains distribution lines, sells electricity to end-consumers, and in New Tech develops innovative solutions for customers and partners.

CONTRIBUTION TO EBIT

The Market Switzerland segment's contribution to EBIT came to CHF 41 million (down 19%) before exceptional items. The year under review was dominated by a renewed decline in prices, which meant that margins at the company's own generation facilities were slightly lower despite an increase in output. Trading's contribution to EBIT remained substantial, albeit somewhat lower than the previous year. Cost savings enabled Sales to increase its share of EBIT somewhat by comparison with 2013.

GENERATION

In 2014, Repower's 17 hydropower plants in Canton Graubünden once again posted **record production figures**, generating a total of 747 gigawatt hours, eight per cent more than in an already excellent 2013. This pleasing result is due on the one hand to the weather – there was abundant precipitation during the year – but also to the good condition of the generation plants and the high quality of the regular maintenance they receive. Added to this, the Taschinas 1 plant generated almost 40 gigawatt hours of electricity that could be processed via the renewable energy balance group on the basis of the feed-in remuneration at cost (KEV) scheme.

At the same time it should be noted that hydropower, despite being an important source of domestically produced renewable energy, can currently no longer be sold at a price sufficient to cover costs because the market is so heavily distorted by massive intervention. As the debate on the Swiss Federal Council's Energy Strategy 2050 goes on, politicians will need to define measures to safeguard the backbone of Swiss energy supply from irreparable damage.

In 2014 Repower continued to invest in maintaining its existing generation assets. Total capital expenditure came to CHF 6 million, CHF 4 million of which went to the refurbishment of No. 1 turbine set-up at Campocologno I in the Poschiavo region of Graubünden.

Repower managed to win various outside **contracts for planning services and implementation**. The company will be planning the replacement of the 220-kV Avegno substation in Canton Ticino on behalf of national grid operator Swissgrid, and has been commissioned by Engadiner Kraftwerke to procure, engineer and commission secondary systems as part of the refurbishment of the switching stations in Pradella near Scuol. Last but not least, in the course of last year Repower continued with preparations for a further contract awarded by Swissgrid at the end of 2013 to maintain eleven substations in southern and central Graubünden between 2015 and 2019.

POWER GENERATION PROJECTS

Repower is confident that hydropower will continue to play a leading role

RECORD HYDRO PRODUCTION

With 747 GWh of power from 17 hydro plants in Graubünden, Repower's record in Switzerland in 2014 was impressive. But the picture is much less rosy when you consider the low energy prices that have undermined the profitability of hydropower.

in energy supply in Switzerland going forward. This prompted it to drive its key generation projects ahead last year despite the challenges currently posed to Swiss hydropower by distortions in the market. However, in the current environment it is not possible to give the go-ahead for construction in any of these projects.

The major Chlus and Lagobianco projects both saw further progress in the approval process. In referenda on whether to grant concession for the **Chlus hydropower project** in the Prättigau/Graubünden Rhine Valley, voters in the twelve municipalities signalled a high degree of acceptance by giving the plans a clear go-ahead. The fact that all the relevant interest groups were closely involved in planning from the outset has now paid off in the form of broad consensus. Chlus has been classified as a project of national importance by the Swiss Federal Office of Energy. Currently the largest hydropower project in Switzerland (besides pumped storage), it could contribute around twelve per cent to the federal government's 2035 strategic target for increasing hydropower generation. Construction of the installation would also solve the problem of excessive fluctuations in the water level of the River Landquart. In short, the Chlus project ticks all the boxes in terms of river restoration and rehabilitation combined with the generation of precious renewable energy. The next step in the project will be submission of the request for concession approval to Canton Graubünden, scheduled before the middle of 2015. Despite this very pleasing progress, it should be noted that this outstanding project cannot be delivered either without major changes in the ground rules.

In April the Canton Graubünden administration approved the concessions for the **Lagobianco pumped-storage project** in the Bernina/Valposchiavo valley area. This marked the successful completion of the first of two phases in the cantonal approval process. Repower was then able to work on finalising the inspection project and phase two of the environmental impact report. This work was concluded in March 2015 with submission of the application for approval of the project at the cantonal level.

Given its storage capacity, the Lagobianco pumped-storage plant could play an extraordinarily important role in terms of realising the Federal Council's Energy Strategy 2050 and integrating new renewables in the system. However, given the environment of heavily distorted market prices that currently prevails, the project is not feasible, and Repower anticipates a delay of several years.

The Lagobianco project also includes the renovation of existing generation assets in the Valposchiavo valley. Now that the goalposts have shifted, these plans have been brought forward; **refurbishment of the Robbia power plant**, for example, is already at an advanced stage of planning.

In addition to these two large-scale projects, Repower also has a number of smaller undertakings in Canton Graubünden. With the granting of a new concession, **Morteratsch power plant** near Pontresina (Repower's oldest generation facility, built in 1890) will be comprehensively refurbished and extended to almost double its expected annual production. The municipality of Pontresina has already approved the concession, and approval is currently under way at the cantonal level.

Since 2011, Repower has operated the Taschinas hydropower plant in the Prättigau valley. The plan now is to extend the facility with the addition

of the **Taschinas 2 plant**. With concessions granted by the relevant municipalities, the next step is to submit the request for approval to the canton.

The two plants, Morteratsch und Taschinas 2, will probably operate under the feed-in remuneration at cost (KEV) scheme.

GRID

Repower operates an extensive power grid in Canton Graubünden, with voltages of between 0.4 and 150 kilovolts. To assure **security of supply** at all times, the company invests in its grid assets on an ongoing basis. Some of this work is done by Repower itself, and some is outsourced. **Total investment** in grid assets came to around **CHF 16 million** in the year under review. Almost one third of this, CHF 6 million, fell to grid level 7, the local distribution grid. This means that together with expenditure on generation assets (see above), in 2014 Repower invested around CHF 22 million in its infrastructure, distributed over the Valposchiavo, Surselva, Prättigau and Engadine regions.

Added to this investment in expanding and refurbishing the grid is the ongoing maintenance and operation of the grid, which also involves tasks such as rectifying grid disruptions. Repower spends around CHF 7 million a year on this work. The **grid continued to operate very reliably**, with any disruptions remedied promptly thanks to the company's regional grid support hubs and on-call service.

Last year there was also new work from various outside customers for grid services, including a contract from Engadiner Kraftwerke (EKW), which gave Repower charge of maintaining its distribution grid between Bever and Martina in the Engadine. The EKW staff who have hitherto been responsible for maintaining this grid now also work for Repower.

In 2014 Repower also optimised its grid load management by modernising its **ripple control system** and making it more robust. This enhancement is designed to allow manageable load to be distributed more flexibly in the future as a way of minimising the growing costs of grid expansion (see also the New Tech section). Another initiative in this area is the creation of the **Netzverbund Nord** grid association, for which the relevant technical, operational and contractual groundwork was done last year. The association will help create synergy in grid planning and grid expansion by bringing together the level-3 grids operated by Axpo, Elektrizitätswerk der Stadt Zürich (ewz) and Repower in northern Graubünden. This is one more example of a move designed to reduce future grid-related costs to the benefit of customers; in particular it should be seen against the backdrop of the massive efforts required to expand and remodel Swiss distribution grids as part of the federal government's energy strategy.

A project to build a **merchant line** between Castasegna in Val Bregaglia (Bergell) and Mese in the Valchiavenna is well on course: in 2014 Repower submitted applications for approval of the cross-border 220-kV line – which is being planned in close collaboration with ewz – to the authorities in Switzerland and Italy.

Repower's Grid team is working with Sales on a number of innovative offerings. They include an extended version of the **Privapower own-use tariff** that Repower brought to market at the beginning of 2014. So far Privapower has been geared to owners of photovoltaic installations who want to use the electricity they generate themselves, in most cases at the same location. Now the idea is to make the smart grid tariff available to all customers, and not just those generating their own electricity. The tariff creates incentives for conscious, efficient energy use, and includes technical aids to help consumers manage and visualise their consumption of electricity. The first installations at select test customers are scheduled for 2015.

TRADING

Energy trading is the hub connecting the company's generation and sales operations with the market. The Group's entire trading operations in various commodities such as electricity, gas, carbon certificates and certificates of origin come together in Poschiavo, from where Repower trades on the Central and Northwest European (CWE/NWE) markets. The focus is on **asset-based trading**, designed to optimise management of the company's own portfolio of assets. In addition to power plants and transmission capacity, this includes supply contracts and the end-customer business. Given an environment of such narrow margins, 2014 CWE/NWE trading results can be described as very good, with particularly positive contributions from the **origination business** and **proprietary trading**.

Repower continued to expand its **trading-related services** during the year under review. The company supplies balance group management services and wholesale market access (see box) to various Swiss energy providers. The gratifying way this business has developed illustrates how Repower's cooperation strategy, initiated three or so years ago with the launch of production investment company Repartner, is no longer limited to generation, but is increasingly bearing fruit at the interfaces between generation, trading and sales.

The Trading team in Poschiavo achieved an extremely pleasing success in August 2014, with **Swiss Federal Railways (SBB/CFF/FSS)** awarding Repower a **contract to develop a power plant optimisation tool**. Repower won the tender in the face of competition from some well-known names. Now the company is developing specific software that will enable SBB to manage deployment of a complex energy system spanning its own power generation assets, interests, long-term agreements, transmission lines and transformers more efficiently. The partnership also extends to services related to wholesale market access and market information. Repower's success in this tender underscores the company's recognised know-how, especially in cases like this where a knowledge of IT has to be combined with market and trading expertise and in-depth technical knowledge of grids and generation.

SALES & MARKETING

During the year under review Repower strengthened and restructured its sales organisation in Switzerland. Operating out of Zurich, the Sales team's job is to acquire new energy utilities for Repower's trading, generation and grid services. It does this in tandem with the established **green power business for large customers and energy suppliers** in Switzerland and Germany, previously handled by the Renewables Trading team.

In Southeast Switzerland, Repower supplies around **50,000 private and commercial customers** with five power products: **Aquapower, Purepower, Solarpower, Mixpower and Privapower**. The standard product, Aquapower, consists of 100 per cent Swiss hydropower. Purepower is pure green power from Canton Graubünden; Solarpower is 100 per cent solar

energy produced in Graubünden; and Mixpower is a low-cost residual mix from European sources. The most recent addition to the Repower offering, Privapower, is an innovative own-use tariff that is now being made available to all customers, not just the primary audience of customers with their own photovoltaic installation (see also the section on grids).

At the end of 2014 Repower announced a partnership with a customer in the liberalised large customer segment, **hotelleriesuisse Pontresina**. Twelve hotels in Pontresina have joined forces to create a customer pool that has signed an electricity supply agreement with Repower for 2015 and 2016. These hotels together use around the same amount of electricity per year as 1,000 average households. This agreement should be seen in conjunction with the partnership between the industry association hotelleriesuisse Graubünden and Repower, underscoring the shared commitment of creating efficient energy solutions going forward.

The political debate on full **electricity market liberalisation** in Switzerland is well under way. According to the current schedule, from 2018 all ultimate consumers in Switzerland should have the option of choosing their power provider on the free market. Repower welcomes these moves towards liberalisation.

NEW TECH

As a supplement to its core business, Repower is working to develop its new tech activities: projects related to product, service and business model innovations that will help shape the future of energy. Changes in the energy landscape mean a need for new technologies enabling system integration – the efficient and intelligent interplay of generation, distribution and consumption and the integration of decentralised energy resources with the system – and the development of new, innovative business models.

In 2014 the Swiss Federal Office of Energy included the **virtual power plant tiko** (formerly BeSmart), developed jointly by Swisscom and Repower, on its list of flagship projects. This label is given to innovative technologies and systems in the context of energy efficiency, renewables, grids and storage that could play a key role in the implementation of the Swiss Federal Council's Energy Strategy 2050. tiko uses communications technology to connect electric heating systems in different households to create a pool, managing the overall load to make control reserve available to balance out fluctuations in the grid. At the end of 2014 Repower tendered for the first ancillary service contracts with Swissgrid. From 2015 larger consumers will also be allowed to join tiko.

On the **electric vehicle** side, Repower is in the process of setting up a charging infrastructure in Canton Graubünden. The company has taken the Palina 1.0 charging station originally developed for the Italian market (see the section on the Market Italy segment on the following pages), adapted it for Swiss requirements, and installed it at select locations. The second generation, Palina 2.0, is currently being developed along with a wall box. This equipment boasts state-of-the-art technology, efficiency and functionality. Repower is also working hard to formulate a strategy for the general development and positioning of electric transportation.

To **optimally manage load** in its regional distribution grid, Repower has created a model for flexibly managing sheddable loads. This innovative tool helps balance load, and will reduce the costs of expanding the regional distribution network without jeopardising good security of supply. There is still potential to be exploited in terms of offering tertiary balancing power.

Repower's **innovation portfolio** in Switzerland currently comprises five project streams covering more than twenty sub-projects.

Developing innovative products, services and business models will become even more important for Repower in the future. The key will be to find forward-looking systems and technologies and innovative business models to increase energy efficiency and thus make a contribution to the energy transition. But this development will need time, and in the short term will not be enough to offset the challenges currently faced in daily business because of massive distortions in the market. So at the political level it is particularly important to make sure that the goals of increased energy efficiency and system integration do not come at the cost of over-regulation, but are the result of developments driven by innovation and free market enterprise.

Repower's trading services at a glance

- **Balance group management**: Energy providers and industrial customers that outsource their balance group management to Repower become part of Repower's balance group. This means they reap the full benefits of synergies and overlaps with Repower's know-how and its trading infrastructure, and have complete transparency and tracea-bility.
- **Market information**: Repower supplies energy providers with the latest market information on a daily basis, with a customised visualisation of the key price drivers on the Swiss and German energy markets and commentaries from professional traders.
- **Market access**: Repower gives energy providers and large customers access to the wholesale market (the forward, spot, intraday and ancillary services market). Customers gain greater flexibility, can dispense with their own systems, and deal with a single counterparty, Repower.
- **Repricer**: Repricer is a straightforward web-based pricing and procurement platform that energy providers and industrial customers can use to generate a quote on the basis of current market prices and close the deal immediately if it meets requirements: www.repower.com/repricer.
- **Structured procurement**: Repower supports energy providers and large customers with procuring and selling electricity. This involves analysing the opportunities and risks and creating and implementing a hedging strategy on the basis of the customer's risk parameters.

MARKET ITALY

Milan is an exciting place to be in 2015, and not just because of the Expo. With many new skyscrapers sprouting up in recent months and the historic quarter of the city experiencing a renaissance, Italy's business capital is buzzing – which could be why the Lonely Planet tourist guide has made Milan one of its top-ten must-see cities of 2015. The sense of hustle and bustle extends to the offices of Repower Italy. As Repower evolves from a pure producer and seller of electricity to a full-service energy services provider in the liberalised Italian market, staff there are playing a lead role in a dramatic process, primarily involving cultural change.

Repower's Market Italy segment spans business activities along the entire value chain, from generating electricity at the Teverola combined-cycle gas turbine (CCGT) plant and Corleto Perticara, Giunchetto and Lucera wind farms to international trading in electricity and gas, selling electricity and gas, providing additional services to small and medium-sized enterprises and the public sector, and developing innovative services designed to improve energy efficiency.

CONTRIBUTION TO EBIT

In 2014 the Market Italy segment contributed CHF 27 million to adjusted operating income (EBIT) – 30 per cent less than the previous year. Despite more intense competition, Sales managed to maintain its adjusted operating income at around 2013 levels. Trading and Generation made significantly lower contributions to earnings than the prior year, despite optimised deployment of the Teverola plant for the balancing energy market.

On the Sales side, thanks to concerted efforts Repower made substantial progress in defining and implementing a range of measures to manage accounts receivable. Sales consultants are now notified even earlier in the process when customers are in arrears, and customers have new options for paying their bills. In 2014 Repower also conducted major factoring transactions, resulting in a year-on-year reduction of almost 13 per cent in outstanding accounts at the end of 2014. To ensure this improvement continues in the long term, during the year under review Repower endeavoured to make sales consultants aware of this issue and enable them to run a quick and easy credit check when acquiring new customers. In addition to these proactive measures, Repower has also optimised its insurance cover for credit risks.

GENERATION

The **Teverola combined-cycle gas turbine (CCGT) plant** in the southern Italian province of Caserta has been in operation since 2007. Originally designed to cover base and intermediate load, primarily during the week, a shift in requirements and market conditions has meant that the plant is now often deployed for a very different purpose. All in all, CCGT plants currently find themselves in a very difficult market situation. However, thanks to its good strategic position, the Teverola plant is increasingly deployed at weekends for the ancillary services market, enabling it to at least partly make up for this unfavourable operating environment. Teverola's flexibility means it can provide ancillary services to stabilise the electricity grid, which are remunerated accordingly by Terna, the Italian grid operator. These changes in the way the plant is deployed have resulted in an interesting mode of collaboration between the teams at Teverola and Sales, with power plant staff offering their counterparts in Sales support including evaluations of thermal images taken as part of the VAMPA offering (see next pages). This illustrates the way Repower is addressing the current market challenges proactively, with the emphasis on making the most of in-house know-how and synergies.

INNOVATION THROUGH TRADITION

Change in the energy industry has to be driven by innovation. But this does not mean traditional hydropower is obsolete. On the contrary: it is the reliable motor that helps make innovation possible in the first place.

Production at the three **wind farms, Corleto Perticara in Basilicata, Giunchetto in Sicily, and Lucera in Apulia**, slightly lagged behind expectations overall, albeit with major weather-related differences between the installations. The advantage of wind farms is that the electricity they generate can be fed into the grid at any time; renewable wind power is given preferential treatment, and is not subject to the same market-related production limits imposed on other technologies.

The approval process for the **Campolattaro project** in the Campania region moved further ahead in 2014, and is currently at the environmental impact assessment stage. Repower is also in the process of negotiating with potential investors. The planned pumped-storage plant is designed to some day provide urgently needed storage capacity at a strategically important location to facilitate integration of new renewables in southern Italy.

In the future, Repower Italy's focus will be on capitalising on production from existing assets, and forging ahead with developing its sales operations and new energy services.

TRADING IN MILAN

From its Milan floor Repower Italy trades in electricity, gas and green power certificates on the domestic and international markets. The main goal of this trading activity is optimising the assets in the company's portfolio, with the trading team responsible for ensuring the best possible deployment of the Teverola combined-cycle gas turbine plant, optimising the use of transmission capacity and managing the customer portfolio.

Last year the Milan Trading unit sold 2.3 terawatt hours of electricity, an increase of 28 per cent by comparison with the previous year. There was also a substantial increase in the volumes of gas traded, with Repower's traders selling 1.9 billion cubic metres (+47% year-on-year).

Three major new innovations dominated Trading in Milan in 2014. As part of efforts to harmonise systems across the group, the **Allegro trading platform** was implemented for gas trading in addition to electricity. The operating system's analysis, valuation, monitoring and reporting functions assure stability and the smooth execution of trading transactions.

Secondly, in 2014 Repower Italy acquired physical **gas storage capacity** in the Netherlands for 2015 and 2016. Thanks to its position, the Netherlands is the most liquid gas market in Europe, which is why it is used as the basis for the European gas reference price. This means that having physical storage capacity there brings greater flexibility and security. This investment is of great strategic importance, especially given Repower's plans to increasingly do business in the European markets.

Thirdly, Trading in Milan has started building a **portfolio of wholesale customers** to be able to sell gas and electricity to wholesalers as well – in particular other sales and distribution companies – who then deliver the energy to their customers.

These three major developments last year illustrate the growing importance of gas in Repower's business. Sales of gas (gas sold to end-consumers and in trading) have increased considerably in recent years (see also the chart on page 7), and in volume terms have now drawn level with the amount of electricity traded.

SALES

In 2014, subsidiary Repower Vendita Italia S.p.A. sold 3.4 terawatt hours of electricity to around 22,000 customers. That is 2.3 per cent less than the previous year. Sales of gas to 10,000 end-customers came to 223 million cubic metres (up 7%). On both the electricity and gas side, Repower focuses on selling to small and medium-sized enterprises and the public sector, accounting for four per cent of the electricity supplied to this segment and 3.6 per cent of the gas.

Repower is positioned in Italy as a quality-conscious supplier with high standards of customer service. To assure personal, individual service, the company has **500 sales consultants** working all over the country who serve as a direct point of contact for the customer. Repower holds regular training days to keep consultants up to speed on products, services and market trends. Thanks to these events, Repower's network of sales consultants has a reputation in the market for professionalism.

In addition to classic electricity and gas supply arrangements, Repower's product portfolio also includes innovative combined offerings. Launched in 2012, **Verde Dentro** has become firmly established in the marketplace, with around 870 customers already taking advantage of a package covering electric mobility services in tandem with electricity from 100 per cent renewable resources. Depending on what the customer chooses, Verde Dentro includes delivery of an electric bike, scooter or car. Customers have many options in terms of how they deploy the vehicle. Some choose to use it as a company car for personal use or make it available to their staff, while other customers in hotels or tourism provide the vehicle free to their guests. Verde Dentro is also a great communications platform for companies that want to market themselves as environmentally friendly, not just in terms of energy, but in terms of transport and mobility. For this reason Repower gives customers the option of personalising their electric vehicles, helping them position themselves as a green business.

To help make it even more efficient for Verde Dentro customers to charge their electric vehicles, at the beginning of 2015 Repower signed an agreement with Italian energy provider A2A that enables Repower customers to now also charge their vehicle at A2A's stations. This gives them greater flexibility and convenience thanks to a more extensive network of charging points.

Palina is the name of the elegant electric vehicle charging station developed by Repower Italy in collaboration with ABB. There are already 100 of these "filling stations" installed all over Italy. In addition to its technical functionality, Palina has made a name for itself in Italy as a striking feature in the urban landscape. The gratifying response to Palina has inspired Repower to launch Palina 2.0, a second, even more efficient version that will enable vehicles to be recharged more quickly. It is due to appear before the end of 2015. After the positive experience in Italy, Repower has now also introduced Palina in Switzerland as part of efforts to set up a charging infrastructure in Canton Graubünden.

A new addition to Repower's offering is **Staffetta**. Customers who choose this tariff get their energy at a fixed price for the first six months, after which they pay a variable price pegged to prices on the Italian energy exchange. The scheme is geared to relatively price-conscious customers who are nevertheless willing to take certain risks. The first reactions to the new offering have been very positive, particularly during the 2014 autumn campaign.

INNOVATION

The job of Repower Italy's Strategy & Business Development team is to identify trends, position the company innovatively, and develop new services from the initial idea to market launch.

To be able to drive the necessary innovation efficiently going forward, in 2014 Repower Italy introduced a new process called **Chagall**. Chagall accompanies innovations throughout their development, monitoring the utility to customers, all aspects of sustainability, and the compatibility of the project with corporate strategy. Close cooperation with the various divisions is crucial, especially at the implementation phase. The idea at the end of the process is to be able to make the final decision on market launch and closely support the introduction of the new service (see graphic on the right).

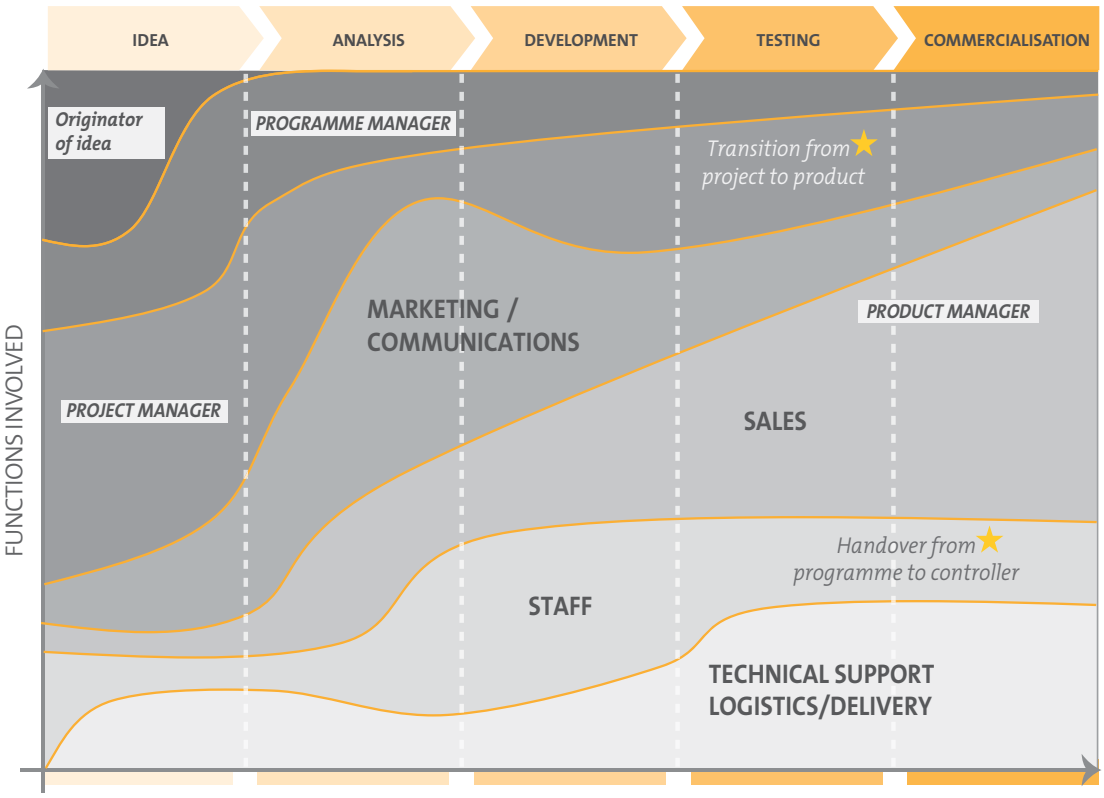
Four major innovations are currently being developed in line with the Chagall approach. The first revolves around the energy efficiency service **eFFettiva**. This is at an advanced stage of testing, with around 60 customers using it on a trial basis. eFFettiva uses software to measure customers' electricity consumption, tracking it in real time on a platform. This way customers have permanent access to data on the electricity their equipment is consuming. Repower then evaluates the gathered data, produces a report, and gives the customer concrete suggestions as to how to optimise consumption.

The second project, **VAMPA**, involves taking thermal images of electrical equipment, also with the aim of helping customers improve their energy efficiency. In addition to boosting efficiency, these thermal images have a preventive function, enabling problems such as overheating equipment to be identified so that timely action can be taken to avoid damage. VAMPA is also in the test phase, and is scheduled for market launch in 2015. A notable feature of this project is the way it is harnessing synergies between Repower's sales consultants and technical staff at the Teverola power plant. Once consultants have taken the thermal images at the customer's premises, they are evaluated by staff at Teverola as a basis for consultants to then recommend areas where their customers could take action.

The third project, **DIODA**, focuses on lighting. DIODA is looking into ways of making optimum use of LED technology, with the aim of bringing a corresponding service to market in the near future.

Finally, the fourth project, **BIG**, is concerned with acquiring large gas and electricity customers. Whereas previously Repower has limited its business to small and medium-size enterprises, it now seeks to expand its customer portfolio. This will require the implementation of specific processes covering everything from quotes and procurement to trading and credit checks. Repower sees this project as a good potential source of earnings.

In addition to these four main projects there are also others under way that are still at an early stage of development.



THE CHAGALL APPROACH: FROM IDEA TO PRODUCT

Repower Italy has adopted the so-called Chagall approach to developing products and services. A programme manager reviews the initial idea to see whether it's practical and potentially viable. Then a project manager takes charge of developing the idea into a product ready for market. Finally a product manager oversees the product or service and monitors its success in the marketplace. Depending on the phase of development the various technical departments may be more or less closely involved.

OTHER SEGMENTS AND ACTIVITIES

Last year Repower's other segments and activities were dominated by preparations to withdraw from the sales business in Germany, progress in the Leverkusen project, the consolidation of Repower's position in Romania, and challenging developments in business at Trading in Prague.

Other segments and activities comprise Repower's operations in the German and Romanian markets, Trading in Prague, and Group functions.

CONTRIBUTION TO EBIT

In 2014 this segment generated operating income (EBIT) of CHF –29 million (up 48% year-on-year) before exceptional items.

GERMANY

In 2014 Repower prepared to withdraw from the retail sales business in Germany. In persistently challenging conditions, the company saw no prospect of posting positive results in the coming years operating as an innovative but small niche player on the German market. Continued customer care is assured, and energy deliveries and contracts will be performed at the agreed terms. The decision to withdraw from Germany does not affect the Leverkusen power generation project, Repower's two wind farms in Prettin (Saxony-Anhalt) and Lübbenau (Brandenburg), the wholesale business with energy suppliers and industrial customers (which is run from Switzerland) or trading on the German market.

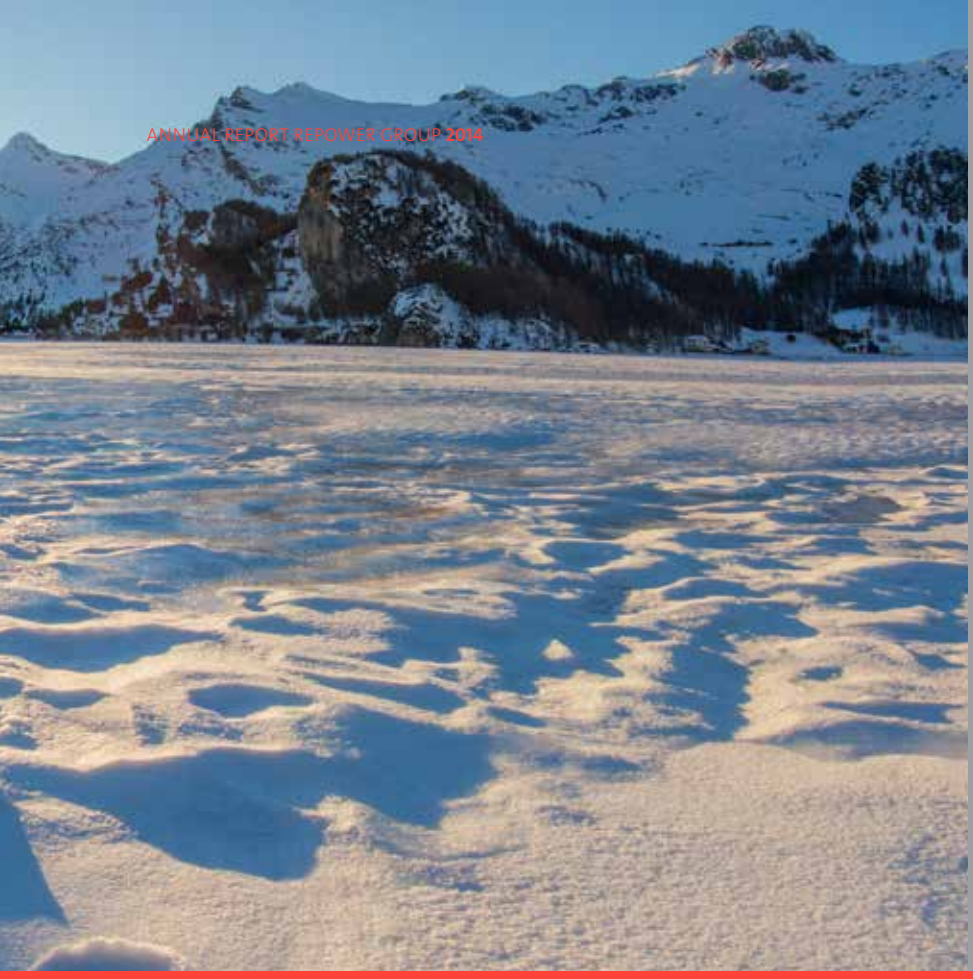
The project to build a **combined-cycle gas turbine (CCGT) plant in Leverkusen** made further progress in the year under review. In March Repower selected the GE/Iberdrola consortium as the preferred bidder for the supply and construction of the plant. The relevant contracts were signed around new year. Planning continues.

The combined heat and power (CHP) plant will generate electricity and steam for the industrial facilities at the CHEMPARK chemical industry site in Leverkusen. The highly efficient facility will play an important role in the future of energy and efforts to meet the German federal government's carbon reduction and energy efficiency targets.

ROMANIA

Repower is well positioned in the Romanian marketplace as a **quality-conscious, customer-centric provider**. Last year the company managed to acquire new customers and increase the volumes of electricity sold. It also optimised its procurement portfolio, raising the number of small independent producers to around 75 per cent and thus reducing its dependence on state-owned producers. Repower sees great potential in marketing energy and certificates on behalf of these independent producers. Romanian producers are obliged to market their electricity directly, which opens up new business models for sales companies like Repower. This contrasts with the situation in Switzerland, for example, where the current regulations completely preclude a marketing model of this sort.

In the course of 2014, Repower Romania developed a new electricity product: **Naturepower**, which consists of 100 per cent renewable energy, has been on the market since the beginning of 2015. Repower anticipates that around 15 per cent of its existing customers will be prepared to switch from a conventional power mix to the new product. The launch



CREATING A SUPPORTIVE MARKETPLACE

All eyes are on energy policy, both in Switzerland and internationally. But if over-regulation is not to put hydropower in the shade, the political debate on the future of energy cannot afford to ignore market mechanisms.

of Naturepower makes Repower the first energy provider in the country to bring a TÜV Rheinland-certified green power product to market.

TRADING IN PRAGUE

Repower trades in electricity on the Central and Southeast European energy markets from its floor in Prague, operating in a total of ten countries in this area. The cyclical nature of trading means that Prague's Trading operations lagged behind expectations in 2014, with the portfolio worth less at end-2014 than a year previously. This is primarily due to the movement of prices, which ran counter to the portfolio's position.

GROUP FUNCTIONS

Group functions (Legal & Risk, Human Resources, Communications, Finance, IT and Services) provide centralised services to the entire organisation and ensure that processes run smoothly. They advise and support the various departments with legal questions, issues related to risk management, human resources and communication, assure efficient controlling, treasury and accounting processes, provide the organisation with a stable IT infrastructure, and take care of insurance, real estate and procurement.

In 2014 the Group functions continued to make major **efforts to cut costs** as part of the efficiency programme. There was a further reduction of CHF 17 million in operating expenses.

In Switzerland Repower rationalised its sites, shifting jobs from Klosters to Küblis and Landquart, and closing the Klosters office. Use of the company's property in Ilanz (an administrative building and works yard) was also optimised. These measures helped streamline business processes and enable more efficient harnessing of synergies. They were all logistical changes that did not involve job cuts.

Efforts to boost efficiency currently under way include the sale of non-operational properties belonging to Repower.

SUSTAINABILITY: REPOWER TAKES ITS SOCIAL RESPONSIBILITY SERIOUSLY

The idea of sustainable business is to strike a harmonious balance between economic, environmental and social interests. The many different facets of sustainability are reflected in the many ways in which Repower strives to achieve this balance. The company takes sustainability, and its responsibility to the environment, employees and society, very seriously indeed.

ENVIRONMENTAL AND WORKPLACE SAFETY

Repower sees its responsibility to its people and the environment as an integral component of the way the company is managed. To this end it conducts regular internal controls, and also has its activities reviewed by external auditors. It endeavours to follow and anticipate new legal requirements, and assesses the need for action accordingly. The safety of staff, customers and people visiting Repower's sites has top priority. The company offers employees specific ongoing training on environmental and safety issues, and makes sure they are equipped with appropriate clothing and equipment to do their job.

In Switzerland Repower has certified management systems in place relating to workplace safety and the environment. In August 2014 it successfully had the relevant certifications (BS OHSAS 18001:2007 for occupational health and safety management systems, and ISO 14001:2004 for environmental management systems) renewed for another three years.

Among other things these management systems involve monitoring the development of energy consumption, carbon emissions, waste, and staff absences resulting from accidents in and outside the workplace. Repower strives for continuous improvement in these areas.

The measures implemented include covering the requirements of all Repower administrative buildings in Switzerland, and all grid losses, with renewable Purepower electricity, replacing all oil heating systems with heat pumps, reducing the fuel consumption of company vehicles, and raising employee awareness.

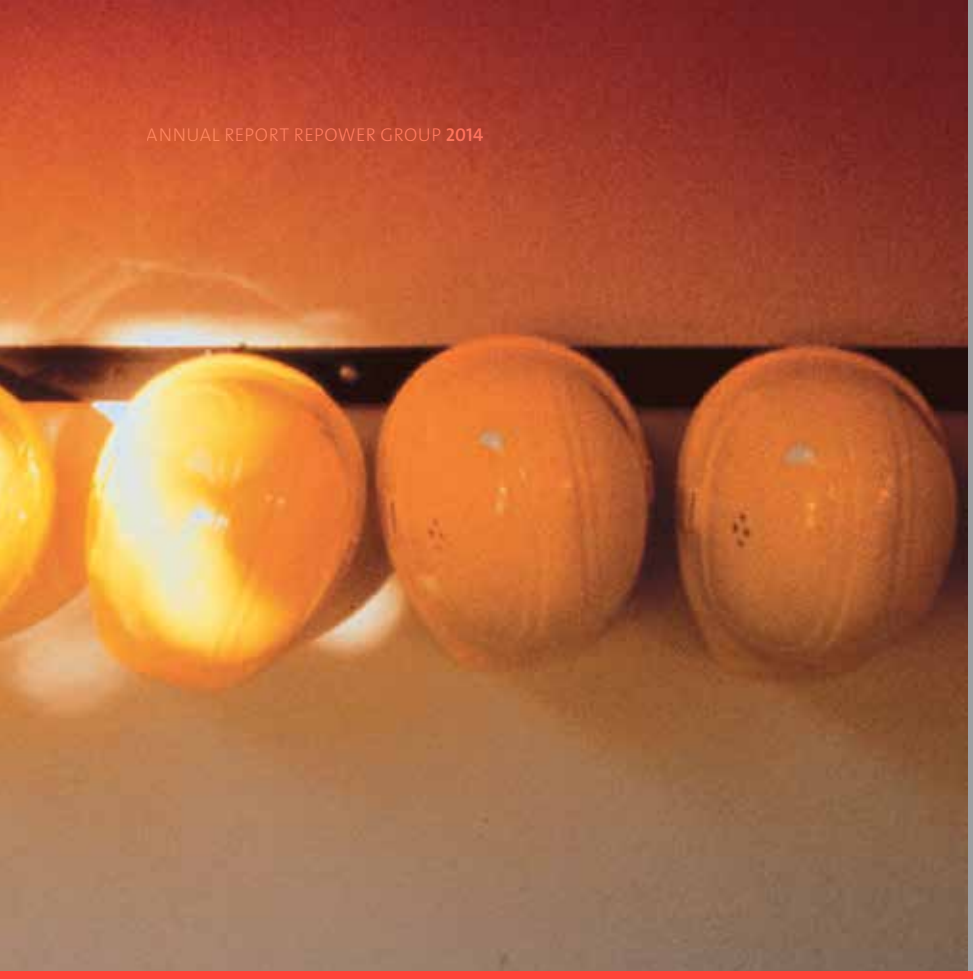
In Italy, Repower's Teverola combined-cycle gas turbine (CCGT) plant has four certifications: ISO 9001:2008 for the quality management system, BS OHSAS 18001:2007 for occupational safety, ISO 14001:2004 for environmental management, and EMAS 1221/2009/CE (Eco-Management and Audit Scheme), also for environmental management.

EMPLOYEES

Repower's staff of around 700 people are the company's human capital. In times of turmoil such as the energy industry is currently experiencing, it is all the more important to have a corporate culture of innovation, the courage to change, initiative, dedication and motivation. Repower fosters this by means of targeted management development, market-based pay, fair conditions of employment, a culture of open feedback, and transparent internal communications.

Every two years Human Resources conducts a survey of staff satisfaction. The next one, scheduled for 2015, will enable comparisons with previous survey findings.

Repower actively manages knowledge by supporting the training efforts of motivated employees and fostering the development of young technical and management specialists.



HARD-HEADEDNESS...

...is an advantage in business. But you also need intelligence and imagination to come up with innovative and sustainable solutions that ensure a successful balance of economic, environmental and social interests.

In its capacity as an employer it also encourages people to switch jobs within the organisation, and basically always advertises vacancies internally first. To facilitate the recruitment of new staff, Repower endeavours to build and maintain a good reputation and image with strong, uniform employer branding.

SOCIETY

Employing around 400 people in Graubünden alone, Repower is an important local source of employment. These jobs are not restricted to the regional centres, but are distributed over various areas, some of them on the periphery. Last but not least, Repower's commitment includes providing vocational training by offering around 30 apprenticeships in eight different trades.

Alongside its role as an important employer in the canton, Repower takes additional responsibility for the society in which it operates. It invests, gives work to outside contractors, and generates positive economic effects for the public sector, for example by way of concession charges.

PRODUCTS AND PROJECTS

Repower's energy offering to customers includes the option of using renewable electricity. The standard product for consumers in Switzerland is Aquapower, 100 per cent hydropower. Repower also offers two naturemade star-certified products, Purepower and Solarpower, plus an innovative own-use tariff called Privapower.

In Italy the company has been very successful with Verde Dentro, a package combining green power with electric vehicles, and in Romania it brought a new, TÜV Rheinland-certified green power product called Naturepower to market at the beginning of this year. In another concrete contribution to promoting electric transportation, Repower has collaborated with ABB to create Palina, a charging station for electric vehicles.

Last year Repower in Italy joined forces with energy portal Orizzontenergia to help set up an innovative project designed to stimulate discussion of the often-used term "sustainability". *Eureka!*, as the project is called, is a simulation that helps users decide on building a new power generation installation. *Eureka!* uses different variables relating to site, technology and size to simulate the impact of the new installation from an economic, environmental and social point of view. It is a useful tool that paints a comprehensive picture of all the sustainability-related aspects of a project. The simulation is available on the online platform www.progettoeureka.it. It was launched last October at a presentation to the Senate in Rome.

CORPORATE GOVERNANCE

This section complies with the structure of the SIX Corporate Governance Directive, the transparency rules laid down in the Ordinance against Excessive Compensation in Listed Stock Companies (OaEC) and the principles set down in the Swiss Code of Best Practice for Corporate Governance, and contains key information on corporate governance in the Repower Group. The information is also available at www.repower.com/governance.

BASIC PRINCIPLES

The principles of corporate governance are laid down in the Articles of Association and in the Organisational Regulations and related Assignment of Authority and Responsibility (available at www.repower.com/governance). The Board of Directors and Executive Board regularly review these principles and revise them as and when required.

GROUP STRUCTURE AND SHAREHOLDERS

The Repower Group consists of Repower AG and its holdings. The registered office of Repower AG is in Brusio in Canton Graubünden, and its postal address is Via da Clalt 307, 7742 Poschiavo. Repower AG is an international energy company based in Switzerland. The group operates along the entire electricity value chain (generation, trading, transmission, sales and distribution). In Italy and Germany it is also involved in the gas business. The Repower Group employs around 700 people.

On 1 April 2014 the corporate structure of the Repower Group was further modified as part of systematic endeavours to implement efficiency measures. The Market CH and Services division was dissolved and the departments contained in it were assigned to the other divisions. The operational group structure thus now comprises four divisions – Generation/Grid, Market, Italy, and Finance – plus four administrative units reporting direct to the CEO. As a result of these efforts to streamline structures, the Executive Board was also reorganised and reduced in size. For this reason Alfred Janka, Head of Market CH and Services, left the Repower Group on 28 February 2014. In July 2014, the group also decided to withdraw from the sales business in Germany.

The Generation/Grid division coordinates the management and maintenance of assets for the generation, transmission and distribution of electricity in Switzerland, implements and evaluates new power generation assets, operates and develops merchant lines, and devotes its activities to the general development and expansion of generation facilities for the Repower Group. The Generation/Grid division is also responsible for operating, maintaining and expanding distribution grids in the company's supply area.

The Market division manages European energy trading and market analysis. It is also in charge of expanding energy trading activities in Switzerland, Italy and selected European markets, managing and further developing the sales business in Romania, and overseeing related projects. Beyond this the Market division coordinates sales activities in the Italian, Romanian and Swiss markets. In Switzerland it is also responsible for sales of electricity and green power certificates to end-consumers.

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

SPECTACULAR NATURE

The rising sun is reflected in the frozen surface of Lago Bianco on the Bernina Pass. The ice starts to melt in the warmth of spring, continuing the eternal cycle that makes it possible to harness water to generate electricity.

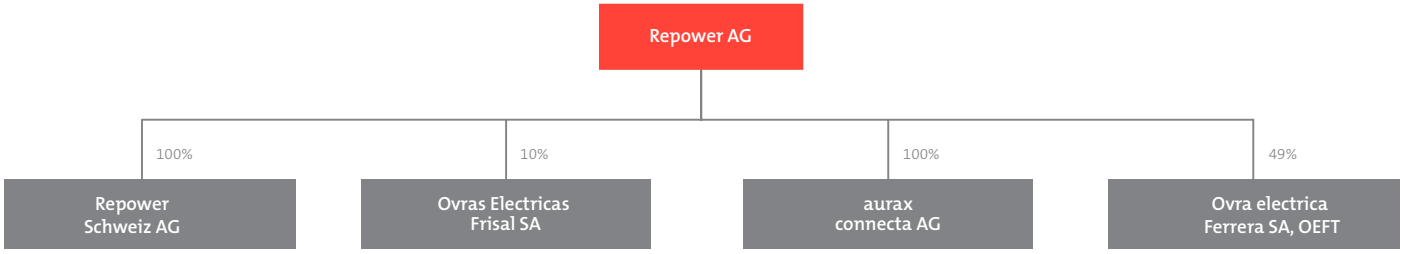
The Finance division manages accounting, controlling and IT activities. The Treasury, Real Estate and Procurement departments also operate within this division.

The Communications, Human Resources and Legal & Risk units, plus the NewTech unit (established in 2014), report directly to the CEO. The Repower Group's NewTech unit focuses on innovative solutions and new technologies, addressing challenges that arise in the market with the aim of developing new fields of business.

The individual operations are managed centrally by Repower AG and are not organised into separate legal structures. However, if management by Repower AG is deemed impossible or inefficient for legal, fiscal or regulatory reasons, or if new legal entities are added (for example through acquisition), management is handled by legally independent subsidiaries. An overview of shareholdings is shown on pages 79 to 85. Here particular attention should be paid to the simplification of the Repower Group's legal structures in Switzerland in spring 2014 (see structure below).

Repower AG shares and participation certificates are listed on the SIX Swiss Exchange.

Canton Graubünden currently holds 58.3 per cent and Axpo Holding AG (Axpo) 33.7 per cent of the shares; together they thus hold 92 per cent of the voting rights. The principal shareholders are committed to one another through a shareholders' agreement. As a core provision of this agreement, the parties agree that in future Repower AG must continue to operate as a private, independent Graubünden company managed according to business principles. The shareholders' agreement also contains limitations on transferability as well as detailed provisions governing corporate governance. In particular, the shareholders' agreement obliges the parties to reach a decision by consensus (right of veto) on issues of strategic importance. Consequently, under Swiss securities law Canton Graubünden and Axpo constitute a shareholder group controlling 92 per cent of the capital.



This shareholding structure is a transitional structure. In the planned definitive structure, Canton Graubünden will hold up to 55 per cent and Axpo up to 21.4 per cent of the shares in Repower AG, while a suitable strategic investor will hold at least 15.6 per cent. The intention is to implement this target structure in the short to medium term.

Detailed information on completed and planned transactions is published on the homepage of the Takeover Commission; see in particular Takeover Commission rulings 521/01 and 521/02 dated 13 November 2012 and 27 March 2013 respectively.

No cross-shareholdings exist. The remaining 8 per cent of the shares are in free float.

CAPITAL STRUCTURE

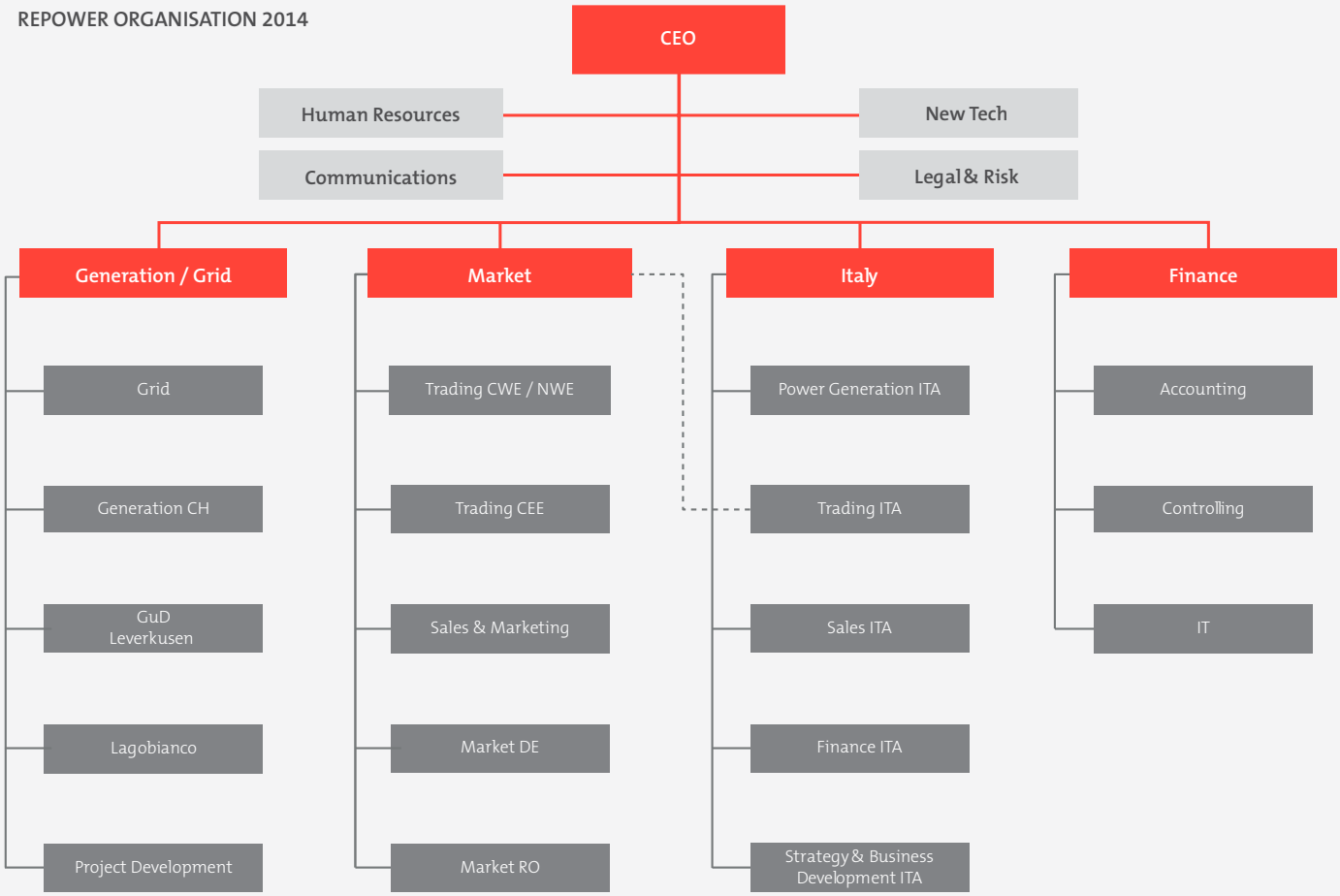
The share capital of Repower AG (information on the share capital is given on pages 5 and 88 of the Annual Report) consists of 2,783,115 bearer shares (Swiss securities no. 1640583) and 625,000 participation certificates (Swiss securities no. 1640584), each with a par value of CHF 1. Each bearer share entitles the holder to one vote at the Annual General Meeting. Each share has a dividend entitlement of equal value. There are no preferential rights or restrictions on voting rights. No authorised or conditional capital exists. Repower AG has no outstanding participation certificates. Repower AG has issued no convertible bonds, options or other securities that entitle the holders to shares or participation certificates in Repower AG. Based on the stock exchange prices for shares and participation certificates, the company had a market capitalisation of CHF 376 million at the end of 2014.

BOARD OF DIRECTORS

MEMBERS

The members of the Board of Directors are listed on pages 28 to 31 of the Annual Report. No member of the Board of Directors of Repower AG performs operational management tasks for the company. Members of the Board of Directors do not sit on the Executive Board of Repower AG or on that of any other Group company. In the three financial years preceding the year under review, no member of the Board of Directors was entrusted with any executive functions within the Repower Group. Some members of the Board of Directors perform executive functions for Axpo Holding AG (one of the principal shareholders) or its affiliated companies. Normal business relations exist with these companies.

Since the provisions governing the number of permissible mandates as per Art. 12 para 1 subpara 1 of the Ordinance against Excessive Compensation in Listed Stock Companies (OaEC) will not be approved until the Annual General Meeting on 29 April 2015, the Articles of Association contained no rules to this effect in 2014.



ELECTION AND TERM OF OFFICE

The members and chairman of the Board of Directors are elected by the Annual General Meeting on an individual basis. The term of office ends with the completion of the next Annual General Meeting. Newly elected members complete the terms of office of their predecessors. The Board of Directors currently comprises twelve members, the maximum permissible number under the Articles of Association. Re-election is possible. According to the Organisational Regulations, members of the Board of Directors must give up their seats on the board as a rule at the Annual General Meeting following the end of the year in which they reach 70 years of age. The Board of Directors may make exceptions to this rule.

The rules governing the appointment of the members of the Compensation Committee are detailed in the Compensation Report on page 34.

The independent proxy is elected by the Annual General Meeting for a term of office ending with the completion of the next Annual General Meeting; re-election is possible. The Annual General Meeting held on 14 May 2014 elected Dr Peter Philipp (Chur) as independent proxy.

INTERNAL ORGANISATION

Apart from the election of the Chairman, the Board of Directors organises itself. It elects its vice chairman and secretary; the Secretary need not be a member of the Board of Directors. There is also a Board Committee that performs the duties of a Nomination and Audit Committee, in addition to other responsibilities. The Board of Directors appoints the Board Committee from among its own members. The Chairman and Vice Chairman automatically serve on the Board Committee by virtue of their office. Members of the Board Committee are elected for the same term of office as the Board of Directors. The four members of the Board Committee are listed on pages 29 and 30 of the Annual Report. In addition to its duties as Nomination and Audit Committee, the Board Committee advises the Board of Directors on business that comes before it, and issues recommendations. It also has the authority to make final decisions on certain types of business (see Assignment of Authority and Responsibility for the Board of Directors and Executive Board). The organisation of the Compensation Committee is described in the Compensation Report on page 34.

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

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

The Board Committee and Board of Directors follow the same procedures in terms of convocation, procedure of the meetings and decisionmaking.

In the year under review the Board of Directors met seven times, the Board Committee five times and the Compensation Committee once. The Board Committee convened five times in its capacity as Audit Committee. Meetings of the bodies normally last half a day.

BOARD COMMITTEE IN ITS CAPACITY AS AUDIT COMMITTEE

The Board Committee, in its capacity as Audit Committee, evaluates the efficacy of the external audit and the functional effectiveness of the risk management processes. It can engage the external auditor or other external advisers to perform special audits for the purpose of internal control. The Board Committee also reviews the status of company compliance with various standards (annual compliance report). The committee critically reviews the individual and consolidated financial statements and the interim financial statements intended for publication; it discusses the financial statements with the CFO and, insofar as this is deemed necessary, with the head of the external auditors. Finally, it also decides whether the individual and consolidated financial statements can be recommended to the Board of Directors for submission to the Annual General Meeting. It evaluates the services and fees of the external auditors and verifies their independence. It also determines whether the auditing role is compatible with any consulting mandates.

BOARD COMMITTEE IN ITS CAPACITY AS NOMINATION COMMITTEE

In its capacity as Nomination Committee the Board Committee prepares re-elections and new elections within the Board of Directors and the election of the CEO of the Repower Group, their deputy and the other Executive Board members.

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

Types of authority granted to the Board of Directors and the Executive Board are defined in the Organisational Regulations and the related Assignment of Authority and Responsibility. The Board of Directors is responsible for the overall direction and strategic orientation of the Repower Group and for supervising the Executive Board. It reviews and determines on an annual basis the objectives and strategy of the Repower Group as well as the corporate policy in all sectors, and makes decisions regarding short- and long-term corporate planning. It also deals with the organisational structure, accounting structure, internal control system and financial planning, the appointment and discharge of the persons entrusted with management and representation (namely the CEO, deputy CEO and the other members of the Executive Board), preparation of the Annual Report, preparations for the Annual General Meeting and implementation of its resolutions, and making decisions on compensation policy and drawing up the Compensation Report. The Board of Directors has delegated the entire operational management of the Repower Group to the CEO. The CEO has delegated certain management functions to the members of the Executive Board. Some types of business or

transactions must be presented to the Board of Directors and/or the Board Committee for a decision in accordance with the Assignment of Authority and Responsibility (Annex to the Organisational Regulations).

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

At each meeting of the Board of Directors and the Board Committee, the CEO and the members of the Executive Board report on current business developments, important business transactions and the status of major projects. Aside from these meetings, any member of the Board of Directors may ask the CEO to provide information about the course of business and also, if the Chairman agrees, about individual transactions. Supervision and control of the Executive Board is handled by approving the annual planning and on the basis of detailed quarterly reporting comparing actual and target figures. Quarterly reporting includes data on the volumes of energy sold and procured, the income statement and balance sheet (including expected values for the most important key figures, namely energy sales, total operating revenue, operating income, profit, cash flow, capital expenditure, property, plant and equipment, total assets, equity, economic value added), energy trading risks (market risks and counterparty risks) and key projects. Important key figures on the individual markets (in particular the Swiss and Italian markets), trading and the Corporate Centre also form part of the quarterly reporting. Repower also does segment reporting in accordance with IFRS 8 (for more information, see page 55 "Segment reporting" and page 104 ff.). The Board of Directors also receives quarterly progress reports and final performance reports on key projects, as well as – if specifically requested – status reports on individual business activities. Annual and long-term planning covers corporate objectives, key projects and financial planning. In addition there are risk management and auditors' reports to facilitate the assessment of management and the risk situation. Repower Group has a risk management system which is described in detail in a policy issued by the Board of Directors. At the end of each year the Board of Directors defines the risk strategy for the following financial year. Significant risks must be brought to the attention of the Board of Directors at least once a year, with quarterly updates to advise the Board of Directors of any changes in these risks. A description of the risk and financial risk management policies of the Repower Group can be found on pages 62 to 67. The auditors draw up a comprehensive report once a year documenting the key findings of their audit.

EXECUTIVE BOARD OF THE REPOWER GROUP

Kurt Bobst
CEO (Chairman of the Executive Board of the Repower Group)

Felix Vontobel
Head of Generation/Grid, Deputy CEO

Stefan Kessler
CFO (Head of Finance)

Giovanni Jochum
Head of Market

Fabio Bocchiola
Head of Italy

The list on pages 32 and 33 provides detailed information on members of the Executive Board (name, age, position, nationality, date of joining the company, professional background, and other activities and interests). No management tasks were transferred to third parties.

Since the provisions governing the number of permissible mandates as per Art. 12 para 1 subpara 1 of the Ordinance against Excessive Compensation in Listed Stock Companies (OaEC) will not be approved until the Annual General Meeting on 29 April 2015, the Articles of Association contained no rules to this effect in 2014.

SHAREHOLDERS' RIGHTS OF PARTICIPATION

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

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

Each shareholder may be represented at the Annual General Meeting by another shareholder by proxy by granting them written authority or by the independent proxy by granting them written or electronic authority. Each share entitles the holder to one vote at the Annual General Meeting.

CHANGE OF CONTROL AND DEFENSIVE MEASURES

The mandatory offer requirement under Swiss securities law applies, since the Articles of Association do not include any provision in this regard. No clauses pertaining to change of control exist either for members of the Executive Board or for members of the Board of Directors.

AUDITOR

Since 1996, PricewaterhouseCoopers, Chur, Switzerland, has been appointed annually by the Annual General Meeting as the statutory auditor and Group auditor. The auditor-in-charge, Beat Inauen, has been responsible for the engagement since 2010. PricewaterhouseCoopers was paid a total fee of CHF 1,013,000 for its auditing services for the Group in the 2014 financial year and CHF 300,000 for other consulting services. The fees for other consulting services comprise the following: CHF 262,000 for tax consulting, CHF 19,000 for project-related consulting and CHF 19,000 for other consulting services.

SUPERVISION AND CONTROL INSTRUMENTS VIS-À-VIS THE AUDITORS

The Board Committee, in its capacity as Audit Committee and on behalf of the Board of Directors, monitors the credentials, independence and performance of the auditor and its audit experts. It obtains information at least once a year from the audit managers and the Executive Board concerning the planning, execution and findings of the audit work. The Board Committee asks the auditors to provide the audit plans and any proposals for

improving internal controls. The auditors draw up for the Board of Directors a comprehensive report with findings on accounting practices, internal controls, the execution and results of the audit. The items and improvements discussed in the report are reviewed by the auditors in an interim audit and the results are presented to the Board Committee. In 2014 representatives of the external auditor participated in three meetings of the Board Committee in its capacity as Audit Committee.

INFORMATION POLICY

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

IMPLEMENTATION OF THE ORDINANCE AGAINST EXCESSIVE COMPENSATION IN LISTED STOCK COMPANIES

The Ordinance against Excessive Compensation in Listed Stock Companies (OaEC), which came into force on 1 January 2014, will be fully implemented at the 2015 Annual General Meeting. This means that there will be a motion to amend the Articles of Association as laid down in the OaEC and a vote on the compensation paid to members of the Board of Directors and the Executive Board for the 2015 financial year. In addition, a Compensation Report has been drawn up for the 2014 financial year (to be found on pages 34 to 36). The Compensation Report will be submitted to the 2015 Annual General Meeting for an advisory vote. The other requirements of the law were already implemented at the 2014 Annual General Meeting.

EVENTS AFTER THE BALANCE SHEET DATE

At its meeting on 27 March 2015 the Board of Directors passed new remuneration rules for the Board of Directors valid as of 1 January 2015. An innovation in this connection is that a flat fee has been set according to the function of the respective member of the Board of Directors. Out-of-pocket expenses will also be reimbursed. The flat fee is calculated on the basis of the average estimated annual time involved as a percentage of full-time equivalent multiplied by an industry-standard salary appropriate to the qualifications required.

The legal structure of the Repower Group in Switzerland is being streamlined again in early 2015 by merging Repower Schweiz AG with Repower AG retroactively with effect 1 January 2015.

MEMBERS OF THE BOARD OF DIRECTORS

- DR EDUARD RIKLI
- DR MANFRED THUMANN
- DR MARTIN SCHMID
- DR RUDOLF HUBER
- PLACI BERTHER
- CLAUDIO LARDI
- ROLF W. MATHIS
- ROGER VETSCH
- DR MYRIAM MEYER STUTZ
- GERHARD JOCHUM
- DOMENICO DE LUCA
- PETER MOLINARI

BOARD OF DIRECTORS*

MEMBERS OF THE BOARD OF DIRECTORS ARE ELECTED TO SERVE UNTIL THE 2015 ANNUAL GENERAL MEETING.

DR EDUARD RIKLI (1951)

Swiss citizen, Dr.sc.techn., dipl. Masch.-Ing. ETH
Member of the Board since 2010
Chairman of the Board of Directors, the Board Committee and the Compensation Committee

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PROFESSIONAL CAREER

Previous

- Head of Sulzer Turbo Product Division (1990–95)
- Member of the Sulzer Executive Committee (1996–2003)
- Head of Corporate Development, Sulzer Group (1996–98)
- Head of Sulzer Roteq Division (1998–2000)
- Head of Sulzer Services and Equipment Division (2000–01)
- Head of Sulzer Metco Division (2001–03)
- Chief Executive Officer, Mikron Group (2004–09)

Current

- Self-employed

OTHER ACTIVITIES AND FUNCTIONS

Positions on boards of major corporations, organisations and foundations

- Chairman of the Board of Directors of Brütsch/Rüegger Holding AG
- Member of the boards of directors of Delta JS AG,
- Hatebur Umformmaschinen AG, Mikron Holding AG, Nova Werke AG, and Bioengineering AG
- Member of the boards of trustees of the Technopark Foundation, Zurich, the Technorama Foundation, Winterthur, and other foundations
- Chairman of the Industrial Advisory Board of the Federal Institute of Technology, Zurich, Department of Mechanical Engineering

Permanent positions with important interest groups

- Member of the Executive Board of Swissmem Zurich

DR MANFRED THUMANN (1954)

Swiss citizen; Dr. Ing.
Member of the Board since 2013
Vice Chairman of the Board of Directors, the Board Committee and the Compensation Committee

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PROFESSIONAL CAREER

Previous

- Various roles at ABB Group and as a researcher at the German Aerospace Centre
- Director of gas turbine business, Alstom (1997–2003)
- Member of Axpo AG Executive, responsible for nuclear power division and managing director of Kernkraftwerk Leibstadt AG (2003–07)
- Member of the Group Executive, Axpo Holding AG (2004–14)
- Chief Executive Officer (CEO) of Axpo AG (2007–12)
- Head of Assets Division, Axpo (2013–14)

Current

- CEO of Venga GmbH, Lengnau

OTHER ACTIVITIES AND FUNCTIONS

Positions on boards of major corporations, organisations and foundations

- Chairman of the boards of directors of Kernkraftwerk Leibstadt AG, Axpo Grid AG, Ersatz Kernkraftwerk Beznau AG and Resun AG
- Vice chairman of the boards of directors of Ersatz Kernkraftwerk Mühleberg AG and Kernkraftwerk Niederamt AG

DR MARTIN SCHMID (1969)

Swiss citizen; Dr. iur. HSG, lawyer
Member of the Board since 2008
Member of the Board Committee and Compensation Committee

PROFESSIONAL CAREER

Previous

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

Current

- Lawyer with Kunz Schmid Rechtsanwälte und Notare AG, Chur

OTHER ACTIVITIES AND FUNCTIONS

Positions on boards of major corporations, organisations and foundations

- Chairman of the boards of directors of Engadiner Kraftwerke AG, Calanda Kies und Beton Gruppe and the Swiss Gas Industry Association (VSG)
- Chairman of the Board of Trustees and Board of Directors of the Cantonal Hospital of Graubünden
- Member of the boards of directors of Fontavis AG, UBS Clean Energy Infrastructure Switzerland AG and Swissgas AG

Permanent positions with important interest groups

- Member of the executive committees of economiesuisse, Energieforum Schweiz (Swiss Energy Forum) and the Swiss Energy Council

Official functions and political offices

- Member of the Swiss Council of States for Canton Graubünden

DR RUDOLF HUBER (1955)

Swiss citizen; Dr. oec. publ.
Member of the Board since 2013
Member of the Board Committee and Compensation Committee

PROFESSIONAL CAREER

Previous

- Bucher-Guyer AG (now Bucher Industries): Head of Group Finance/CFO (1986–92)
- Geberit AG: CFO and member of the Executive Board (1992–2004)

Current

- Independent consultant and proprietor of consulting firm Axega GmbH, Zurich
- Adjunct lecturer at the University of St Gallen and lecturer at the Lucerne University of Applied Sciences and Arts
- Member of various boards of directors and advisory boards

OTHER ACTIVITIES AND FUNCTIONS

Positions on boards of major corporations, organisations and foundations

- Chairman of the Board of Directors of Looser Holding AG
- Member of the boards of directors of Swiss Prime Site AG, Georg Fischer AG and WICOR Holding AG
- Member of the Board of Directors of Hoerbiger Holding AG and of the Board of Trustees of the Hoerbiger Foundation
- Chairman of the Advisory Board of Peri GmbH, Weissenhorn, Germany

Permanent positions with important interest groups

- President of CFO Forum Switzerland (CFOs)

PLACI BERTHER (1959)

Swiss citizen; lic. iur., lawyer

Member of the Board since 2011

PROFESSIONAL CAREER

Previous

- Independent lawyer in Chur/Sedrun (1990–2002)
- Member of the Vorderrhein District Court (1991–94)
- Mayor of Tujetsch, Sedrun (1993–2005)
- President of the Vorderrhein District Court (1995–2000)

Current

- Independent lawyer in Sedrun

OTHER ACTIVITIES AND FUNCTIONS

Permanent positions with important interest groups

- President of the Administrative Commission of the Catholic Regional Church, Graubünden

CLAUDIO LARDI (1955)

Swiss citizen; lic. iur., lawyer

Member of the Board since 2011

PROFESSIONAL CAREER

Previous

- Secretary-general of an international hotel and restaurant holding company (1986–96)
- Lawyer, until 1998
- Member of the Executive Council of Canton Graubünden (1999–2010)

Current

- Lawyer

OTHER ACTIVITIES AND FUNCTIONS

Positions on boards of major corporations, organisations and foundations

- President of the Milton Ray Hartmann Foundation
- Member of the Board of Directors of educa.ch

Permanent positions with important interest groups

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

ROLF W. MATHIS (1956)

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

Member of the Board since 2003

PROFESSIONAL CAREER

Previous

- BBC (ABB), design engineer (1979–82)
- Defence Services Group, project engineer and section head (1982–87)
- Various positions at Von Roll Betec AG, latterly as Head of Business Unit (1990–98)

Current

- Member of the Executive Board of Axpo Power AG and Head of Hydroenergy Division

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OTHER ACTIVITIES AND FUNCTIONS

Positions on boards of major corporations, organisations and foundations

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

Permanent positions with important interest groups

- Member of the executive boards of Schweizerischer Wasserwirtschaftsverband (Swiss Water Management Association) and VGB PowerTech

ROGER VETSCH (1965)

Swiss citizen; dipl. Bauingenieur FH

Member of the Board since 2012

PROFESSIONAL CAREER

Previous

- Degree in civil engineering from the University of Applied Sciences Rapperswil (1988)
- Managing director of construction company Anton Vetsch Klosters (1990–96)
- Took over construction company Vetsch Klosters (1996)

Current

- CEO and owner of construction company Vetsch Klosters AG

OTHER ACTIVITIES AND FUNCTIONS

Positions on boards of major corporations, organisations and foundations

- Member of the Board of Directors of Kieswerk Arieschbach AG

Official functions and political offices

- Member of the Parliament of Canton Graubünden
- Chairman of the local BDP party in Klosters-Serneus

DR MYRIAM MEYER STUTZ (1962)

Swiss citizen; Dr. sc. techn. ETH/dipl. Masch.-Ing. ETH

Member of the Board since 2013

PROFESSIONAL CAREER

Previous

- Director of engineering division, SR Technics (1998–2000)
- Member of the executive management of Swissair Flight Operations, Swissair (2000–02)
- Member of the executive management of Roche Consumer Health, Roche (2002–05)
- CEO, RUAG Aerospace (2005–08)

- Group CEO, WIFAG-Polytype Holding AG (2009–11)

Current

- Owner and CEO of mmtec

OTHER ACTIVITIES AND FUNCTIONS

Positions on boards of major corporations, organisations and foundations

- Member of the boards of directors of Swiss Post Ltd, SITA (aviation) and Bedag Informatik AG
- Vice president and member of the steering committee of the Commission for Technology and Innovation (CTI)
- Member of the board of trustees of Swisscontact

Permanent positions with important interest groups

- Member of the Advisory Committee on International Development Cooperation (IC/SDC)
- Member of the industrial advisory board of the Swiss Federal Institute of Technology (ETH), Zurich, Department of Mechanical and Process Engineering

GERHARD JOCHUM (1953)

German citizen; degree in economics

Member of the Board since 2013

PROFESSIONAL CAREER

Previous

- Managing partner of a consulting firm specialised in the energy business, Bonn and Saarbrücken (1975–85)
- Head of department at a municipal and regional energy utility, Saarbrücken (1985–94)
- Chairman of the management board of swb AG, Bremen (1994–2000)
- Member of the management board of EnBW Energie Baden-Württemberg AG, Karlsruhe, and chairman of the management board of Neckarwerke Stuttgart AG, Stuttgart (2000–03)

Current

- BÜRO JOCHUM, Berlin

OTHER ACTIVITIES AND FUNCTIONS

Positions on boards of major corporations, organisations and foundations

- Chairman of the Supervisory Board of GASAG Berliner Gaswerke Aktiengesellschaft, Berlin
- Member of the supervisory boards of GDF SUEZ Energie Deutschland AG, Berlin, and STEAG GmbH, Essen
- Member of the shareholders' committee of Ludwig-Bölkow Systemtechnik GmbH, Ottobrunn (Munich)
- Chairman of the Board of Privatstiftung Wozabal (private foundation), Linz, Austria

Permanent positions with important interest groups

- Permanent advisor to the Germany Energy Agency (DENA), Berlin

DOMENICO DE LUCA (1966)

Swiss and Italian citizen; MSc in mechanical engineering, CFA, MBA

Member of the Board since 2014

PROFESSIONAL CAREER

Previous

- ABB SAE Sadelmi SpA (Milan and Dubai): Assistant to the ABB consortium's project manager for the construction and commissioning of the power plant and Al Taweela desalination plant (1994–96)
- Mixpac Systems AG: Head of Sales for Adhesives and Medicine in Southern Europe and USA (1997–2000)
- EGL AG: Head of Italian Market (2000–01)
- EGL Espana SL, Madrid: CEO (2001–07)
- EGL ITALIA SPA (Genoa, Rome and Milan): CEO (2007–09)
- EGL AG: Member of the Executive Board, Head of Energy Trading and Origination (2009–12)
- Axpo Trading AG: Member of the Executive Board, Head of International Trading & Origination (2012–14)

Current

- Head of Axpo Group's Trading & Sales business area, Member of Axpo Group Executive Board
- CEO of Axpo Trading AG

OTHER ACTIVITIES AND FUNCTIONS

Positions on boards of major corporations, organisations and foundations

- Member of the Board of Directors of Axpo Italia

Permanent positions with important interest groups

- EFET board member

PETER MOLINARI (1948)

Swiss citizen; dipl. Kult. Ing. ETH

Member of the Board since 2014

PROFESSIONAL CAREER

Previous

- Director of Engadiner Kraftwerke AG (1993–2013)

Current

- Retired

OTHER ACTIVITIES AND FUNCTIONS

Positions on boards of major corporations, organisations and foundations

- Vice Chairman of the Board of Directors of Pendicularas Motta Naluns Scuol Ftan Sent

Permanent positions with important interest groups

- Chairman of the Arbeitsgemeinschaft Alpine Wasserkraft (AGAW) consortium

** Details of mandates are correct as of 31 December 2014.*

EXECUTIVE BOARD*

KURT BOBST (1965)

Swiss citizen; federally certified controller
CEO since 2008

PREVIOUS SENIOR POSITIONS

- Head of Administration at SABAG Hägendorf (1985–92)
- Head of Financial Accounting at Atel (1992–95)
- Business consultant at PwC and A.T. Kearney (1995–2001)
- Head of Management Consulting at Pöyry, CEO of Pöyry Switzerland (2002–08)

POSITIONS ON BOARDS OF MAJOR CORPORATIONS, ORGANISATIONS AND FOUNDATIONS

- Vice Chairman of the Board of Directors of Grischelectra AG
- Member of the Board of Directors of Repartner Produktions AG

PERMANENT POSITIONS WITH IMPORTANT INTEREST GROUPS

- Member of the Executive Board of the Association of Swiss Electricity Suppliers (VSE)

FELIX VONTOBEL (1958)

Swiss citizen; dipl. Elektroingenieur FH
Since 1987: Kraftwerke Brusio (now Repower AG)
Since 1992: Deputy Director of Kraftwerke Brusio
Since 2000: Deputy CEO
Head of Generation/Grid

PREVIOUS SENIOR POSITIONS

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

POSITIONS ON BOARDS OF MAJOR CORPORATIONS, ORGANISATIONS AND FOUNDATIONS

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

PERMANENT POSITIONS WITH IMPORTANT INTEREST GROUPS

- Member of the management board of the Swiss Water Management Association

STEFAN KESSLER (1973)

Swiss citizen; lic. iur. HSG, lawyer, LL.M., MAS in corporate finance
Since 2005: Rätia Energie AG (now Repower AG)
Since 2011: Member of the Executive Board
CFO (Head of Finance)

PREVIOUS SENIOR POSITIONS

- Legal counsel at LGT Group (2001–04)
- Lawyer at Baker & McKenzie (2004–05)

THE REPOWER EXECUTIVE BOARD

Stefan Kessler

Giovanni Jochum

Kurt Bobst

Felix Vontobel

Fabio Bocchiola

(from left to right)

GIOVANNI JOCHUM (1964)

Swiss citizen; lic. oec. HSG
Since 1993: Kraftwerke Brusio AG (now Repower AG)
Since 1998: Deputy Director of Kraftwerke Brusio AG
Since 2000: Member of the Executive Board
Head of Market

PREVIOUS SENIOR POSITIONS

- Auditor with Revisuisse Price Waterhouse (1990–92)

POSITIONS ON BOARDS OF MAJOR CORPORATIONS, ORGANISATIONS AND FOUNDATIONS

- Chairman of the boards of directors of Repartner Produktions AG and Swibi AG
- Member of the boards of directors of AKEB, Rhiienergie AG and Swisscom Energy Solutions AG

PERMANENT POSITIONS WITH IMPORTANT INTEREST GROUPS

- Member of the Management Committee of the Institute for Operations Research and Computational Finance/CC Energy Management, University of St. Gallen

FABIO BOCCHIOLA (1964)

Italian citizen; diploma in business administration, piano diploma from the Conservatory in Brescia
Since 2002: Rezia Energia Italia S.p.A. (now Repower Italia S.p.A.)
Since 2010: Member of the Executive Board
Head of Italy

PREVIOUS SENIOR POSITIONS

- DALKIA, Regional Manager, Central and Southern Italy, with one year's experience in France (1990–95)
- ASTER, Assistant Operations Manager (1995–96)
- EDISON, Key Account Manager (1996–99)
- EnBW, Head of Sales (2000–02)

PERMANENT POSITIONS WITH IMPORTANT INTEREST GROUPS

- Member of the Energia Concorrente Committee
- Member of the Committee of the Swiss Chamber of Commerce in Italy

** Details of mandates are correct as of 31 December 2014.*

COMPENSATION REPORT

Like the section on corporate governance, the Compensation Report is subject to the SIX Corporate Governance Directive and complies with the transparency rules laid down in the Ordinance against Excessive Compensation in Listed Stock Companies (OaEC) and the principles set down in the Swiss Code of Best Practice for Corporate Governance.

The Compensation Report contains information on the Compensation Committee, compensation policy and the procedure for setting compensation paid to the Board of Directors and Executive Board, and states the compensation paid for the 2014 financial year.

COMPENSATION COMMITTEE

The Compensation Committee consists of four members of the Board of Directors who are elected individually on an annual basis by the Annual General Meeting. The members of the Compensation Committee are listed on pages 29 and 30 of the Annual Report. The Compensation Committee and Board of Directors follow the same procedures in terms of convocation, procedure of the meetings and decisionmaking.

The Compensation Committee deliberates on matters of compensation policy, especially at the highest corporate level, and prepares the compensation policy on behalf of the Board of Directors. In doing so the Compensation Committee makes sure that the company offers appropriate total compensation in line with the market and performance to attract and retain people with the requisite skills and character, also making sure that compensation is made dependent on the sustained success of the company and the personal contribution. The Compensation Committee also prepares the motions to be put before the Annual General Meeting relating to the compensation paid to the Board of Directors and Executive Board, and bears responsibility for ensuring that the employment contracts with the members of the Executive Board are in compliance with the law and contain provisions that are appropriate to the market and protect the interests of the company. The Compensation Committee decides the pay and pay components of individual members of the Executive Board within the scope of the total amount set by the Annual General Meeting.

CONTENT OF COMPENSATION AND PROCEDURE FOR SETTING COMPENSATION

Since the provisions of the Articles of Association relating to the principles for performance-based compensation and the principles for granting equity securities, conversion and option rights and the additional amount for compensation of members of the Executive Board who are appointed after the voting on compensation in the General Meeting will not be approved until the Annual General Meeting on 29 April 2015, the Articles of Association contained no rules to this effect in 2014. The same applies to the rules in the Articles of Association governing loans, credits and pension benefits to members of the Board of Directors and the Executive Board, and those governing votes on compensation at the Annual General Meeting.

On 29 April 2015 the Annual General Meeting will vote for the first time on the total compensation paid to the Board of Directors and Executive Board.

PRINCIPLES FOR COMPENSATION TO THE MEMBERS OF THE BOARD OF DIRECTORS

On 31 December 2014 the Board of Directors consisted only of non-executive members. The members of the Board of Directors receive compensation based on the work they have performed and their responsibilities in accordance with the Articles of Association and Organisational Regulations. This compensation consists of a fixed payment and attendance fees. Out-of-pocket expenses are also reimbursed. Compensation is set by the Board of Directors, and does not depend on the company's earnings. The Board of Directors last adjusted the fixed payment and the attendance fees in 2006. Compensation is based on comparisons with the compensation paid to members of the boards of directors of other Swiss companies of similar size operating in the energy industry. Compensation is reviewed at indeterminate intervals and adapted if necessary. There are no share or option-based compensation plans.

PRINCIPLES FOR COMPENSATION TO THE MEMBERS OF THE EXECUTIVE BOARD

The compensation paid to members of the Executive Board comprises a fixed and a variable component. The fixed component consists of the base salary, and can also contain other compensation components and benefits. Depending on achievement of operational targets, the variable component may amount to a maximum of 40 per cent of the annual base salary. The fixed and variable components are set by the Compensation Committee on an annual basis. The fixed component is based on a proposal made by the CEO on the basis of the development of the Group. The Compensation Committee weights this reference figure to set the fixed component at its discretion. The variable component depends on achievement of the Repower Group's financial targets and the member's personal performance targets. To set the variable component, the following figures are combined and given an overall weighting of 50 per cent: Repower Group EBIT, EVA (economic value added) and net debt to EBITDA. For each member of the Executive Board, between three and a maximum of five personal performance objectives are set, which are likewise weighted 50 per cent to calculate the variable component.

The CEO submits his proposal for the variable components for each individual member to the Compensation Committee for it to make a final decision. Personal performance is evaluated in a meeting with the member's superior at the end of the reporting period on the basis of the objectives agreed at the beginning of the financial year. All compensation components are paid in cash. The Compensation Committee informs the full Board of Directors of the status of the process of determining and paying compensation by submitting the minutes immediately after each meeting; the chair of the Compensation Committee also informs the Board of Directors orally at its next meeting. The members of the Executive Board and the other members of the Board of Directors do not attend meetings of the Compensation Committee where their compensation is being decided. However, the CEO will be called to attend certain parts of these meetings in an advisory capacity. No external advisors were involved in designing the compensation system.

COMPENSATION FOR THE 2014 FINANCIAL YEAR

The entire section that follows is subject to review by the auditors.

COMPENSATION PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS

In the year under review the members of the Board of Directors received cash compensation in the amount of CHF 692,859 (prior year: CHF 754,918). Compensation breaks down in detail as follows:

CHF	Member of Board of Directors from/ until	Gross compensation[1]	Employer contributions	Total comp. 2014	Gross compensation	Employer contributions	Total comp. 2013
Dr Eduard Rikli, chairman, from 01.01.10	from 01.01.10	120,000	9,852	129,852	122,000	7,625	129,625
Dr Manfred Thumann, vice chairman, from 14.05.14 [2]	from 15.05.13	63,019	-	63,019	25,659	-	25,659
Dr Martin Schmid	from 23.05.08	86,453	7,098	93,551	107,800	6,738	114,538
Dr Rudolf Huber	from 15.05.13	80,000	6,568	86,568	49,318	3,083	52,401
Placi Berther	from 04.05.11	37,100	3,046	40,146	47,600	2,975	50,575
Claudio Lardi	from 04.05.11	35,000	2,874	37,874	41,000	2,563	43,563
Rolf W. Mathis [2]	from 02.05.03	36,500	-	36,500	43,300	-	43,300
Roger Vetsch	from 09.05.12	35,000	2,874	37,874	35,000	2,188	37,188
Dr Myriam Meyer Stutz [2]	from 15.05.13	35,000	-	35,000	25,659	-	25,659
Gerhard Jochum	from 15.05.13	35,000	2,874	37,874	25,659	1,604	27,263
Domenico De Luca [2]	from 14.05.14	21,728	-	21,728	-	-	-
Peter Molinari	from 14.05.14	21,728	848	22,576	-	-	-
Dr Hans Schulz, vice chairman, from 15.05.13 until 14.05.14 [2]	until 14.05.14	36,679	-	36,679	75,223	-	75,223
Christoffel Brändli	until 14.05.14	13,272	346	13,618	39,000	1,143	40,143
Kurt Baumgartner, vice chairman, until 15.05.13 [2]	until 15.05.13	-	-	-	32,418		32,418
Dr Guy Bühler [2]	until 15.05.13	-	-	-	30,681	-	30,681
Daniel Spinnler [2]	until 15.05.13	-	-	-	15,341	-	15,341
Michael Wider [2]	until 15.05.13	-	-	-	11,341	-	11,341
Total		**656,479**	**36,380**	**692,859**	**726,999**	**27,919**	**754,918**

1) The compensation amount includes a Board of Directors fee and meeting expenses. There are no other items which require disclosure under the provisions of Articles 14 to 16 of the Ordinance against Excessive Compensation in Listed Stock Companies (OaEC).
2) In line with the instructions of the members of the Board of Directors concerned, the total compensation is transferred to the members' employer.

COMPENSATION PAID TO THE MEMBERS OF THE EXECUTIVE BOARD

In the year under review the members of the Executive Board received cash compensation in the amount of CHF 3,349,170 (prior year: CHF 3,377,876). Compensation breaks down in detail as follows:

	Gross compensation (fixed)	Gross compensation (variable)	Employer contributions	Other services	Total comp. 2014
CHF					
Kurt Bobst, CEO	456,175	75,000	169,122	-	700,297
Other Executive Board members	1,571,873	268,585	658,415	150,000	2,648,873
Total	**2,028,048**	**343,585**	**827,537**	**150,000**	**3,349,170**

	Gross compensation (fixed)	Gross compensation (variable)	Employer contributions	Other services	Total comp. 2013
CHF					
Kurt Bobst, CEO	477,290	75,000	159,283	-	711,573
Other Executive Board members	1,705,218	300,857	660,228	-	2,666,303
Total	**2,182,508**	**375,857**	**819,511**	**-**	**3,377,876**

There are no other items which require disclosure under the provisions of Articles 14 to 16 of the Ordinance against Excessive Compensation in Listed Stock Companies (OaEC).

REPORT OF THE AUDITORS

Report of the statutory auditor
to the General Meeting
Repower AG
Poschiavo

Report of the statutory auditor on the remuneration report
We have audited the quantitative information of the remuneration report (pages 35 to 36) dated 27 March 2015 of Repower AG for the year ended 31 December 2014.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

Opinion

In our opinion, the remuneration report of Repower AG for the year ended 31 December 2014 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Beat Inauen

Audit expert
Auditor in charge

Martin Bettinaglio

Audit expert

Chur, 27 March 2015

PricewaterhouseCoopers AG, Gartenstrasse 3, Postfach, 7001 Chur
Telefon: +41 58 792 66 00, Telefax: +41 58 792 66 10, www.pwc.ch

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COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE REPOWER GROUP

GROUP RESULTS IMPACTED BY A PERSISTENTLY DIFFICULT MARKET SITUATION AND EXCEPTIONAL ITEMS

MARKET REMAINS CHALLENGING - NEGATIVE TREND CONTINUES

Repower's results for the 2014 financial year were mixed. The Group's core business had to contend with difficult market conditions. Added to this, financial results, and by extension Group results, were heavily impacted by the currency situation in the euro zone. There were also exceptional items affecting results.

The exceptional items in the year under review included the recognition of around CHF 6 million in provisions for onerous energy contracts – the first time this has happened. In addition it was necessary to derecognise cumulative translation differences of around CHF 8 million already recognised in equity in connection with the liquidation of Repower Slovenskà republika s.r.o., Repower Magyarország Kft. and Forze Motrici Pistoia S.r.l. Various additional, smaller exceptional items ultimately came to around CHF 4 million. On the other side of the equation was a positive CHF 5 million effect resulting from the change in the pension fund obligation. Taken together, the exceptional items described above eroded earnings before interest and tax (EBIT) by CHF 13 million.

The Repower Group closed 2014 with EBIT of CHF 26 million. Income before income taxes came to negative CHF 22 million, resulting in an annual loss including minority interests of CHF 33 million.

To give a realistic picture of financial performance during the year under review, the following comments on the Repower Group's financial results for 2014 refer only to achieved operating earnings before exceptional items. Comparisons with the prior year are also made on the basis of results before exceptional items. Comments relating to the balance sheet are based on figures after exceptional items. More in-depth remarks can be found from page 50 of the 2014 financial report.

Despite selling larger volumes of energy, the Repower Group saw total energy sales fall CHF 94 million to CHF 2,231 million from CHF 2,325 million the previous year. Gross margin also had a negative impact, with a year-on-year decline of CHF 58 million (19%) from CHF 305 million to CHF 247 million in 2014. This further reduction in gross energy margin reflects the difficult market with which the energy industry is having to contend.

Operating expenses (without energy procurement) fell CHF 19 million to CHF 198 million from CHF 217 million the previous year. This decline can largely be attributed to reductions in personnel expenses and other operating expenses. These reductions were due among other things to savings resulting from the systematic implementation of the ongoing efficiency programme.

Depreciation, amortisation and impairment, encompassing scheduled annual depreciation and amortisation, came to CHF 51 million (versus CHF 54 million the previous year).

In the year under review operating earnings before interest and tax (EBIT) declined CHF 35 million (47%) to CHF 39 million (versus CHF 74 million the prior year).

ELECTRICITY FROM WATER

Light and mobility are only two of the numerous achievements of the modern world that hydropower has helped make possible.

Financial expenses were impacted by the development of the euro exchange rate and the level of interest rates. Financial results were also eroded by results of associates, which came to CHF -6 million (CHF -3 million the previous year). The financial result deteriorated from CHF -9 million to CHF -48 million.

Group profit including minority interests came to CHF -22 million (versus CHF 33 million the prior year).

On the positive side was cash flow from operating activities, which thanks to effective working capital management improved substantially – up CHF 13 million (19%) to CHF 82 million – in a very difficult environment. Repower was able to use these funds to cover investments and dividends and again reduce net debt.

SOLID BALANCE SHEET STRUCTURE

There was an CHF 86 million year-on-year decline in non-current assets to CHF 988 million, primarily owing to reductions in property, plant and equipment (CHF 28 million) and other financial assets (CHF 53 million). The decline in other financial assets should be seen in the context of the sale of shares and convertible loans of Swissgrid to an intercantonal consortium in an agreement dated 23 December 2014. The assets in question were reclassified as assets and liabilities held for sale. Closing of this transaction is anticipated in the first half of 2015.

Current assets grew by CHF 85 million to CHF 1,054 million as a result of an increase in securities and other financial instruments (up CHF 156 million) and reductions totalling CHF 71 million in inventories, receivables, current income tax receivables, positive replacement values held for trading positions, and cash and cash equivalents.

Non-current liabilities increased by CHF 54 million, owing among other things to a CHF 8 million increase in non-current provisions (due especially to onerous energy contracts) and a CHF 46 million increase in non-current financial liabilities (repayment of the SET bank loan and a new registered bond issue).

There was an increase in current debts, up CHF 42 million to CHF 663 million. The main increase was in non-current financial liabilities (up CHF 46 million), in connection with the reclassification of the SET bank loan from non-current to current financial liabilities.

Equity came to CHF 766 million (previous year: CHF 805 million) and the equity ratio 36 per cent.

Tables show values in TCHF unless otherwise noted.

CONSOLIDATED INCOME STATEMENT

	Note	2014	2013
Net sales		2,231,367	2,324,801
Own costs capitalised		7,291	14,842
Other operating incomes		33,892	25,850
Total operating revenue	1	**2,272,550**	**2,365,493**
Energy procurement		-1,991,283	-2,070,215
Concession fees		-17,803	-17,388
Personnel expenses	2	-76,429	-81,744
Material and third party services		-32,066	-32,004
Other operating expenses		-78,429	-90,178
Income before interest, income taxes, depreciation and amortisation (EBITDA)		**76,540**	**73,964**
Depreciation/amortisation and impairment	3	-50,645	-224,238
Income before interest and income taxes (EBIT)		**25,895**	**-150,274**
Financial incomes	4	3,116	2,941
Financial expenses	4	-44,353	-9,618
Share of results of associates	9	-6,467	-2,654
Income before income taxes		**-21,809**	**-159,605**
Income taxes	5	-10,764	7,406
Group profit including minority interests		**-32,573**	**-152,199**
Share of Group profit attributable to Repower shareholders and participants		-32,599	-133,406
Share of Group profit attributable to minority interests		26	-18,793
Earnings per share (undiluted)	6	CHF -9.58	CHF -39.31

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

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

Tables show values in TCHF unless otherwise noted.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2014	2013
Group profit including minority interests		**-32,573**	**-152,199**
Actuarial profit/loss from pension plans of fully consolidated companies	18	-4,734	7,004
Actuarial profit/loss from pension plans of associates	9	-317	338
Income taxes	5	845	-1,163
Other comprehensive income after taxes, non-recyclable		**-4,206**	**6,179**
Currency translation			
Effect from currency translation of fully consolidated companies		-4,323	2,734
Reclassified into profit or loss statement		7,590	-
Effect from currency translation of associates	9	-201	205
Reclassified into profit or loss statement		-	-
Fair value adjustments of financial instruments		814	1,077
Income taxes	5	-71	-418
Other comprehensive income after taxes, recyclable		**3,809**	**3,598**
Other comprehensive income		**-397**	**9,777**
Total comprehensive income		**-32,970**	**-142,422**
Share of profit or loss and other comprehensive income attributable to Repower shareholders and participants		-32,357	-124,757
Share of profit or loss and other comprehensive income attributable to minority interests		-613	-17,665

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

Tables show values in TCHF unless otherwise noted.

CONSOLIDATED BALANCE SHEET

	Note	31.12.2014	31.12.2013
Assets			
Tangible assets	7	889,621	918,250
Intangible assets	8	10,376	11,048
Investments in associates	9	34,866	38,668
Other financial assets	10	9,369	62,103
Deferred tax assets	5	44,122	43,770
Non-current assets		**988,354**	**1,073,839**
Inventories	11	32,220	40,329
Receivables	12	492,046	510,129
Current income tax receivables		10,880	15,049
Prepaid expenses and accrued income	22	5,136	5,749
Securities and other financial instruments	13	156,693	490
Positive replacement values held for trading positions	14	109,838	123,884
Cash and cash equivalents	15	247,034	272,993
Current assets		**1,053,847**	**968,623**
Assets held for sale	26	61,694	837
Total assets		**2,103,895**	**2,043,299**

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

Tables show values in TCHF unless otherwise noted.

CONSOLIDATED BALANCE SHEET

	Note	31.12.2014	31.12.2013
Liabilities and shareholders' equity			
Share capital	16	2,783	2,783
Participation capital	16	625	625
Treasury shares		-	-12
Retained earnings (including Group profit)		740,517	778,219
Actuarial profit/loss from pension plans		7,749	11,858
Fair value adjustment of financial instruments		-	-454
Cumulative translation differences		-40,295	-44,192
Shareholders' equity excluding minority interests		**711,379**	**748,827**
Minority interests		54,577	56,124
Shareholders' equity		**765,956**	**804,951**
Pension provisions	18	28,664	26,706
Other non-current provisions	19	24,603	16,541
Deferred tax liabilities	5	40,633	40,839
Non-current financial liabilities	17	568,724	523,080
Other non-current liabilities		-	1,758
Non-current liabilities		**662,624**	**608,924**
Current income tax liabilities		9,739	14,430
Current financial liabilities	21	84,069	37,633
Negative replacement values held for trading positions	14	99,399	104,239
Other current provisions	19	3,780	780
Other current liabilities	20	440,979	422,698
Deferred income and accrued expenses	22	24,696	40,550
Current liabilities		**662,662**	**620,330**
Liabilities		**1,325,286**	**1,229,254**
Liabilities held for sale	26	12,653	9,094
Total liabilities and shareholders' equity		**2,103,895**	**2,043,299**

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

Tables show values in TCHF unless otherwise noted.

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Share capital	Participa-tion capital	Treasury shares	Retained earnings	Actuarial profit/loss from pension plans	Fair value adj. of fin. instr.	Accu-mulated translation differences	Sharehold-ers' equity excluding minority interests	Minority interests	Total share-holders' equity
Equity at 1 January 2013	**2,783**	**625**	**-16**	**915,676**	**5,777**	**-856**	**-46,358**	**877,631**	**79,723**	**957,354**
Comprehensive income for the period				**-133,406**	**6,081**	**402**	**2,166**	**-124,757**	**-17,665**	**-142,422**
Dividends (excl. treasury shares)				-8,480				-8,480	-646	-9,126
Purchase/sale of treasury shares			3	443				446		446
Tax effect treasury shares				111				111		111
Purchase/sale of minority interests			1	3,875				3,876	-5,288	-1,412
Capital increase, minority interests				-				-		-
Equity at 31 December 2013	**2,783**	**625**	**-12**	**778,219**	**11,858**	**-454**	**-44,192**	**748,827**	**56,124**	**804,951**
Comprehensive income for the period				**-32,599**	**-4,109**	**454**	**3,897**	**-32,357**	**-613**	**-32,970**
Dividends (excl. treasury shares)				-6,802				-6,802	-816	-7,618
Purchase/sale of treasury shares			11	1,403				1,414		1,414
Tax effect treasury shares				51				51		51
Purchase/sale of minority interests			1	245				246	-436	-190
Capital increase, minority interests								-	318	318
Equity at 31 December 2014	**2,783**	**625**	**-**	**740,517**	**7,749**	**-**	**-40,295**	**711,379**	**54,577**	**765,956**

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

Tables show values in TCHF unless otherwise noted.

CONSOLIDATED CASH FLOW STATEMENT

	Note	2014	2013
Operating activities			
Group profit including minority interests		-32,573	-152,199
Currency translation reclassified into profit or loss statement	25	7,590	-
Depreciation/amortisation and impairment	7/8	50,645	224,238
Impairment of non-current assets held for sale	26	-	11,663
Impairment of prepayments of certificates of origin and of long term power purchases	10	-	50,193
Impairment of investments in associates	9	1,782	-
Own costs capitalised	7/8	-7,291	-14,842
Change in pension provisions	18	-2,708	-7,669
Change in other long term provisions	19	6,218	-373
Compound interest from non-current liabilities		1,458	1,028
Share of results of associates	9	4,685	2,654
Other income and expenses not affecting cash		16,336	-2,472
Change in deferred taxes	5	-2,680	-31,477
Dividends from associates and partner plants	9	652	664
Change in net-current assets	22	37,763	-12,154
Cash flow from operating activities		**81,877**	**69,254**
Investing activities			
Additions of tangible assets	7	-20,002	-48,980
Sales of tangible assets		2,182	1,797
Additions of intangible assets	8	-2,624	-2,310
Additions of investments in associates	9	-3,423	-1,741
Granting of active loans		-4,500	-
Repayments of non current financial assets		5,200	23,663
Additions of current financial assets	13	-156,948	-
Cash flow from investing activities		**-180,115**	**-27,571**

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

Tables show values in TCHF unless otherwise noted.

CONSOLIDATED CASH FLOW STATEMENT

	Note	2014	2013
Financing activities			
Additions to financial liabilities	17/21	97,155	5,282
Repayment of financial liabilities	17/21	-13,665	-25,373
Dividend payments		-7,618	-9,126
Sale of treasury shares		1,414	446
Purchase/sale of minority interests	9	-190	-1,412
Capital increase done by minority interests		318	-
Cash flow from financing activities		**77,414**	**-30,183**
Translation differences		-1,539	546
Change in cash and cash equivalents		**-22,363**	**12,046**
Cash and cash equivalents at 1 January	15	273,064	261,018
Cash and cash equivalents at 31 Dezember	15	**250,701**	**273,064**
Cash flow from operating activities covers:			
Interest received		2,620	2,675
Interest paid		-16,741	-15,358
Income taxes paid		-9,513	-17,448

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

Tables show values in TCHF unless otherwise noted.

1) CONSOLIDATED ACCOUNTING PRINCIPLES

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

The 2014 consolidated financial statements of the Repower Group were authorised by the Board of Directors on 27 March 2015 and are subject to the approval of the Annual General Meeting on 29 April 2015.

2) SUMMARY OF ACCOUNTING AND VALUATION PRINCIPLES

PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Repower Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB). All current standards and interpretations were applied in preparing the consolidated financial statements, which provide a true and fair view of the assets, liabilities, financial position and profit or loss of the Repower Group and comply with Swiss law.

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

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

The accounting and valuation principles used correspond to the principles applied in the previous year. All standards and interpretations in force on the balance sheet date were applied when preparing the consolidated financial statements.

SIGNIFICANT NEW AND REVISED ACCOUNTING AND VALUATION PRINCIPLES

New and revised standards and interpretations which came into force on 1 January 2014 are listed in the following table and are assessed in quantitative terms if they have a significant impact on the consolidated financial statements of the Repower Group.

Standard/ interpretation	Content	Applicable for annual periods beginnig on	Application
IAS 32	Amendments related to the offsetting of financial instruments	01.01.2014	retrospective
IAS 36	Amendments to the disclosure requirements for the recoverable amount	01.01.2014	retrospective
IAS 39	Amendments related to novation of derivatives and continuation of hedge accounting	01.01.2014	retrospective
IFRS 10	Amendments related to investment entities in IFRS 10, IFRS 12 and IAS 27	01.01.2014	retrospective
IFRIC 21	Levies	01.01.2014	retrospective

The amendments to IAS 32 Financial Instruments: Presentation have no significant effect on the Repower Group's consolidated financial statements. The offsetting of financial instruments is still only possible if an entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. An amendment was also issued clarifying that offsetting is only possible if no further offsetting requirements are outstanding on the balance sheet date. In general, this affects unconditional netting rights. In the case of conditional netting rights, offsetting is permitted only if these rights have been complied with on the balance sheet date.

Tables show values in TCHF unless otherwise noted.

In the wake of the publication of IFRS 13 Fair Value Measurement there were amendments to IAS 36 Impairment of Assets relating to the disclosure requirements where the recoverable amount is based on fair value less costs of disposal. The latest amendments reverse certain earlier amendments that had resulted in the requirements being more broadly applicable than originally intended. This relates primarily to the fact that an entity had to disclose the recoverable amount of each cash-generating unit (or units) to which a significant portion of the overall carrying amount of goodwill or intangible assets with indefinite useful lives has been allocated. This applied in the case of both impairment and recoverability. The latter was not intended. Now disclosure requirements related to fair value have been added. This concerns designation of the level within the fair value hierarchy and additional information if the non-financial asset has been categorised within Level 2 or 3. In addition, the entity is required to disclose the discount rate used in determining impairment (or reversals) where the recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. These amendments have no effect on the Repower Group's consolidated financial statements.

The amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting permit a hedging instrument counterparty, in certain circumstances, to change to a CCP (central counterparty) without discontinuing hedge accounting. The amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting have no effect on the Repower Group's consolidated financial statements.

The amendments to IFRS 10 Consolidated Financial Statements introduce an exception to consolidating particular subsidiaries under IFRS 10 Consolidated Financial Statements. This applies if the parent entity meets the definition of an investment entity. In the future, investment entities will measure and evaluate the performance of substantially all of their investments in certain subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement. With these amendments, additional disclosures enter into force relating to investment entities in IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements. These amendments are of no relevance to the Repower Group.

IFRIC 21 Levies provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The application of this International Financial Reporting Interpretations Committee (IFRIC) interpretation has no significant effect on the Repower Group's consolidated financial statements.

The Repower Group is currently analysing and assessing the impact of the following new or revised standards and interpretations whose adoption in the Repower Group's consolidated financial statements is not yet compulsory. They will be adopted no later than the financial year beginning on the date given in the table.

Tables show values in TCHF unless otherwise noted.

Standard/ interpretation	Summary of future requirements	Possible effects on the consolidated financial statements
IAS 19	In November 2013 an amendment to IAS 19 was published, under which companies with contributions linked to the number of years of service (typical of Swiss BVG pension plans) may opt whether or not to apply risk sharing. Specifically, paragraph 93 on the accounting of employee contributions was amended and extended. The new standard must be adopted for periods beginning on or after 1 July 2014, with due consideration to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The amendments will be applied retrospectively.	The Repower Group decided that the obligation regarding future contributions will still be considered under the risk sharing perspective. There will be no impacts to the consolidated financial statements.
IFRS 9	IFRS 9 "Financial Instruments" substitutes the existing standard IAS 39 "Financial Instruments: Recognition and Measurement". It contains revised guidelines regarding the classification and assessment of financial instruments including a new model of expected credit losses to calculate impairments of financial instruments. The revised guidelines include also the new requirements regarding hedge accounting as well as guidelines regarding the derecognition of financial instruments under IAS 39 and the recognition of these under IFRS 9. The new standard must be adopted for periods beginning on or after 1 January 2018. The amendments will be applied retrospectively. Early application is permitted.	The impact on the consolidated financial statements cannot yet be reliably determined. The Repower Group is currently analysing this standard and the related interpretations and expects to see a change in its reporting at the present point in time.
IFRS 15	IFRS 15 "Revenue from Contracts with Customers" unifies now all guidelines that define whether, when, how and to which amount revenues have to be recognised. The framework is given by a five level model. Additionally, the standard contains guidelines regarding warranties, customer options for additional goods and services, customers' unexercised rights or licensing for instance, guidelines regarding costs to obtain and fulfil contracts as well as guidelines when these costs have to be recognised. The new standard also contains new and extensive disclosure requirements. Several existing standards as IAS 11 "Construction Contracts" and IAS 18 "Revenue" next to others are substituted by the introduction of IFRS 15. The new standard must be adopted for periods beginning on or after 1 January 2017. The amendments will be applied retrospectively or using the modified approach. Early application is permitted.	The impact on the consolidated financial statements cannot yet be reliably determined. The Repower Group is currently analysing this standard and the related interpretations and expects to see a change in its reporting at the present point in time.

In addition to the new or amended standards presented here, for the sake of completeness the following table details all further new or amended standards that the Repower Group does not deem to be significant at present because they will have no or insignificant impact.

Standard/ interpretation	Content	Applicable for annual periods beginnig on	Type of application
IAS/IFRS	Annual Improvements Cycle 2010–2012	01.07.2014	prospective
IAS/IFRS	Annual Improvements Cycle 2011–2013	01.07.2014	retrospective/prospective
IAS/IFRS	Annual Improvements Cycle 2012–2014	01.01.2016	retrospective/prospective
IAS 16/38	Amendments concerning the Clarification of Acceptable Methods of Depreciation and Amortisation	01.01.2016	prospective
IAS 16/41	Amendments concerning the Definition of Bearer Plants	01.01.2016	retrospective
IAS 27	Amendments concerning the Equity Method in Separate Financial Statements	01.01.2016	retrospective
IAS 28/IFRS 10	Amendments concerning the Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	01.01.2016	prospective
IFRS 11	Amendments concerning the Accounting for Acquisitions of Interests in Joint Operations	01.01.2016	prospective

Tables show values in TCHF unless otherwise noted.

3) CONSOLIDATION

SCOPE OF CONSOLIDATION

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

A joint arrangement is an arrangement in which two or more parties exercise joint control. IFRS 11 Joint Arrangements distinguishes between joint operations and joint ventures. Joint control is the contractually agreed sharing of control over the arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. In addition to being governed by an explicit arrangement, joint control can also be implicit, i.e. indirect, based on the ownership interest. A joint operation is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Assets, liabilities, income and expenses arising from joint operations are recognised in relation to the partner's ownership interest. The (proportionate) inclusion of assets, liabilities, income and expenses is based on the share (e.g. of output) contractually agreed between the parties. This need not necessarily be the same as the parties' share of capital in the legal entity. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures.

Investments in associates whose financial and business policies Repower Group is unable to control but over which it is able to exert a significant influence are accounted for in the consolidated financial statements using the equity method.

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

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

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

CONSOLIDATION METHOD

The Repower Group accounts for business combinations using the purchase method. In doing so the acquisition costs are compared with the purchased net assets at fair value on the date of acquisition. A positive difference is capitalised as goodwill and subject to an annual impairment test. A negative difference is recognised in profit or loss as negative goodwill on the date of acquisition. In the case of an acquisition achieved via successive share purchases, the fair value of the interests already held in the acquired entity must be remeasured at the time of acquisition. The resultant gain or loss must be recognised in profit or loss. Non-controlling interests are accounted for in accordance with their proportionate share in identifiable net assets.

Acquisition-related costs are recognised as expenses in the period in which they are incurred. Conditional payments are recognised at fair value on the date of acquisition. Changes in fair value are recognised in profit or loss in subsequent periods.

Tables show values in TCHF unless otherwise noted.

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

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

Joint operations are joint arrangements whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Under such arrangements, the joint operator must account for its share of the assets, liabilities, income and expenses relating to its involvement in a joint operation.

INTRAGROUP TRANSACTIONS

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

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

CURRENCY TRANSLATION

Each Group company determines the functional currency in which it draws up its individual financial statements. Foreign currency transactions are converted using the Group company's functional currency at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted to the functional currency at the closing rate on the balance sheet date. Currency translation differences are recognised in profit or loss. Non-monetary foreign currency items carried at fair value are translated at the rate that existed on the date on which the fair values were determined.

The consolidated financial statements are drawn up and presented in Swiss francs. The functional currency for the significant foreign Group companies is the euro. Assets and liabilities of Group companies are translated into Swiss francs at the closing rate on the balance sheet date. Income statement items are translated using the average exchange rate for the year. The following CHF exchange rates are incorporated in the Repower Group's consolidated financial statements:

Tables show values in TCHF unless otherwise noted.

		Closing exchange rate		Average exchange rate	
Currency	Unit	31.12.2014	31.12.2013	2014	2013
BAM	1	0.60700	0.61900	0.61189	0.62205
CZK	100	4.34000	4.48000	4.40719	4.73565
EUR	1	1.20240	1.22760	1.21456	1.23113
GBP	1	1.54720	1.47700	1.50605	1.44923
HRK	100	15.69300	16.09800	15.90231	16.24098
HUF	100	0.37940	0.41190	0.39290	0.41421
MKD	100	1.96150	1.99550	1.96869	1.98078
PLN	100	28.01000	29.49000	28.99044	29.30527
RON	100	26.84348	27.54517	27.35492	27.88257
RSD	1	0.00992	0.01073	0.01037	0.01090
USD	1	0.99410	0.89280	0.91533	0.92659

When translating the functional currency into the reporting currency, the translation differences between the closing exchange rate and the average exchange rate are recognised as an effect of currency translation under other comprehensive income in the statement of comprehensive income. If Group companies, a foreign operation or associates are disposed of, the cumulative amount of the translation differences is reclassified to profit or loss.

SEGMENT REPORTING

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

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

- Market Switzerland covers the generation of electricity in Repower's own power plants and in plants operated by partners, as well as trading in electricity, gas and other commodities and certificates. Other elements in the value chain comprise the distribution and sale of energy to end-customers and distribution partners in Switzerland. Additional business activities cover the provision of energy and communication services.
- Market Italy also covers the generation of electricity in Repower's own power plants, trading in electricity, gas and certificates, and the delivery of electricity and gas to end-customers. Energy efficiency services are also offered.

No operating divisions were combined to create the reportable business segments. Other Repower Group business operations are combined under the "Other segments and activities" segment. The main sources of revenue are the generation, distribution and trading activities of Repower companies in Germany, Romania and Eastern Europe. Reconciliation with the consolidated figures of the Repower Group is based on the two reportable business segments plus other segments and activities, which are shown together with the consolidation effects.

4) ACCOUNTING AND VALUATION PRINCIPLES

TANGIBLE ASSETS

Tangible assets are recognised at acquisition or production cost less accumulated depreciation and any impairment losses. The acquisition or production cost of tangible assets covers the asset's purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less government grants. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also considered part of acquisition/production costs. Significant individual components are recorded and depreciated separately. Depreciation is calculated using the straight-line method based on the estimated technical and economic life of the asset or, at most, over the concession period in the case of energy generating facilities. The optional revaluation model is not applied.

Tables show values in TCHF unless otherwise noted.

Any residual values are taken into account when determining an asset's useful life. An asset's useful life and residual value are reviewed annually. If an asset is sold or for any other reason is no longer able to provide future economic benefits, it is derecognised from property, plant and equipment. The resulting gain or loss (difference between the net selling price and the net carrying amount of the derecognised asset) is recognised in profit or loss in the period in which the asset is derecognised.

Estimated useful lives are calculated in accordance with the recommendations of the Association of Swiss Electricity Companies and are within the following ranges for each category:

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

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

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

Tangible assets are tested on each balance sheet date for indications of impairment. If indications of impairment are identified, the recoverable amount is measured and an impairment test is performed. If the recoverable amount (the higher of the value less costs to sell and value in use) is below the carrying amount, the asset's carrying amount is reduced to the recoverable amount. The value in use is calculated based on an underlying business plan which projects the terms and useful lives of individual projects and assets. These are discounted using an appropriate rate of interest before tax. If the reasons for a previously recognised impairment no longer exist, the impairment is reversed, at most, to what the carrying amount would have been had the impairment not been recognised.

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset or funds that are part of a general pool are considered part of the acquisition/production costs of the asset and are capitalised. Other borrowing costs are recognised as an expense in accordance with IAS 23.8.

FINANCE LEASES

Leasing agreements are recognised if all the risks and rewards incident to ownership of the asset are substantially transferred to the company. A leased object and a corresponding liability are capitalised at the lower of the fair value or present value of the minimum leasing payments. They are amortised over the shorter of their estimated useful lives or the duration of the lease if there is uncertainty as to whether ownership of the leased object will be transferred to the Repower Group on expiry of the lease. Any impairment losses are recognised in profit or loss. If the reasons for a previously recognised impairment no longer exist, the impairment is reversed, at most, to what the carrying amount would have been had the impairment not been recognised. The lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Interest and amortisation components are charged to profit or loss.

OPERATING LEASES

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

Tables show values in TCHF unless otherwise noted.

INTANGIBLE ASSETS

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

Intangible assets with a limited useful life are amortised using the straight-line method over their useful lives. Anticipated residual values are included when determining the amortisation. They are tested for indications of impairment on each balance sheet date. If indications of impairment are identified, the recoverable amount of the intangible assets is determined in the same way as for property, plant and equipment, and an impairment test is performed. The estimated useful lives for the individual categories are within the following ranges:

Category	Useful life
Customer relations	13 - 15 years
Brands	15 years
Other intangible assets	3 - 5 years

Intangible assets with an indefinite useful life are not amortised but tested annually for indications of impairment. The recoverable amount is determined in the same way as for property, plant and equipment. Any impairment losses are recognised in profit or loss. The assumption of an indefinite useful life is also reviewed annually. If events or circumstances indicate that a definite or indefinite useful life needs to be revised, this revised estimate is carried out in the current period.

GOODWILL FROM BUSINESS COMBINATIONS

Business combinations are included in the Group financial statements using the purchase method. Goodwill corresponds to the difference between the acquisition costs and the fair value of the acquired company's identifiable assets, liabilities and contingent liabilities on the date of acquisition. The acquisition costs cover all consideration transferred to acquire the company, including any deferred and contingent purchase prices measured at fair value. If the acquisition costs are lower than the fair value, goodwill is negative and is recognised in profit or loss at the time of acquisition.

Goodwill is allocated to a cash-generating unit from the date of acquisition for the purpose of impairment testing. A cash-generating unit corresponds to the smallest identifiable group of assets that generates cash inflows within a company whose goodwill is monitored by internal management for impairment purposes. Goodwill is tested for impairment at least once a year. If the carrying amount of the unit is higher than the recoverable amount in accordance with IAS 36 Impairment of Assets, an impairment loss is recognised in profit or loss in the reporting period in question.

For investments acquired in associates, the difference between the acquisition cost of the investment and its share of the fair value of the identifiable net assets is determined. The difference is disclosed together with the investments under investments in associates.

INVESTMENTS IN ASSOCIATES

Associates are entities over which Repower can exercise significant influence but not control, and which do not constitute joint arrangements. They are accounted for using the equity method. Investments measured using the equity method are accounted for at the company's proportionate share in equity plus any goodwill.

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

FINANCIAL ASSETS

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

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

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

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

The notes to the consolidated financial statements provide information on the measurement category applied.

Financial assets not recognised at market values are tested for impairment on each balance sheet date. If there is objective evidence that an impairment loss has occurred, such as insolvency, payment default or other significant financial difficulties on the part of the issuer or debtor, an impairment calculation is performed. For interest-bearing assets carried at amortised cost, the impairment is measured as the difference between the carrying amount and the lower present value of estimated future cash inflows, discounted at the asset's original effective interest rate.

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

Financial assets are no longer recognised if the rights, obligations, opportunities and risks associated with their ownership have largely been transferred.

HELD-FOR-TRADING POSITIONS / REPLACEMENT VALUES

Contracts in the form of forward transactions (forwards and futures) conducted with the intention of achieving a trading profit or margin (held for trading) are treated as derivative financial instruments in accordance with IAS 39 Financial Instruments: Recognition and Measurement and recognised as held-for-trading positions. On the balance sheet date, all open derivative financial instruments from energy trading transactions are measured at fair value through profit or loss, and the positive and negative replacement values are recognised under assets and liabilities. The open contracts are measured on the basis of market data from electricity exchanges (e.g. EEX Leipzig). For contracts for which no liquid market exists, measurement is based on a valuation model.

Current transactions are offset at positive and negative replacement value if the respective contract terms provide for this and the intention to offset exists and is legally permitted. Realised and unrealised income from held-for-trading positions is recognised net as profit from held-for-trading positions.

To reduce currency risks, forward exchange transactions are conducted in euros. Interest rate swaps can also be employed to reduce the interest rate risk of variable loans. If these types of financial instruments exist at the end of the year, they are measured at fair value through profit or loss. For accounting purposes, these and similar financial transactions are treated as derivative financial instruments in accordance with IAS 39 Financial Instruments: Recognition and Measurement, and if the values are positive they are reported as replacement values under securities and other financial instruments and other financial assets. If the values are negative, they are reported under current financial liabilities and non-current financial liabilities.

INVENTORIES

Inventories comprise materials used for operating purposes (e.g. operating materials, replacement parts and consumables) as well as certificates for CO_2 or electricity quality certificates (origin, generation type). As long as these assets are not held for trading purposes, they are measured at the lower of acquisition/production cost and net realisable value. Acquisition/production costs are measured using the weighted average cost method.

Tables show values in TCHF unless otherwise noted.

The net realisable value corresponds to the estimated selling price less the estimated costs necessary to make the sale. Inventories for trading purposes are measured at fair value less costs of disposal.

ASSETS AND LIABILITIES HELD FOR SALE

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

A discontinued operation is a part of the company that was sold or held for sale and represents a separate major business line or geographic branch of business. The results of discontinued operations are shown separately from the ongoing business activities (continued operations).

TREASURY SHARES

Treasury shares and participation certificates are deducted from equity. Under IFRS, no gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments.

PROVISIONS

Provisions are recognised for obligations (legal or constructive) resulting from a past event when it is probable that an outflow of resources will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation. If some or all of the expenditure required to settle a provision is expected to be reimbursed by another party (e.g. due to an insurance policy), the reimbursement is recognised separately when it is virtually certain that the reimbursement will be received. If the interest effect is a significant influencing factor, estimated future cash flows are discounted to determine the provision amount.

Provisions are reviewed periodically and revised in line with current developments. Pre-tax interest rates are used as discount rates that reflect current market assessments of the interest effect and the risks specific to the liability.

FINANCIAL LIABILITIES

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

PENSION FUNDS

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

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

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

Tables show values in TCHF unless otherwise noted.

INCOME TAXES

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

Deferred taxes are recognised in the consolidated financial statements based on the measurement of differences between the taxable value of the assets and liabilities and their carrying amounts. Deferred income taxes are calculated under IFRS using the balance sheet liability method based on temporary differences, i.e. differences between the taxable value of an asset or liability and its carrying amount in the balance sheet. The taxable value of an asset or liability is the value of this asset or liability for tax purposes.

Deferred tax assets related to loss carryforwards are recognised only to the extent that it is probable that temporary differences or taxable profit will be available against which the tax loss carryforward can be netted.

REVENUE

Revenue covers sales and services to third parties after deducting price discounts and value added tax. Revenue is recognised in the income statement when delivery of goods or services has been performed.

Energy transactions conducted for the purpose of managing the Group's own energy-generating plants, as well as energy procurement contracts for the physical delivery of energy to customers, are treated as own use transactions in accordance with IAS 39 Financial Instruments: Recognition and Measurement and settled gross under revenue from energy sales and energy procurement. Energy transactions conducted with the intention of achieving a trading margin are treated as held-for-trading transactions in accordance with IAS 39 Financial Instruments: Recognition and Measurement and recognised net under profit from held-for-trading positions.

On the balance sheet date, all open derivative financial instruments from energy trading transactions are measured at fair value and the positive and negative replacement values are recognised under assets and liabilities. Realised and unrealised income from these transactions is disclosed net as net result from held-for-trading positions under net sales.

CONTINGENT LIABILITIES

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

SHARE-BASED PAYMENTS

No employee share participation programmes or other forms of share-based payments exist.

5) CAPITAL AND ENTERPRISE VALUE MANAGEMENT

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

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

These objectives are measured and monitored using the strategic performance indicators of economic value added, the equity ratio and the net debt ratio (net debt/EBITDA). Targets for the strategic parameters are determined by the Board of Directors. The Board of Directors also specifies the risk targets to be monitored by the Executive Board. Only minor changes have been made to Repower's strategic approach since the previous year.

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

Tables show values in TCHF unless otherwise noted.

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

Repower calculates economic value added as follows: economic value added = NOPAT – (NOA x WACC)
Operating income corresponds to net operating profit after tax (NOPAT). Borrowing costs are obtained by multiplying average net operating assets by the borrowing rate. This rate reflects the weighted average cost of capital (WACC). The parameters used to calculate WACC are regularly reviewed and adjusted if necessary to take account of significant market developments. In 2014, WACC after tax was 6.2 per cent (previous year: 6.2 per cent). Interest-bearing capital results from current and non-current operating assets, adjusted by cash and cash equivalents not required for operational purposes and available non-interest-bearing capital. The average net operating assets are calculated as a mean between the value at the start and end of the financial year in order to obtain a better picture of tied-up capital throughout the year.

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

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

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

Tables show values in TCHF unless otherwise noted.

ECONOMIC VALUE ADDED

in CHF millions	2014	2013
EBIT	25.9	-150.3
Calculatory tax rate	30.0%	30.0%
NOPAT	18.1	-105.2
NOA [1)]	1,214.6	1,339.7
WACC	6.2%	6.2%
Capital costs	75.3	83.1
Economic Value Added	-57.2	-188.3

1) Average based on start and end of year

EQUITY RATIO

in CHF millions	31.12.2014	31.12.2013
Total balance sheet	2,103.9	2,043.3
Equity including minority interests	766.0	805.0
Equity quote including minority interests	36.4%	39.4%

NET DEBT RATIO

in CHF millions	31.12.2014	31.12.2013
Net debt	233.5	327.5
EBITDA [1)]	89.4	128.3
Net debt ratio	2.6	2.6

1) 2014 figure adjusted for exceptional items (CHF 12.9 million) and 2013 figure adjusted for exceptional items (CHF 54.3 million) in EBITDA.

As in the previous year, negative economic value added was generated. The internal equity ratio and net debt ratio targets were adhered to.

6) RISK MANAGEMENT AND FINANCIAL RISK MANAGEMENT

PRINCIPLES

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

This report focuses on market and counterparty risks and liquidity risks as the main risks to which the operating activities of Repower are exposed. Activities aimed at managing compliance and regulatory risks, business and strategic risks and financial reporting risks are described at the end of this section. The task of risk management is to mitigate and actively control risks, and to provide an early-warning system for the various management levels. The parameters set by the Board of Directors and the Executive Board are implemented in the form of guidelines, directives and risk limit systems. The aim is to ensure a reasonable balance between business risks entered into, earnings, investments and risk-bearing capital. Compliance with the parameters set for each risk category is regularly reviewed and reported.

Tables show values in TCHF unless otherwise noted.

MARKET RISKS

Repower is exposed to various market risks within the scope of its business activities. The most important of these are energy price risks, interest rate risks and currency risks.

Energy price risks

Energy transactions, including proprietary trading, are conducted for the purpose of procuring energy and fuels in order to cover physical delivery contracts, to sell Repower's own generation volumes and to optimise the overall portfolio. When establishing energy price risks in accordance with IAS 39 Financial Instruments: Recognition and Measurement, a distinction is made between positions held for own use and those held for trading. The units responsible for sales and generation conduct transactions on the basis of the internal market model to ensure that a structure is in place to mitigate trading risks. Energy price risks arising from price volatility, changes in the price level and pricing structures and from changing market correlations are subject to defined limits and monitored by risk management on trading days. Each month the Risk Management Committee (RMC) assesses the risk situation in the energy business. The Board of Directors and the Executive Board are kept informed about the risk situation through reports submitted by the RMC on a quarterly basis and ad hoc reports in the case of extraordinary events.

Interest rate risks

Interest rate risks primarily concern changes in interest rates on non-current interest-bearing liabilities. In the event that the agreed interest rate is variable, changes in interest rates represent an interest rate risk. Owing to the long investment horizon for capital-intensive power plants and grids, Repower primarily obtains long-term financial loans with phased terms to maturity. The interest situation and hedging options are continuously reviewed. Derivative financial instruments – in particular interest rate swaps – are used and under certain conditions recognised as hedging relationships (hedge accounting). Another interest rate risk exists with regard to variable-rate positions of current assets, in particular in the case of sight deposits. This risk is minimised by pursuing an active cash management policy.

Currency risks

Energy deliveries and services are paid for and sold by the Repower Group mainly in euros and partly in Swiss francs. The foreign Group companies conduct nearly all of their other transactions in their functional currency. These transactions are not subject to currency risks. There is, however, a risk of currency fluctuation on those positions denominated in euros for Repower AG and its Group companies with a functional currency other than the euro. Intragroup loans in particular are subject to currency risks. The currency risk is largely eliminated by agreements for netting receivables and liabilities in the foreign currency. Forward exchange transactions are conducted to reduce the currency risk. Net investments in foreign Group companies are also exposed to exchange rate fluctuations. However, these long-term commitments are not hedged.

COUNTERPARTY RISKS

Counterparty risks consist of settlement risks and replacement risks:

Settlement Risk

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

Replacement Risk

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

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

LIQUIDITY RISKS

Liquidity risks arise if the Repower Group cannot meet its obligations as agreed or is unable to do so under economically viable conditions. Repower continuously monitors the risk of liquidity shortfalls. Cash flow forecasts are used to anticipate future liquidity performance in order to respond in good time in the event of a surplus or a shortfall.

The standard requires liquidity risk to be based exclusively on financial liabilities. To indicate the effective liquidity risk related to derivative financial instruments, the next table in the section "Derivative financial liabilities" shows cash inflows and outflows from contracts with negative and positive fair values.

Tables show values in TCHF unless otherwise noted.

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

	Carrying amount	Cash flows	< 4 months	4-12 months	1-5 years	> 5 years
2014						
Derivative financial liabilities	**6,612**					
Forward foreign currency contracts	65					
Cash inflow		198	198	-	-	-
Cash outflow		263	-	263	-	-
Energy trading transactions	-10,439					
Cash inflow		2,062,830	546,747	1,128,898	387,185	-
Cash outflow		2,036,307	545,541	1,102,577	388,189	-
Interest rate swaps	16,986					
Cash inflow	-	-	-	-	-	-
Cash outflow		16,986	317	803	5,054	10,812
Non derivative financial liabilities	**1,076,523**					
Non-current financial liabilities	551,738	660,765	-	-	330,706	330,059
Current financial liabilities	83,806	101,747	1,391	100,356	-	-
Other current liabilities	440,979	440,979	430,586	10,393	-	-

	Carrying amount	Cash flows	< 4 months	4-12 months	1-5 years	> 5 years
2013						
Derivative financial liabilities	**-13,070**					
Forward foreign currency contracts	98					
Cash inflow		3	3	-	-	-
Cash outflow		101	101	-	-	-
Energy trading transactions	-19,645					
Cash inflow		2,949,482	708,318	1,744,426	496,738	-
Cash outflow		2,925,027	689,083	1,685,787	550,157	-
Interest rate swaps	6,477					
Cash inflow		298	-	17	66	215
Cash outflow		6,775	82	704	2,301	3,688
Non derivative financial liabilities	**976,535**					
Non-current financial liabilities	521,841	578,374	-	-	394,106	184,268
Current financial liabilities	31,996	48,614	2,809	45,805	-	-
Other current liabilities	422,698	422,698	410,145	12,553	-	-

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

Tables show values in TCHF unless otherwise noted.

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

	31.12.2014	31.12.2013
Less than 30 days overdue	17,933	23,695
31-60 days overdue	6,225	1,549
61-90 days overdue	3,039	3,822
91-180 days overdue	4,964	9,762
181-360 days overdue	9,167	13,773
More than 360 days overdue	31,623	30,953

The total amount of receivables which are neither impaired nor overdue is TCHF 371,918 (previous year: TCHF 369,962). There are no indications that would necessitate an impairment loss being recognised for these receivables.

Allowances for doubtful accounts amounted to:

	31.12.2014	31.12.2013
At 1 January	28,508	27,211
Additions	7,330	8,476
Utilisations	-6,416	-7,416
Reversals	-1,600	-194
Reclassifications IFRS 5	-1,321	-
Translation differences	-590	431
Total	**25,911**	**28,508**

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

At the balance sheet date, Repower also has the following bank credit lines which have been secured but remain unused:

	31.12.2014	31.12.2013
Unused general credit lines	140,000	160,000
Additional unused credit lines for the purpose of issuing guarantees	172,914	171,225

SENSITIVITY ANALYSES OF MARKET RISKS

On the balance sheet date, Repower performs a sensitivity analysis for each market risk category to determine the potential impact of various scenarios on net profit for the year and equity. In the course of this analysis the impact of individual factors is investigated, meaning that mutual dependencies of individual risk variables are not taken into consideration. The following scenarios were analysed for each of the individual market risk categories:

Tables show values in TCHF unless otherwise noted.

Energy price risks

Own use positions are not measured at fair value (IAS 39 Financial Instruments: Recognition and Measurement) and, accordingly, net profit for the year and equity are not affected. In the case of positions held for trading, the value at risk (VaR) for the open positions of the next 24 months is calculated with a confidence level of 99 per cent based on the changes in the trading price corresponding to the historical 180-day volatility.

	31.12.2014	31.12.2013
Energy, gas, CO2	5,097	8,863

Interest rate risks

Valuation effects may occur in the case of financial instruments for which an interest rate has been agreed and which are measured at fair value. The impact of the interest swaps held to which the valuation principle of hedge accounting does not apply is shown along with the financial liabilities with variable interest rates. The analysis was performed in 2014 and 2013 for interest rates which were 50 bp higher and lower.

	31.12.2014	31.12.2013
Impact on net income and equity due to a higher interest rate	3,955	4,265
Impact on net income and equity due to a lower interest rate	-4,736	-3,967

Currency risks

Currency risks exist mainly in connection with euro positions for trade accounts receivable and payable, derivative receivables and payables from forward exchange transactions, cash and cash equivalents, intragroup loans, open financial instruments from energy trading transactions, and non-current financial liabilities. The analysis was performed using euro exchange rates which were 10 per cent higher and lower than the closing rate. The closing rate for the year under review is CHF/EUR 1.2024 (previous year: CHF/EUR 1.2276).

	31.12.2014		31.12.2013	
	FX Rate EUR/CHF	Effect	FX Rate EUR/CHF	Effect
Impact on net income and equity due to a higher exchange rate	1.3226	36,505	1.3504	35,920
Impact on net income and equity due to a lower exchange rate	1.0822	-36,505	1.1048	-35,920

In 2014 the fixed lower limit (floor) of CHF 1.20 on the CHF to EUR exchange rate remained in place. It was removed by the Swiss National Bank on 15 January 2015.

Compliance risks

The business activities of the Repower Group and the constantly changing legal and regulatory environment give rise to numerous compliance risks. The Compliance function helps the Executive Board and employees to identify and deal with these risks. The compliance risks identified and evaluated as part of the annual risk and control evaluation process serve as a planning basis for the activities of the Compliance function. Compliance also takes the changing legal and regulatory requirements into account. By communicating, training, managing Repower's policy on reporting concerns and violations, direct advice, analysing and resolving cases, it contributes to the process of monitoring and reporting for the purpose of controlling compliance risks. It also makes a valuable contribution to fostering a culture of compliance and the Repower code of conduct.

Tables show values in TCHF unless otherwise noted.

The Compliance function comprises the Group and Country Compliance Officer for Switzerland; the Compliance Officer for Italy, who works full time for the Compliance function; and the Compliance Officers for Germany, the Czech Republic and Romania, who spend part of their time working for the Compliance function. The Group and Country Compliance Officer for Switzerland is part of the Enterprise Risk Management (ERM) function, heads the Compliance function Group-wide in terms of strategic and technical aspects, and can report directly to the CEO and/or the Chairman of the Board of Directors.

The Compliance function develops its activities on the basis of a solid foundation approved by the Board of Directors to create an effective compliance programme every year. It has up-to-date and adequate systems at its disposal.

Business and strategic risks

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

The Repower Group has a modern, time-tested system and an infrastructure that is robust and fit-for-purpose.

Financial reporting risks

Internal controls are applied to financial reporting risks. One of the aims of this system of internal controls is accurate, full and reliable reporting. The system is reviewed and updated on a regular basis.

7) ESTIMATION UNCERTAINTY

ASSUMPTIONS AND SOURCES

Management makes estimates and assumptions in line with IFRS accounting rules that affect the assets, liabilities, income and expenses of the reported figures and how they are presented. The estimates and assumptions are made taking into account past findings and various factors that exist at the time the financial statements are drawn up. These are used as the basis for all assets and liabilities in the balance sheet that cannot be directly measured or have other sources. The actual values may deviate from the estimated values. Estimates and assumptions are periodically reviewed. Changes to estimates are necessary if the circumstances on which the assumptions are based change or have changed and are recognised in the respective period. The following section describes the most important estimates and assumptions in the assets and liabilities in the balance sheet that could render important changes necessary:

TANGIBLE ASSETS

The Repower Group reported tangible assets at a total carrying amount of CHF 890 million at 31 December 2014 (Note 7). These values are tested for indications of impairment on each balance sheet date. If indications of impairment are identified, the recoverable amount is calculated in accordance with the provisions of IAS 36 Impairment of Assets and, if necessary, an impairment is recognised. Estimates of the useful life and residual value of the asset are reviewed annually based on technical and economic developments, and revised as necessary. Changes to laws or ordinances, particularly relating to the environment and energy, could lead to significant changes in useful lives and thus depreciation periods or impairments of parts of assets.

GRIDS

The Swiss Electricity Supply Act (StromVG) and Electricity Supply Ordinance (StromVV) came into force on 1 January 2008. Under the terms of the Electricity Supply Act, the high-voltage grid (220/380kV) must be transferred to the national grid operator (Swissgrid) within five years. The high-voltage grids of Repower AG have been fully integrated into Repower Transportnetz AG. Repower Transportnetz AG was transferred to the national grid operator on 3 January 2013. The provisional transfer value of the company is based on the ElCom tariff ruling of 2012 with value of plant calculated as of 31 December 2012, results of post-closing due diligence, and the financial statements of 31 December 2012. The provisional transfer value of the company came to CHF 73.5 million (Note 25). The definitive values of the integrated transmission grids are determined taking account of the principle of equal treatment of all former transmission grid owners under the scope of what is known as revaluation 2. The prerequisite here is that all legally enforceable rulings on the still ongoing tariff proceedings of the years 2009 to 2012 and the currently suspended proceedings on margin differences 2011 and 2012 are available. In its ruling of 11 November 2013 relating to "Transaction transmission grid/definitive value", the Swiss Federal Administrative Court upheld the appeals of several former transmission grid owners, particularly their objection to the valuation method used to determine the definitive value for the transfer. As a result, ElCom must review the valuation method to be used and recalculate the definitive value of the Swiss transmission grid. The final transfer value may differ significantly from the provisional transfer value. Management is of the opinion that the definitive transfer value will not be lower than the transfer value currently appearing in the consolidated financial statements.

Tables show values in TCHF unless otherwise noted.

There is still regulatory uncertainty with regard to distribution grids because ElCom proceedings are still under way. The figure estimated for the assets is thus uncertain, as are the earnings they can potentially generate in the future. Potentially negative factors cannot be estimated at this point in time.

RECEIVABLES AND LIABILITIES

Trade accounts receivable amounting to CHF 444 million (previous year: CHF 455 million) are measured by applying individual and lump-sum adjustments to the non-impaired positions based on their maturity structure and historical experience. Effective losses on receivables may deviate from these estimates.

In individual countries, invoicing and payment of the national grid operator and any rulings of the regulator sometimes involve a delay of more than a year. The best possible estimates have been made in the cases where indicated. Definitive invoicing, payments and rulings may vary from these estimates and affect the overall results. Deviations of this kind are recognised in profit or loss for the following year.

PROVISIONS

Provisions are recognised taking into account the best possible estimate of the amount and date of the probable cash outflow. Provisions for onerous energy contracts are recognised if the unavoidable costs of fulfilling a contractual obligation are higher than the economic benefit expected to flow from the contract. The parameters used to calculate onerous energy procurement contracts include anticipated developments in the price of energy on the supply and trading market, the exchange rate used, and the discount rate.

PENSION FUND OBLIGATION

Most employees of the Repower Group are insured with the PKE Pensionskasse Energie pension fund. The balances and liabilities reported for this fund are calculated on the basis of statistical and actuarial assumptions. This is particularly the case with the recognised pension fund obligation, which totalled around CHF 29 million at 31 December 2014 (previous year restated: CHF 27 million), which is dependent on assumptions such as the discount rate, future wage and salary rises and expected increases in pension benefits. Factors such as the rate of employee turnover and the life expectancy of insureds are defined by independent actuaries. The assumptions underlying the actuarial calculations can deviate considerably from the actual results owing to changes in the market and economic environment, higher or lower rates of turnover, longer or shorter life expectancy of insureds or as a result of other estimated factors.

PLANNED PROJECTS

The Repower Group invests in various projects involving tangible assets according to clearly defined rules. The various projects are in different phases of development. The earlier the project development phase, the more difficult it is to judge whether a project will be carried out. The feasibility of projects and the subsequent profit-generating operation or a possible sale depend on various factors such as the legal framework and how the market environment develops in the future. As a result, the figure reported for assets under construction on the balance sheet date and the value of the project companies that Repower has invested in and are recognised in accordance with the equity method may deviate from the future realisable value. Significant impairments were necessary as a result of the challenging energy policy environment (Note 7).

Tables show values in TCHF unless otherwise noted.

NOTES

1 Total operating revenue

	2014	2013
Revenue from energy sales	2,231,149	2,327,246
Profit from held-for- trading positions	218	-2,445
Total net revenue	**2,231,367**	**2,324,801**
Own costs capitalised	**7,291**	**14,842**
Gain from the sale of tangible assets	1,800	1,724
Revenue from other operating activities [1)]	32,092	24,126
Other operating income	**33,892**	**25,850**
Total	**2,272,550**	**2,365,493**

1) Primarily income from services rendered not stemming from core business.

2 Personnel expenses

	2014	2013
Wages and salaries	62,752	68,568
Social security costs and other personnel costs	13,677	13,176
Total	**76,429**	**81,744**

Headcount	31.12.2014	31.12.2013
Full-time equivalent employees	666	707
Trainees	30	30

Average	2014	2013
Full-time equivalent employees	678	727
Trainees	29	29

3 Depreciation/amortisation and impairment

	2014	2013
Depreciation of tangible assets	47,637	50,505
Impairment of tangible assets	-	162,178
Amortisation of intangible assets	3,008	3,700
Impairment of intangible assets	-	7,855
Total	**50,645**	**224,238**

Impairments of tangible and intangible assets are explained in Notes 7 and 8. Impairments of advance payments, certificates of origin and prepaid long-term electricity procurement agreements in the 2013 financial year are recognised under energy procurement (Note 10).

Tables show values in TCHF unless otherwise noted.

4 Financial result

	2014	2013
Financial income		
Interest income on current bank deposits	1,234	1,158
Interest receivables and dividends income from financial assets held for sale	1,562	1,301
Interest income from loans to related parties	320	482
Financial income	**3,116**	**2,941**
Interest expense		
Loans	-18,642	-18,339
Liabilities for financial leasing	-19	-27
Provisions: compound interest	-478	-480
Net interest on pension provisions	-646	-842
Other positions	-1,096	-1,149
Net gains (losses) from FX translation of financial activities	-8,507	4,165
Net gains (losses) from change of fair value of financial instruments		
Marketable equities	-	-12
Forward foreign currency contracts	-677	2,818
Interest rate swaps	-10,720	6,929
Other financial expenses	-2,978	-3,522
Value adjustments of financial instruments	-590	-33
Financial expenses	**-44,353**	**-10,492**
Minus: borrowing costs capitalised on qualifying assets	-	874
Total finance costs	**-44,353**	**-9,618**
Net financial result	**-41,237**	**-6,677**

Tables show values in TCHF unless otherwise noted.

5 Income taxes

	2014	2013
Income taxes charged to the income statement		
Current income taxes	13,444	20,563
Deferred income taxes	-2,680	-27,969
Total	**10,764**	**-7,406**
Income taxes charged to other comprehensive income	**-774**	**1,581**

The reconciliation between the actual tax burden and the expected tax charge for the years ending 31 December 2014 and 31 December 2013 is as follows:

Reconciliation		
Profit/(loss) before income taxes	-21,809	-159,605
Income tax rate parent company	16.7%	16.7%
Income taxes at expected income tax rate	-3,638	-26,622
Tax effect from income taxed at other rates	-974	-10,367
Tax effect from tax-free income	-3,466	-1,815
Tax effect from non-tax-deductible expenses	6,490	1,797
Tax losses in the current year for which no deferred tax assets were recognised	8,709	10,621
Tax loss carryforwards for which no deferred tax assets were recognised	-15	-229
Value adjustment of previously capitalised tax loss carryforwards	1,076	3,312
Tax burden/relief subsequently recognised for previous years	293	-312
Regional production tax - Italy (IRAP)	1,917	-1,032
Not usable deferred tax assets	-	16,580
Non-usable withholding tax	292	653
Other	80	8
Income taxes charged to the income statement	**10,764**	**-7,406**
Effective income tax rate	-49.4%	4.6%

Tables show values in TCHF unless otherwise noted.

Deferred income taxes by origin of difference

	31.12.2014	31.12.2013
Assets		
Tangible assets	25,231	26,196
Other non-current assets	6,522	9,088
Current assets	16,612	10,739
Provisions	6,749	5,043
Liabilities	22,658	8,539
Loss carryforwards/tax credits	4,997	7,660
Total	**82,769**	**67,265**
Liabilities		
Tangible assets	41,854	42,283
Other non-current assets	3,805	2,546
Current assets	25,006	8,427
Provisions	7,219	8,682
Liabilities	1,396	2,396
Total	**79,280**	**64,334**
thereof disclosed in the balance sheet as:		
Deferred tax assets	44,122	43,770
Deferred tax liabilities	-40,633	-40,839
Net deferred income tax receivables (liabilities)	**3,489**	**2,931**

Tables show values in TCHF unless otherwise noted.

Change in deferred taxes 2014 by category

	Tangible assets	Other non-current assets	Current assets	Provisions	Liabilities	Loss carryforwards tax credits	Total
Opening balance 2014	**-16,088**	**6,542**	**2,312**	**-3,638**	**6,143**	**7,660**	**2,931**
Changes due to acquisitions	-	-	-	-	-	-	-
Changes due to sales	-	-	-	-	-	-	-
Changes in the consolidated income statement	-39	-3,841	-10,754	2,347	15,698	-731	2,680
Reported as "Assets/liabilities held for sale"	-	-	-	-	-	-	-
Changes in other comprehensive income	-	-	-	845	-71	-	774
Translation differences	-496	16	48	-24	-508	-140	-1,104
Other	-	-	-	-	-	-1,792	-1,792
Closing balance 2014	**-16,623**	**2,717**	**-8,394**	**-470**	**21,262**	**4,997**	**3,489**

Change in deferred taxes 2013 by category

	Tangible assets	Other non-current assets	Current assets	Provisions	Liabilities	Loss carryforwards tax credits	Total
Opening balance 2013	**-44,734**	**6,684**	**-7,417**	**-6,166**	**18,953**	**5,505**	**-27,175**
Changes due to acquisitions	-	-	-	-	-	-	-
Changes due to sales	-	-	-	-	-	-	-
Changes in the consolidated income statement	28,247	-3,063	9,673	3,685	-12,519	1,946	27,969
Reported as "Assets/liabilities held for sale"	-	2,986	-	-	2	406	3,394
Changes in other comprehensive income	-	-	-	-1,163	-418	-	-1,581
Translation differences	399	-65	56	6	125	-88	433
Other	-	-	-	-	-	-109	-109
Closing balance 2013	**-16,088**	**6,542**	**2,312**	**-3,638**	**6,143**	**7,660**	**2,931**

Tax loss carryforwards

Individual Group companies had tax loss carryforwards totalling TCHF 114,742 (previous year: TCHF 92,733) at 31 December 2014, which they can set off in future periods with taxable profits. Deferred tax assets are recognised only to the extent that it is probable that the tax credits can be realised. On the balance sheet date the Group had not recognised tax loss carryforwards of TCHF 96,560 (previous year: 62,635), since the future utilisation of these amounts for tax purposes is not probable.

Tables show values in TCHF unless otherwise noted.

These are due on the following dates:

Unrecognised tax loss carryforwards

	31.12.2014	31.12.2013
Due within 1 year	1,561	21
Due in 1-3 years	9,859	1,456
Due in 4-7 years	40,832	14,891
Due after 7 years or no due date	44,308	46,267
Total	**96,560**	**62,635**

6 Result per share

	2014	2013
Total shares issued at a par value of 1 CHF	2,783,115 pieces	2,783,115 pieces
Total participation certificates issued at a par value of 1 CHF	625,000 pieces	625,000 pieces
Less treasury shares (annual average)	-5,192 pieces	-11,270 pieces
Less treasury participation certificates (annual average)	-1,050 pieces	-3,104 pieces
Average number of shares in circulation	**3,401,873 pieces**	**3,393,741 pieces**
Share of Group profit attributable to Repower shareholders and participants	-32,599	-133,406
Earnings per share (undiluted)	CHF -9.58	CHF -39.31

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

Dividends	0.00 *)	6,816
Dividend per share	CHF 0.00 *)	CHF 2.00

*) 2014 dividend subject to approval by the Annual General Meeting

It is proposed not to pay a dividend.

Tables show values in TCHF unless otherwise noted.

7 Tangible assets

	Power plants	Grids	Assets under construction	Land and buildings	Other	Total
Gross values at 1 January 2013	**893,118**	**727,430**	**80,391**	**128,765**	**52,967**	**1,882,671**
Own costs capitalised	-	332	14,480	-	-	14,812
Additions	3,238	414	43,420	185	1,723	48,980
Disposals	-731	-14,199	-2,960	-478	-2,324	-20,692
Reclassifications IFRS 5	-	-	-2,482	-	-1	-2,483
Reclassifications between asset classes	10,367	18,194	-30,151	577	1,251	238
Translation differences	6,428	-	543	703	264	7,938
Gross values at 31 December 2013	**912,420**	**732,171**	**103,241**	**129,752**	**53,880**	**1,931,464**
Accumulated depreciation and impairments at 1 January 2013	**-352,236**	**-388,693**	**-2,687**	**-42,392**	**-27,414**	**-813,422**
Depreciation	-27,074	-17,400	-	-2,125	-3,906	-50,505
Impairments	-62,304	-	-85,225	-14,630	-19	-162,178
Disposals	616	8,847	2,331	301	2,023	14,118
Reclassifications IFRS 5	-	-	168	-	1	169
Translation differences	-1,194	-	-119	-18	-65	-1,396
Accumulated depreciation and impairments at 31 December 2013	**-442,192**	**-397,246**	**-85,532**	**-58,864**	**-29,380**	**-1,013,214**
Net values at 31 December 2013	**470,228**	**334,925**	**17,709**	**70,888**	**24,500**	**918,250**
thereof security pledged for debts						2,703
Gross values at 1 January 2014	**912,420**	**732,171**	**103,241**	**129,752**	**53,880**	**1,931,464**
Own costs capitalised	-	325	6,966	-	-	7,291
Additions	89	406	17,648	78	1,781	20,002
Disposals	-1,728	-7,421	-3,311	-1,519	-4,259	-18,238
Reclassifications IFRS 5	-	-	-	-	-	-
Reclassifications between asset classes	5,825	23,715	-29,795	-82	337	-
Translation differences	-8,397	-	-416	-860	-413	-10,086
Gross values at 31 December 2014	**908,209**	**749,196**	**94,333**	**127,369**	**51,326**	**1,930,433**
Accumulated depreciation and impairments at 1 January 2014	**-442,192**	**-397,246**	**-85,532**	**-58,864**	**-29,380**	**-1,013,214**
Depreciation	-24,129	-17,776	-	-1,967	-3,765	-47,637
Impairments	-	-	-	-	-	-
Disposals	1,721	5,357	3,286	1,072	4,129	15,565
Reclassifications IFRS 5	-	-	-	-	-	-
Reclassifications between asset classes	-23	4	-	82	-63	-
Translation differences	3,516	-	395	405	158	4,474
Accumulated depreciation and impairments at 31 December 2014	**-461,107**	**-409,661**	**-81,851**	**-59,272**	**-28,921**	**-1,040,812**
Net values at 31 December 2014	**447,102**	**339,535**	**12,482**	**68,097**	**22,405**	**889,621**
thereof security pledged for debts						2,635

Tables show values in TCHF unless otherwise noted.

The pledged fixed assets were put up as collateral for the investment loans and mortgages as listed in Notes 17 and 22. Insured value of tangible assets: CHF 1,624 million (previous year: CHF 1,769 million). In the year under review, no borrowing costs (previous year: TCHF 874) were capitalised for assets under construction. A financing cost rate of 2.97 per cent was used the previous year.

Impairment of tangible assets

In the reporting year there were no impairments or reversals of impairments of tangible assets, while in the previous year there were extensive impairments, which were shown broken down by segment. Both existing plants and projects were affected. The recoverability was determined by means of the discounted cash flow method (calculation of the value in use). The time period in the business plan is the same as the time periods of the individual plants and projects.

Market Switzerland segment

Existing plants

In the previous year impairment losses of CHF 3.5 million were recognised on various small hydroelectric plants. WACC before tax was between 4.2 and 5.4 per cent. The main reason for the impairment was reduced returns due to lower anticipated market prices.

Projects

The previous year the energy policy environment was not conducive to investments in non-subsidised technologies. As a result, an impairment loss of CHF 77.5 million was recognised relating to the project portfolio. This mainly affected the Lagobianco project (CHF 50 million), the Leverkusen combined-cycle gas turbine plant (CHF 12.5 million), the Chlus project (CHF 9.5 million), the Taschinas 2 project (CHF 4.9 million), and projects for small hydroelectric plants (CHF 0.6 million). WACC before tax was between 5.3 and 6.9 per cent. The reasons for the larger items are outlined below:

The Lagobianco project was deemed to be economically unviable owing to the adverse market situation for pumped-storage plants (high investment costs coupled with inadequate price differences between pumping and turbining). The recoverable amount of the project was lower than the reported carrying amount. An impairment loss was recognised to meet the requirements of IAS 36.59.

Owing to the uncertain market situation for combined-cycle gas turbine plants in Germany (design of the electricity market does not create incentives to invest in conventional power plants), the Leverkusen combined-cycle gas turbine plant project was deemed to be economically unviable. The recoverable amount of the project was lower than the reported carrying amount. An impairment loss was recognised to meet the requirements of IAS 36.59.

Owing to the difficult market situation for Swiss hydropower (low prices on the exchange), the Chlus project was deemed to be economically unviable. The recoverable amount of the project was lower than the reported carrying amount. An impairment loss was recognised to meet the requirements of IAS 36.59.

The Taschinas 2 project was formerly linked to the Chlus project. After the Chlus project was fundamentally overhauled, the new plan was to carry out Taschinas 2 independently. Whether or not the project will be carried out was questionable owing to the adverse market situation for Swiss hydropower (low prices on the exchange). Implementation and thus the cash flows associated with this project were uncertain.

Market Italy segment

Existing plants

An impairment loss of CHF 57.1 million was recognised relating to the Teverola (CHF 51.4 million) and Corleto Perticara (CHF 5.7 million) power plants. WACC before tax was 8.7 per cent.

Teverola is a combined-cycle gas turbine plant. Market conditions for the Teverola combined-cycle gas turbine power plant are challenging as a result of the massive expansion of renewable energy in southern Italy (renewables are given priority over conventional power plants for feed-in to the grid) as well as a decline in electricity consumption in the Italian market. Both developments had led to a reduction in the spark spread and to less than optimum utilisation of the plant.

The Corleto Perticara installation plant is a wind farm. Owing to the massive expansion of renewable energy, market prices in southern Italy had fallen by more than 30 per cent. An increase in prices for guarantees of origin was not sufficient to compensate for the drop in prices. In addition, the national grid operator was planning to relocate the current grid connection, which would generate considerable extra costs. Repower expects to close the wind farm at the end of 2016.

Tables show values in TCHF unless otherwise noted.

Projects
The previous year an impairment loss of CHF 21 million was recognised relating to the project portfolio, broken down as follows: impairment of a property related to the Saline Joniche project (CHF 13.3 million), Campolattaro pumped-storage plant (CHF 4.0 million), Pontremoli wind farm (CHF 2.7 million) and the Pistoia combined-cycle gas turbine plant (CHF 1.0 million). The reasons for the larger items are outlined below:

As far as the Saline Joniche project is concerned, Repower will be adhering to the overall strategic approach formulated by its majority shareholder, the government of Canton Graubünden. This owner strategy, combined with overall developments in the environment, prompted a resolution from Repower's Board of Directors not to consider any more interests in coal-fired generation plants. Repower no longer anticipates recoverable utilisation of the property planned for the coal-fired power plant. An impairment loss was recognised on the property related to the Saline Joniche project.

As a result of changes in market and regulatory conditions, formerly profitable ancillary services for pumped-storage plants in Italy were no longer compensated. This directly impacted the recoverable amount of the Campolattaro project. WACC before tax was 10.1 per cent.

With the elimination of the new incentive system introduced in July 2012 for renewables with the exception of photovoltaics (Decreto Ministeriale FER), there was no incentive to pursue the Pontremoli wind farm project.

"Other segments and activities" segment
The return flows from the wind farms in Germany subsidised under the German Renewable Energy Act (EEG) are heavily dependent on the amount of wind. The anticipated wind yield was less than expected, which led to an impairment loss of CHF 3.1 million being recognised on the Lübbenau wind farm. WACC before tax was 7.8 per cent.

Leased tangible assets
The net carrying amount of the motor vehicles held as part of the finance leasing agreement totalled TCHF 553 (previous year: TCHF 714) at the closing date. More information about the finance leasing can be found in Note 29.

Tables show values in TCHF unless otherwise noted.

8 Intangible assets

	Goodwill	Customer relations	Other	Total
Gross values at 1 January 2013	**543**	**15,502**	**27,535**	**43,580**
Own costs capitalised	-	-	30	30
Additions	-	-	2,310	2,310
Disposals	-220	-	-3,490	-3,710
Reclassifications between asset classes	-	-	-238	-238
Translation differences	9	224	88	321
Gross values at 31 December 2013	**332**	**15,726**	**26,235**	**42,293**
Accumulated amortisation and impairments at 1 January 2013	**-**	**-12,344**	**-10,325**	**-22,669**
Amortisation	-	-394	-3,306	-3,700
Impairments	-220	-	-7,635	-7,855
Disposals	220	-	2,988	3,208
Translation differences	-	-172	-57	-229
Accumulated depreciation and impairments at 31 December 2013	**-**	**-12,910**	**-18,335**	**-31,245**
Net values at 31 December 2013	**332**	**2,816**	**7,900**	**11,048**
Gross values at 1 January 2014	**332**	**15,726**	**26,235**	**42,293**
Own costs capitalised	-	-	-	-
Additions	-	-	2,624	2,624
Disposals	-	-	-409	-409
Reclassifications between asset classes	-	-	-	-
Translation differences	-7	-364	-92	-463
Gross values at 31 December 2014	**325**	**15,362**	**28,358**	**44,045**
Accumulated amortisation and impairments at 1 January 2014	**-**	**-12,910**	**-18,335**	**-31,245**
Amortisation	-	-389	-2,619	-3,008
Impairments	-	-	-	-
Disposals	-	-	222	222
Translation differences	-	310	52	362
Accumulated depreciation and impairments at 31 December 2014	**-**	**-12,989**	**-20,680**	**-33,669**
Net values at 31 December 2014	**325**	**2,373**	**7,678**	**10,376**

Neither impairment losses nor impairment gains were recognised in the 2014 financial year. Impairment losses of CHF 7.6 million had been recognised for software in the prior year. The main reasons for these impairments had been changes to the software requirements and a less good performance than anticipated. The impairment was split between Market Switzerland (CHF 3.9 million) and other segments and activities (CHF 3.7 million) segments.

Tables show values in TCHF unless otherwise noted.

9 Disclosures of interests in other entities (IFRS 12)

Type of interest and number

	31.12.2014	31.12.2013
Subsidiaries	37	46
of which domestic	9	14
of which foreign	28	32
Associates	6	6
of which domestic	4	4
of which foreign	2	2
Joint operations	1	1
of which domestic	1	1
of which foreign	-	-

Changes in the ownership interests without loss of control

In the 2014 financial year, the legal structure of Repower in Switzerland, which had evolved over the course of time, was streamlined retroactively as of 1 January 2014. Repower Klosters AG and Repower Holding Surselva AG were merged with Repower Ilanz AG, which was then renamed Repower Schweiz AG. The real estate companies Repower Immobilien AG and Repower Consulta AG were merged with Repower AG. The project company Vulcanus Projekt AG was merged with Repower Schweiz AG with effect 30 September 2014. As part of the streamlining of legal structures, Repower AG acquired minority interests in Repower Klosters AG, Repower Holding Surselva AG and Vulcanus Projekt AG. The net cash outflow of TCHF -190 is offset against minority interests of TCHF -436 and outgoing treasury shares in the amount of TCHF 1. The difference was allocated to the majority shareholder's capital. There was also a merger in Italy, with Repower Holding Italia S.p.A. merging with Repower Italia S.p.A.

In the 2013 financial year Repower had sold 22.5 per cent of its shares in the subsidiary SWIBI AG. It had also acquired minority interests in Repower Klosters AG and Repower Holding Surselva AG, which were covered in part by treasury shares. The net cash outflow of TCHF 1,412 is offset against minority interests of TCHF -5,288 and outgoing treasury shares in the amount of TCHF 1. The difference was allocated to the majority shareholder's capital.

Consequences of the loss of subsidiary control

In the 2014 financial year the companies Forze Motrici Pistoia S.r.l., Repower Magyarország Kft. and Repower Slovenskà republika s.r.o. were liquidated and deconsolidated. Cumulative translation losses of TCHF 7,590 had to be reclassified to profit or loss.

On 3 January 2013 Repower sold Repower Transportnetz AG to Swissgrid AG. The resulting profit/loss is zero. The transaction is described in Note 26.

Tables show values in TCHF unless otherwise noted.

Subsidiaries

List of fully consolidated companies as at 31 December 2014 and 2013.

Company	Head office	Currency	Issued capital	Holding 31.12.2014	Holding 31.12.2013	Purpose
Repower AG	Poschiavo	CHF	3,408,115	-	-	H/G/E
Repower Klosters AG	Klosters	CHF	-	-	99.94%	C/G
Repower Schweiz AG [1]	Klosters	CHF	250,000	100.00%	99.66%	C/G
Connecta AG [2]	Ilanz	CHF	100,000	100.00%	99.66%	S
Repower Holding Surselva AG	Waltensburg	CHF	-	-	99.66%	H
Ovra electrica Ferrera SA	Trun	CHF	3,000,000	49.00%	48.83%	G
Vulcanus Projekt AG	Poschiavo	CHF	-	-	60.00%	PC
SWIBI AG	Landquart	CHF	500,000	76.68%	76.68%	S
Repower Immobilien AG	Poschiavo	CHF	-	-	100.00%	RE
Repower Consulta AG	Ilanz	CHF	-	-	99.66%	RE
Alvezza SA in liquidation	Disentis	CHF	500,000	62.00%	61.79%	RE
Elbe Beteiligungs AG	Poschiavo	CHF	1,000,000	100.00%	100.00%	H
Lagobianco SA	Poschiavo	CHF	1,000,000	100.00%	100.00%	PC
Repartner Produktions AG	Poschiavo	CHF	20,000,000	59.00%	59.00%	G/PC
Elbe Finance Holding GmbH & Co KG	Dortmund	EUR	25,000	100.00%	100.00%	H
Elbe Finance Holding Verwaltungs-GmbH	Dortmund	EUR	25,000	100.00%	100.00%	H
Repower Deutschland GmbH	Dortmund	EUR	25,000	100.00%	100.00%	C
Repower Wind Deutschland GmbH	Dortmund	EUR	25,000	59.00%	59.00%	H
Repower Wind Prettin GmbH	Dortmund	EUR	25,000	59.00%	59.00%	G
Repower Wind Lübbenau GmbH	Dortmund	EUR	25,000	59.00%	59.00%	G
Repower GuD Leverkusen Verwaltungs-GmbH	Dortmund	EUR	25,000	100.00%	100.00%	H
Repower GuD Leverkusen GmbH & Co. KG	Dortmund	EUR	25,000	100.00%	100.00%	PC
Repower Holding Italia S.p.A.	Milan	EUR	-	-	100.00%	H
Repower Italia S.p.A.	Milan	EUR	2,000,000	100.00%	100.00%	E
Repower Vendita Italia S.p.A.	Milan	EUR	4,000,000	100.00%	100.00%	C
Repower Produzione Italia S.p.A.	Milan	EUR	120,000	100.00%	100.00%	H
SET S.p.A.	Milan	EUR	120,000	61.00%	61.00%	G
Energia Sud S.r.l.	Milan	EUR	1,500,000	100.00%	100.00%	G
SEA S.p.A.	Milan	EUR	120,000	100.00%	100.00%	PC
REC S.r.l.	Milan	EUR	10,000	100.00%	100.00%	PC
MERA S.r.l.	Milan	EUR	100,000	100.00%	100.00%	PC
SEI S.p.A.	Milan	EUR	120,000	57.50%	57.50%	PC
Immobiliare Saline S.r.l.	Milan	EUR	10,000	100.00%	100.00%	RE
REV S.r.l.	Milan	EUR	10,000	100.00%	100.00%	S
Forze Motrici Pistoia S.r.l.	Milan	EUR	-	-	100.00%	H
Energia Eolica Pontremoli S.r.l.	Milan	EUR	50,000	100.00%	100.00%	PC

1) Formerly Repower Ilanz AG
2) Formerly Aurax Connecta AG

Tables show values in TCHF unless otherwise noted.

Company	Head office	Currency	Issued capital	Holding 31.12.2014	Holding 31.12.2013	Purpose
Repower Trading Česká republika s.r.o.	Prague	CZK	3,000,000	100.00%	100.00%	E
S.C. Repower Vanzari Romania S.R.L.	Bucharest	RON	165,000	100.00%	100.00%	E
Repower Magyarország Kft.	Budapest	HUF	-	-	100.00%	E
Repower Serbia d.o.o. Beograd	Belgrade	EUR	20,000	100.00%	100.00%	E
Repower Macedonia DOOEL Skopje	Skopje	EUR	19,970	100.00%	100.00%	E
Repower Slovenskà republika s.r.o.	Bratislava	EUR	-	-	100.00%	E
Repower Polska Sp. z.o.o.	Warsaw	PLN	75,050	100.00%	100.00%	E
Repower Adria d.o.o	Sarajevo	BAM	1,000,000	100.00%	100.00%	E
Repower Hrvatska d.o.o.	Zagreb	HRK	366,000	100.00%	100.00%	E
Repower Furnizare România S.r.l.	Bucharest	RON	45,510,000	100.00%	100.00%	E

Key:

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

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

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

Tables show values in TCHF unless otherwise noted.

The following overview provides information on the subsidiaries with significant minority interests:

Key figures for subsidiaries with significant minority interests

	2014 SET S.p.A.	2013 SET S.p.A.
Minority interest	39%	39%
Balance sheet at 31.12.		
Non-current assets	200,375	214,944
Current assets	24,056	28,023
Non-current financial liabilities	-27,957	-95,070
Other non-current liabilities	-259	-1,811
Current financial liabilities	-83,582	-30,078
Other current liabilities	-40,487	-42,542
Share of equity attributable to Repower shareholders and participants	-44,009	-44,814
Share of equity attributable to minority interests	-28,137	-28,652
Income statement		
Revenues	80,877	88,475
Expenses	-80,834	-118,936
Share of Group profit attributable to Repower shareholders and participants	26	-18,581
Share of Group profit attributable to minority interests	17	-11,880
Share of profit or loss and other comprehensive income attributable to Repower shareholders and participants	-832	1,463
Share of profit or loss and other comprehensive income attributable to minority interests	-532	935
Share of profit or loss and comprehensive income attributable to Repower shareholders and participants	-806	-17,118
Share of profit or loss and comprehensive income attributable to minority interests	-515	-10,945
Dividends payment to minority interests	-	-
Cash flow from operating activities	14,483	17,587
Cash flow from investing activities	-154	-3,217
Cash flow from financing activities	-12,528	-11,080
Effect of currency translations	-105	6
Total cash flow	**1,696**	**3,296**

Tables show values in TCHF unless otherwise noted.

Associates

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

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

Other associates	Head office	Currency	Issued capital	Holding	Closing date	Purpose
EL.IT.E. S.p.A.	Milan	EUR	3,888,500	46.55%	31.12.	GC
Aerochetto S.r.l.	Catania	EUR	2,000,000	39.00%	31.12.	G
Rhiienergie AG	Tamins	CHF	915,000	21.73%	31.12.	C
Swisscom Energy Solutions AG	Ittigen	CHF	13,342,325	35.00%	31.12.	S

Key:

G Generation
GC Grid company
H Holding or purchase rights
S Services
C Customer (supply/sales)

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

Investments in associates changed as follows:

Investments in associates

	2014	2013
Carrying amounts at 1 January	**38,668**	**39,702**
Investments	3,423	1,741
Reclass of active loans	378	-
Dividends	-652	-664
Effect of currency translations	-201	205
Share of result	-4,651	-2,654
Actuarial profit/loss	-317	338
Impairments	-1,782	-
Carrying amounts at 31 December	**34,866**	**38,668**
Decrease of active loans for negative share of result	-34	-
Share of equity of associates and partner plants at 31 December	**34,832**	**38,668**

In 2014 an impairment requirement was identified at Aerochetto S.r.l., assigned to the Market Italy segment, with an impairment loss of TCHF 1,782 recognised in the consolidated financial statements under share of results of associates. This impairment is the result of a decline in the volume of wind power generated by the Giunchetto wind farm. The recoverable amount underlying the calculation is the value in use, which was discounted at a WACC of 11.52 per cent.

Repower had acquired 35 per cent of Swisscom Energy Solutions AG during the previous year. The Swisscom subsidiary has developed an innovative solution for intelligent and sustainable electricity consumption management. Repower's share in the accumulated loss of this company in 2014 exceeded the carrying value of the interest at 31 December 2014. This additional share of losses was offset in the amount of TCHF 34 against an existing loan.

Tables show values in TCHF unless otherwise noted.

Associated partner plants and other associates are each presented together.

Key figures for associated partner plants

	2014 Gross values	2013 Gross values	2014 Repower share	2013 Repower share
Balance sheet at 31.12.				
Current assets	898,564	899,188	60,709	60,895
Non-current assets	105,134	101,499	7,144	6,723
Pension provisions	-3,045	-13,610	-198	-885
Non-current financial liabilities	-440,000	-475,000	-29,275	-31,775
Other non-current liabilities	-91,280	-80,342	-6,390	-5,624
Current financial liabilities	-55,000	-15,005	-3,850	-1,000
Other current liabilities	-82,951	-80,590	-5,527	-5,389
Income statement				
Revenues	329,930	333,473	22,723	22,954
Expenses	-253,148	-263,349	-17,505	-18,180
Depreciation and impairments	-75,925	-68,116	-5,228	-4,688
Interest income	15,538	6,201	1,080	422
Interest expense	-12,428	-12,555	-831	-858
Income taxes	-6,519	-2,805	-425	-183
Gain or loss	-2,552	-7,151	-186	-533
Other comprehensive income	981	5,199	64	338
Comprehensive income	-1,571	-1,952	-122	-195

Key figures for other associates

	2014 Gross values	2013 Gross values	2014 Repower share	2013 Repower share
Balance sheet at 31.12.				
Non-current assets	93,046	106,897	33,507	38,805
Current assets	22,629	26,679	7,461	9,716
Non-current liabilities	-61,998	-58,707	-23,087	-21,816
Current liabilities	-15,134	-27,691	-5,662	-10,982
Income statement				
Revenues	28,800	25,136	8,927	7,789
Expenses	-45,545	-31,337	-15,208	-9,910
Gain or loss	-16,745	-6,201	-6,281	-2,121
Other comprehensive income	-1,088	-	-381	-
Comprehensive income	-17,833	-6,201	-6,662	-2,121

Tables show values in TCHF unless otherwise noted.

Joint operations

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

Key:
H Holding or purchase rights

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

10 Other financial assets

	31.12.2014	31.12.2013
Active loans	3,815	33,688
Other non-current securities	5,554	28,415
Total	**9,369**	**62,103**

The loans granted are allocated to the category loans and receivables and recognised at amortised cost. All other non-current securities are classified as available for sale and measured at fair value. This does not affect listed shares or equity securities for which there is no active market and hence for which the fair value cannot be reliably determined. The fair value corresponds to the acquisition value less impairments.

Significant components of other financial assets relate to loans granted to Swissgrid in the 2013 financial year and Swissgrid shares from the sale of Repower Transportnetz AG (Note 25). In the 2014 financial year, the loans granted to Swissgrid and a large part of the Swissgrid shares were reclassified as assets and liabilities held for sale. For more information please see Note 26.

In the 2013 financial year the prepayment for certificates of origin and prepaid long-term electricity procurement agreements were impaired in the amount of TCHF 50,193. This impairment was recognised under energy procurement and concerns the Market Switzerland segment.

11 Inventories

	31.12.2014	31.12.2013
Guarantees of origin	12,993	16,397
Emissions certificates	2,896	2,593
Gas	6,733	12,061
Material inventories	9,598	9,278
Total	**32,220**	**40,329**

Inventories consist of material inventories, gas inventories and certificates, and are measured at the lower of acquisition costs and net realisable value. Certificates that are not necessary for own generation needs and which are held for trading purposes are measured at fair value less selling costs. In the 2014 financial year an impairment loss of TCHF 774 was recognised (no impairment loss the previous year).

Tables show values in TCHF unless otherwise noted.

12 Receivables

	31.12.2014	31.12.2013
Trade accounts receivable	469,448	483,384
Allowances for doubtful accounts	-25,911	-28,508
Other receivables	48,509	55,253
Total	**492,046**	**510,129**

All receivables fall into the category loans and receivables and are measured at amortised cost. The total sum of receivables at 31 December 2014 (and 31 December 2013) falls due within one year. Owing to their short-term nature, the carrying amounts are assumed to be fair values.

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

13 Securities and other financial instruments

	31.12.2014	31.12.2013
Fixed term deposits (4-12 months)	156,313	-
Other securities	182	189
Positive replacement values	198	301
Total	**156,693**	**490**

Time deposits fall into the category loans and receivables and are measured at amortised cost.

Other securities, and positive replacement values, fall into the held-for-trading category and are measured at fair value. Positive replacement values comprised open forward exchange transactions at 31 December 2014.

14 Positive/negative replacement values for held-for-trading positions

	31.12.2014	31.12.2013
Positive replacement values	109,838	123,884
Negative replacement values	99,399	104,239

The figures for the replacement values correspond to all financial instruments from energy trading transactions open on the balance sheet date. The replacement value corresponds to the fair value of the open financial instruments. Positive replacement values represent receivables and therefore an asset. Negative replacement values represent obligations and therefore a liability.

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

The employment of held-for-trading positions exposes the company to credit and market risks. If the counterparty fails to fulfil its obligations arising from the contract, the counterparty risk for the company corresponds to the positive replacement value. These risks related to held-for-trading positions are limited by imposing stringent requirements on the creditworthiness of contracting parties. An obligation by the company towards the counterparty exists in the event of a negative replacement value. In this case the counterparty bears the risk.

Tables show values in TCHF unless otherwise noted.

15 Cash and cash equivalents

	31.12.2014	31.12.2013
Sight deposits	246,430	271,259
Cash invested for less than 90 days	604	1,734
Total	**247,034**	**272,993**

All cash and cash equivalents fall into the category loans and receivables and are measured at amortised cost. The average interest rate on CHF-denominated cash and cash equivalents was 0.10 per cent (previous year: 0.15 per cent) and 0.15 per cent for EUR-denominated cash and cash equivalents (previous year: 0.15 per cent).

Cash and cash equivalents are held in the following currencies:

	31.12.2014	31.12.2013
Swiss francs	71,785	71,053
Euro (translated)	171,434	193,645
RON (translated)	2,810	7,039
Other currencies (translated)	1,005	1,256
Total	**247,034**	**272,993**

All positions are freely disposable or are due within 90 days. The carrying amounts correspond approximately to the fair values.

Cash and cash equivalents for the cash flow statement

	31.12.2014	31.12.2013
Cash and cash equivalents	247,034	272,993
Cash and cash equivalents held for sale	3,667	71
Total	**250,701**	**273,064**

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

Tables show values in TCHF unless otherwise noted.

16 Share capital

		31.12.2014	31.12.2013
Share capital	2,783,115 at a par value of CHF 1	2,783	2,783
Participation capital	625,000 at a par value of CHF 1	625	625
Share and participation capital		**3,408**	**3,408**

Existing shareholders and their direct share of voting rights:			
Canton of Graubünden		58.30%	58.30%
Axpo Holding AG, Baden		33.70%	33.70%
Other (free float)		8.00%	8.00%

Participation certificates carry no voting rights at the General Meeting but are subject to the same provisions as shares. The number of securities representing share and participation capital remained unchanged over the previous year.

In the 2013 financial year, Canton Graubünden and Axpo Trading AG each acquired half of the shares held by Alpiq AG. Axpo Trading AG transferred its shares in Repower AG to Axpo Holding AG.

Treasury shares

	Number of shares	Average price in CHF	Number of participation certificates	Average price in CHF
Values at 31 December 2012	12,156		4,107	
Purchases	-	-	-	-
Disposals	-1,393	164	-2,007	109
Treasury shares exchange	-379	171	-	-
Values at 31 December 2013	**10,384**		**2,100**	
Purchases	1	-	-	-
Disposals	-10,083	119	-2,100	102
Treasury shares exchange	-302	171	-	-
Values at 31 December 2014	**-**		**-**	

In the year under review 10,083 shares (previous year: 1,393) and 2,100 participation certificates (previous year: 2,007) were sold and 1 share (previous year: none) and no participation certificates (previous year: none) were acquired. Also in the 2014 financial year, Repower transferred treasury shares for the acquisition of minority interests in Repower Holding Surselva AG and Repower Klosters AG to the sellers of the shares partly by way of a compensation payment. The balances of this transaction are reported under the line item share transfer. At 31 December 2014, there were no shares (previous year: 10,384) and no participation certificates (previous year: 2,100) in Repower's treasury share portfolio.

Tables show values in TCHF unless otherwise noted.

17 Non-current financial liabilities

	Currency	Due date	Nominal interest rate	31.12.2014	31.12.2013
Private placement	CHF	10.04.2017	3.625%	15,000	15,000
Private placement	CHF	30.03.2018	3.660%	25,000	25,000
Private placement	CHF	20.03.2023	3.625%	10,000	10,000
Private placement	CHF	28.06.2030	2.500%	20,000	20,000
Bank loan	CHF	11.12.2020	3.100%	10,000	10,000
Bank loan	CHF	04.07.2016	3.360%	50,000	50,000
Bank loan [1]	CHF	31.03.2017	variable	1,177	-
Bank loan (SET)	EUR	30.06.2015	5.017%	-	67,518
Loans				**131,177**	**197,518**
Bond par value	CHF	18.11.2016	2.500%	200,000	200,000
Net expenditures	CHF			-337	-727
Bond par value	CHF	20.07.2022	2.375%	115,000	115,000
Net expenditures	CHF			-1,671	-1,903
Registered note	EUR	08.08.2034	3.400%	101,002	-
Net expenditures	EUR			-4,915	-
Bonds				**409,079**	**312,370**
Investment loan	CHF	31.12.2015	no interest	-	152
Investment loan [2]	CHF	31.12.2020	no interest	1,063	1,275
Investment loan	CHF	31.12.2015	no interest	-	47
Loan (minority interest) [3]	CHF	31.12.2070	no interest	9,295	9,060
Residual purchase obligation Forze Motrici Pistoia S.r.l.	EUR	31.12.2017	no interest	-	1,135
Interest rate swap	CHF	11.12.2020		1,701	1,239
Interest rate swap	CHF	28.06.2024		4,613	-
Interest rate swap	CHF	01.07.2031		5,789	-
Interest rate swap	CHF	18.11.2031		4,883	-
Other financial liability	EUR	31.12.2021	no interest	971	-
Liabilities for financial leasing [4]	CHF		2.500%	153	284
Other financial liabilities				**28,468**	**13,192**
Total				**568,724**	**523,080**
Financial liabilities are carried in the following currencies:					
Swiss francs				471,666	454,427
Euro (translated)				97,058	68,653

With the exception of interest rate swaps, all non-current financial liabilities fall into the category other financial liabilities and are recognised at amortised cost using the effective interest method.

The weighted average interest rate based on the nominal value on the balance sheet date was 2.98 per cent (previous year: 2.97 per cent). The fair value of non-current financial liabilities amounted to TCHF 634,217 (previous year: TCHF 545,972).

Repower has fully complied with all credit and loan agreements.

1) Mortgage assignments were pledged as security for the bank loan of TCHF 1,177. The fixed assets pledged in this connection are disclosed in Note 7.

2) Mortgage assignments were pledged as security for the investment loan of TCHF 1,063 (previous year: TCHF 1,275) The fixed assets pledged in this connection are disclosed in Note 7.

3) In the 2011 financial year the minority shareholders of Repartner Produktions AG granted an interest-free loan of TCHF 15,925 commensurate with their interests

Tables show values in TCHF unless otherwise noted.

to finance the expansion of Repower's Taschinas hydropower plant in Grüsch. The terms of the loan stipulate repayment on a straight-line basis originally over 59 years as well as pro-rata compensation based on the EBIT generated by the Taschinas power plant. Financial liabilities are to be recognised at the time they are acquired at fair value. Since no market price is available, this is determined on the basis of the present value of expected future cash flows. The interest rate applied is 2.7 per cent. The interest rate advantage for the interest-free shareholder loan amounted to TCHF 8,004 and was classified as a hidden contribution which was taken into account at Group level as a capital increase in non-controlling interests.
Over the course of 2012 other partners were acquired for Repartner Produktions AG that also granted the company interest-free loans. Entry into the partnership was with retrospective effect and under the same terms and conditions as the previous partners. The additionally granted loan amount at the beginning of the year totalled TCHF 1,356.

In the 2014 financial year the interest-free loan was adjusted retroactively. The adjustment to the interest-free loan came to TCHF 315.

At the end of 2014 the liability component of the interest-free loan amounted to TCHF 9,368 (previous year: TCHF 9,129) and is amortised using the effective interest method, with the short-term portion recognised under current financial liabilities in the amount of TCHF 73 (previous year: TCHF 69).

4) The detailed maturities of leasing commitments can be found in Note 29.

18 Pension fund obligation

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

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

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

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

The defined contribution plan operated by PKE Vorsorgestiftung Energie will pay out pensions in two parts with effect from 1 January 2014: 90 per cent of the pension will be guaranteed as a basic pension and 10 per cent as a variable pension, depending on PKE's coverage ratio. If the coverage ratio is below 90 per cent, only the basic pension will be paid out. If the coverage ratio is higher than 120 per cent, the target pension will be increased by a maximum of 10 per cent. The variable component will be redefined each year and be valid for an entire year. This rule makes it possible for future retirees to also contribute to eliminating a potential coverage shortfall. They can, however, also participate in a positive development.

The previous year Repower had decided that on 1 April 2014 it would leave the PKE Pensionskasse Energie defined benefit plan that had existed in the past and switch to the PKE Vorsorgestiftung Energie defined contribution plan. Since the decision to switch was taken before 31 December 2013, the effects of the switch had to be taken into account in the previous year's financial statements.

Changes to the plans adopted in the 2013 financial year resulted in income from past service costs (losses due to plan changes) in the amount of TCHF 12,313, which had to be recognised directly in profit or loss. Further plan changes in the current financial year resulted in past service costs (losses due to plan changes) in the amount of TCHF 2,478.

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

Tables show values in TCHF unless otherwise noted.

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

	Swiss pension plans	Italian pension plans	Total
2014			
Fair value of plan assets	175,364	-	175,364
Present value of funded obligations	-200,774	-	-200,774
Deficit of funded plans	**-25,410**	**-**	**-25,410**
Present value of unfunded obligations	-	-3,254	-3,254
Total of defined benefit pension plans	**-25,410**	**-3,254**	**-28,664**
Current service cost (Personnel expenses)	-5,222	-489	-5,711
Administration cost	-186	-	-186
Interest cost	-510	-136	-646
Loss from plan change	-2,478	-	-2,478
Income statement charge	**-8,396**	**-625**	**-9,021**
Other comprehensive income	**-5,069**	**335**	**-4,734**

	Swiss pension plans	Italian pension plans	Total
2013			
Fair value of plan assets	164,795	-	164,795
Present value of funded obligations	-187,979	-	-187,979
Deficit of funded plans	**-23,184**	**-**	**-23,184**
Present value of unfunded obligations	-	-3,522	-3,522
Total of defined benefit pension plans	**-23,184**	**-3,522**	**-26,706**
Current service cost (Personnel expenses)	-6,652	-470	-7,122
Administration cost	-204	-	-204
Interest cost	-710	-132	-842
Gain from plan change	12,313	-	12,313
Income statement charge	**4,747**	**-602**	**4,145**
Other comprehensive income	**6,965**	**39**	**7,004**

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

	31.12.2014	31.12.2013
Swiss pension plans		
Active members	-126,012	-120,183
Pensioners	-74,762	-67,796
Total Present value of obligation	**-200,774**	**-187,979**

All pension commitments are vested.

Tables show values in TCHF unless otherwise noted.

The weighted average term of the defined benefit pension obligation under the defined contribution plan totalled 16.5 years (previous year: 13.9 years) at 31 December 2014.

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

	Quoted market prices in active markets	Prices in non active markets	Total	in %	Strategy in %
31.12.2014					
Cash and cash equivalents	4,209	-	4,209	2.00%	2.00%
Debt instruments	48,576	-	48,576	28.00%	30.00%
Equity instruments	70,496	-	70,496	40.00%	39.00%
Real estate	10,171	23,499	33,670	19.00%	17.00%
Other	1,228	17,185	18,413	11.00%	12.00%
Total	**134,680**	**40,684**	**175,364**	**100.00%**	**100.00%**

	Quoted market prices in active markets	Prices in non active markets	Total	in %	Strategy in %
31.12.2013					
Cash and cash equivalents	6,313	-	6,313	4.00%	2.00%
Debt instruments	48,529	-	48,529	30.00%	31.00%
Equity instruments	61,188	-	61,188	37.00%	42.00%
Real estate	8,400	23,481	31,881	19.00%	14.00%
Other	294	16,590	16,884	10.00%	11.00%
Total	**124,724**	**40,071**	**164,795**	**100.00%**	**100.00%**

Tables show values in TCHF unless otherwise noted.

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

	Present value of obligation	Fair value of plan assets	Total
At 1 January 2013	**-200,712**	**159,377**	**-41,335**
Current service cost	-7,122	-	-7,122
Administration cost	-	-204	-204
Interest expenses/income	-3,715	2,873	-842
Gain from plan change	12,313	-	12,313
Income statement	**1,476**	**2,669**	**4,145**
Remeasurements			
Return on plan assets, excluding amounts included in interest expense/income	-	10,858	10,858
Actuarial gain/losses from changes in demographic assumptions	-9,822	-	-9,822
Actuarial gain/losses from changes in financial assumptions	10,781	-	10,781
Experience gains/losses	-4,813	-	-4,813
Other comprehensive income	**-3,854**	**10,858**	**7,004**
Exchange differences	-44	-	-44
Contributions			
Employer contributions	-	3,524	3,524
Employee contributions	-2,328	2,328	-
Benefits paid	13,961	-13,961	-
At 31 December 2013	**-191,501**	**164,795**	**-26,706**
At 1 January 2014	**-191,501**	**164,795**	**-26,706**
Current service cost	-5,711	-	-5,711
Administration cost	-	-186	-186
Interest expenses/income	-4,255	3,609	-646
Gain from plan change	-	-	
Loss from plan change	-2,478	-	-2,478
Income statement	**-12,444**	**3,423**	**-9,021**
Remeasurements			
Return on plan assets, excluding amounts included in interest expense/income	-	8,595	8,595
Actuarial gain/losses from changes in demographic assumptions	2,567	-	2,567
Actuarial gain/losses from changes in financial assumptions	-19,773	-	-19,773
Experience gains/losses	3,877	-	3,877
Other comprehensive income	**-13,329**	**8,595**	**-4,734**
Exchange differences	68	-	68
Contributions			
Employer contributions	-	11,729	11,729
Employee contributions	-2,460	2,460	-
Benefits paid	15,637	-15,637	-
At 31 December 2014	**-204,029**	**175,365**	**-28,664**

Tables show values in TCHF unless otherwise noted.

The key actuarial assumptions are as follows:

	2014	2013
Weighted average of assumptions used to determine the defined benefit obligations at 31 December		
Discount rate	1.34%	2.23%
Salary growth rate	1.02%	1.51%
Pension growth rate	0.00%	0.00%
Mortality table	BVG 2010 GT	BVG 2010 GT

The average retirement age is 63.

An increase or decline in the key actuarial parameters would affect the present value of the defined benefit obligation at 31 December 2014 as follows:

		Impact on present value of obligation	
	Change in assumptions	Increase in assumption	Decrease in assumption
Discount rate	0.25%	-6,228	6,604
Salary growth rate	0.50%	910	-857

Employer contributions of TCHF 3,939 (previous year: TCHF 4,104) are expected for the 2015 financial year.

19 Other provisions

	Reversion provisions	Litigations and court proceedings	Dismantling provisions	Provisions for onerous contracts	Other provisions	Total
Other current provisions	472	-	-	-	308	780
Other non-current provisions	13,128	-	1,968	-	1,445	16,541
At 31 December 2013	**13,600**	**-**	**1,968**	**-**	**1,753**	**17,321**
Additions	-	1,651	626	6,416	1,405	10,098
Utilisations	-535	-	-	-	-304	-839
Reversals of provisions	-	-	-	-	-10	-10
Interests	435	-	43	-	-	478
Reclassifications “Non-current financial liabilities”	-	1,518	-	-	-	1,518
Reclassifications “held for sale“	-	-	-	-48	-15	-63
Translation differences	-	-32	-41	-	-47	-120
At 31 December 2014	**13,500**	**3,137**	**2,596**	**6,368**	**2,782**	**28,383**
Expected maturity up to 1 year	472	1,574	-	616	1,118	3,780
Other current provisions	**472**	**1,574**	**-**	**616**	**1,118**	**3,780**
Expected maturity in more than 1 year	13,028	1,563	2,596	5,752	1,664	24,603
Other non-current provisions	**13,028**	**1,563**	**2,596**	**5,752**	**1,664**	**24,603**

Reversion provisions

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

Tables show values in TCHF unless otherwise noted.

Provisions for onerous contracts

Provisions for onerous energy procurement contracts were recognised in the 2014 financial year. The creation of the provision in the amount of TCHF 6,416 (previous year: TCHF 0) was recognised under energy procurement in the Market Switzerland segment.

Other provisions

Other provisions cover various minor risks which are individually regarded as insignificant.

20 Other current liabilities

	31.12.2014	31.12.2013
Trade accounts payable	386,851	365,217
Other liabilities	54,128	57,481
Total	**440,979**	**422,698**

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

21 Current financial liabilities

	31.12.2014	31.12.2013
Current financial liabilities	83,414	31,638
Negative replacement values	263	5,637
Liabilities for financial leasing	392	358
Total	**84,069**	**37,633**

Current financial liabilities and leasing commitments fall into the other financial liabilities category and are recognised at amortised cost. Owing to their short-term nature, the carrying amounts are assumed to be fair values. The replacement values consist of forward exchange transactions and interest rate swaps and correspond to the market value.

22 Information about net current assets for the cash flow statement

	2014	2013
Change in net-current assets		
Change in inventories	7,469	5,086
Change in receivables	3,442	1,946
Change in income tax receivables	5,717	8,998
Change in prepaid expenses and accrued incomes	517	-178
Change in income tax liabilities	-4,573	2,068
Change in other current liabilities	28,078	-29,754
Change in current provisions	3,031	-570
Change in deferred incomes and accrued expenses	-15,011	4,354
Change in replacement values, held for trading positions	8,577	-8,966
Change in securities and other financial instruments	-189	1
Change in net-current assets held for sale	705	4,861
Total change in net-current assets for cash flow purposes	**37,763**	**-12,154**

Tables show values in TCHF unless otherwise noted.

Prepaid expenses and accrued incomes

	31.12.2014	31.12.2013
Prepaid expenses and accrued incomes	**5,136**	**5,749**
Non-financial assets	**4,818**	**5,213**
Prepayment of energy and transport rights	142	51
Other prepaid expenses	4,676	5,162
Financial assets	**318**	**536**
Other accrued incomes	318	536

Deferred incomes and accrued expenses

	31.12.2014	31.12.2013
Deferred income and accrued expenses	**24,696**	**40,550**
Non-financial liabilities	**2,768**	**253**
Other deferred incomes	2,768	253
Financial liabilities	**21,928**	**40,297**
Accrued interests	5,688	4,265
Accrued annual leave and overtime	6,968	7,982
Accrued other personnel expenses	2,960	3,730
Accrued capital, other taxes, charges and levies	5,564	5,411
Other accrued expenses	748	18,909

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

23 Transactions with related parties

Scope of transactions between the Group and related parties

	2014	2013	2014	2013	2014	2013	2014	2013
	Net sales		Other incomes		Energy procurement		Other expenses	
Canton Graubünden [1)]	81	81	-	-	-	-	-	-
Alpiq Group	-	5,123	-	357	-	22,993	-	37
Axpo Group	101,509	76,606	217	84	91,261	53,478	350	402
Main shareholders	**101,590**	**81,810**	**217**	**441**	**91,261**	**76,471**	**350**	**439**
Kraftwerke Hinterrhein AG	88	109	24	26	3,940	3,385	-	-
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen	-	-	8	8	15,892	16,801	-	-
Rhiienergie AG, Tamins	2,850	3,120	4	4	-	-	4	10
EL.IT.E S.p.A.	-	-	254	258	2,305	2,301	-	-
Aerochetto S.r.l.	30	131	-	41	-	-	-	-
Swisscom Energy Solutions AG	17	-	39	-	-	-	-	-
Associates and partner plants	**2,985**	**3,360**	**329**	**337**	**22,137**	**22,487**	**4**	**10**

Tables show values in TCHF unless otherwise noted.

Scope of transactions between the Group and related parties

	2014	2013	2014	2013	2014	2013	2014	2013
	Receivables at 31 December		Current liabilities at 31 December		Other non-current liabilities at 31 December		Active loans at 31 December	
Canton Graubünden	-	-	-	-	-	-	-	-
Alpiq Group	-	-	-	-	-	-	-	-
Axpo Group	463	4,091	20,140	11,199	-	-	-	-
Main shareholders	**463**	**4,091**	**20,140**	**11,199**	**-**	**-**	**-**	**-**
Kraftwerke Hinterrhein AG	23	123	335	45	-	-	-	-
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen	-	-	-	-	-	-	-	-
Rhiienergie AG, Tamins	263	238	1	-	234	-	-	-
EL.IT.E S.p.A.	255	259	427	-	-	-	1,873	4,211
Aerochetto S.r.l.	11	-	-	-	-	-	-	-
Swisscom Energy Solutions AG	-	-	2	-	-	-	1,731	-
Associates and partner plants	**552**	**620**	**765**	**45**	**234**	**-**	**3,604**	**4,211**

The previous year, Canton Graubünden and Axpo Trading AG each acquired half of the shares held by Alpiq AG.
The positive replacement values of held-for-trading positions in respect of the Axpo Group amounted to TCHF 0 (previous year: TCHF 0).
The negative replacement values of held-for-trading positions in respect of the Axpo Group amounted to TCHF 12,422 (previous year: TCHF 18,685).

Members of the Board of Directors and Executive Board

In 2014 and 2013 Repower paid the following compensation to members of the Board of Directors and Executive Board:

	2014	2013
Gross salaries (fixed) and reimbursements	2,720,907	2,937,426
Gross salaries (variable)	343,585	375,857
Pension funds and other personnel costs	977,537	819,511
Total	**4,042,029**	**4,132,794**

Additional disclosures on compensation and shareholdings of Group governing bodies in accordance with the Swiss Code of Obligations are provided in the Compensation Report on pages 34 to 36 of the Annual Report.

Tables show values in TCHF unless otherwise noted.

24 Additional disclosures on financial instruments

	31.12.2014 Carrying amount	31.12.2013 Carrying amount
Assets		
Derivative financial instruments	**110,036**	**124,185**
Held for trading	**110,036**	**124,185**
Forward foreign currency contracts	198	3
Energy trading transactions	109,838	123,884
Interest rate swaps	-	298
Non-derivative financial instruments	**916,142**	**860,999**
Loans and receivables	**910,406**	**832,395**
Active loans	3,815	33,688
Fixed term deposits (4-12 months)	156,313	-
Receivables	**502,926**	**525,178**
Trade accounts receivables	443,537	454,876
Other receivables	48,509	55,253
Current income tax receivables	10,880	15,049
Prepaid expenses and accrued income	318	536
Cash and cash equivalents	247,034	272,993
Held for trading	**182**	**189**
Shares, bonds, other securities	182	189
Available for sale	**5,554**	**28,415**
Other financial assets	5,554	28,415
At 31.12.	**1,026,178**	**985,184**

	31.12.2014 Carrying amount	31.12.2013 Carrying amount
Liabilities		
Derivative financial instruments	**116,648**	**111,115**
Held for trading	**116,648**	**110,904**
Forward foreign currency contracts	263	101
Energy trading transactions	99,399	104,239
Interest rate swaps	16,986	6,564
Hedge accounting	**-**	**211**
Interest rate swaps	-	211
Non-derivative financial instruments	**1,098,451**	**1,016,832**
Other financial liabilities	**1,098,451**	**1,016,832**
Received loans	551,585	521,557
Current financial liabilities	83,414	31,638
Liabilities for financial leasing	545	642
Other current liabilities	**440,979**	**422,698**
Trade accounts payables	386,851	365,217
Other liabilities	54,128	57,481
Accrued expenses	21,928	40,297
At 31.12.	**1,215,099**	**1,127,947**

Tables show values in TCHF unless otherwise noted.

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

	31.12.2014 Carrying amount	31.12.2014 Fair value	31.12.2013 Carrying amount	31.12.2013 Fair value
Received loans (incl. long term leasing)	551,738	617,231	521,841	544,733

Measurement hierarchy

Measurements at fair value in the balance sheet are classified using a three-level hierarchy based on the type and quality of the fair values (market prices). The following levels exist:

Level 1: Publicly quoted market prices for the respective financial instrument (e.g. stock market prices).
Level 2: Market prices that are not generally accessible and possibly derived from prices for similar financial instruments or underlying goods.
Level 3: Prices that are not based on market data.

Fair value hierarchy

Recurring measurement of

	31.12.2014	Level 1	Level 2	Level 3
Assets				
Derivative financial instruments	**110,036**	-	**110,036**	-
Held for trading	**110,036**	-	**110,036**	-
Forward foreign currency contracts	198	-	198	-
Energy trading transactions	109,838	-	109,838	-
Interest rate swaps	-	-	-	-
Non-derivative financial instruments	**182**	-	**182**	-
Shares, bonds, other securities	182	-	182	-

Recurring measurement of

	31.12.2014	Level 1	Level 2	Level 3
Liabilities				
Derivative financial instruments	**116,648**	-	**116,648**	-
Forward foreign currency contracts	263	-	263	-
Energy trading transactions	99,399	-	99,399	-
Interest rate swaps	16,986	-	16,986	-
Hedge accounting	-	-	-	-
No hedge accounting	16,986	-	16,986	-
Financial instruments that are not measured at fair value	**617,231**	-	**617,231**	-
Received loans (incl. long term leasing)	617,231	-	617,231	-

Tables show values in TCHF unless otherwise noted.

	31.12.2013	Level 1	Level 2	Level 3
Assets				
Derivative financial instruments	**124,185**	**19**	**124,166**	**-**
Held for trading	**124,185**	**19**	**124,166**	**-**
Forward foreign currency contracts	3	-	3	-
Energy trading transactions	123,884	19	123,865	-
Interest rate swaps	298	-	298	-
Non-derivative financial instruments	**189**	**-**	**189**	**-**
Shares, bonds, other securities	189	-	189	-

	31.12.2013	Level 1	Level 2	Level 3
Liabilities				
Derivative financial instruments	**111,115**	**-**	**111,115**	**-**
Forward foreign currency contracts	101	-	101	-
Energy trading transactions	104,239	-	104,239	-
Interest rate swaps	6,775	-	6,775	-
Hedge accounting	211	-	211	-
No hedge accounting	6,564	-	6,564	-
Financial instruments that are not measured at fair value	**544,733**	**-**	**544,733**	**-**
Received loans (incl. long term leasing)	544,733	-	544,733	-

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

In the Repower Group, transfers of positions measured at fair value to and from a level generally take place at the end of the period. There were no transfers between levels at the end of 2014. There were no changes in the measurement methods nor were positions measured at fair value shifted within the individual categories.

Change in positions reported under assets

Forward exchange transactions and interest rate swaps under the group of derivative financial instruments, and shares, bonds, other securities under the group of non-derivative financial instruments, are components of the balance sheet item securities and other financial instruments. The energy trading transactions under the group of derivative financial instruments correspond to the balance sheet item positive replacement values held-for-trading positions.

Change in positions reported under liabilities

Forward exchange transactions and interest rate swaps under the group of derivative financial instruments are components of the balance sheet items non-current financial liabilities and current financial liabilities. The energy trading transactions under the group of derivative financial instruments correspond to the balance sheet item negative replacement values held-for-trading positions. Loans and leasing commitments under the group of financial instruments that are not measured at fair value are components of the balance sheet item non-current financial liabilities.

Basic measurement methods and assumptions

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

The price curves of the last trading day for the various products and maturities on stock exchanges or with brokers are incorporated into the measurement of the energy trading transactions (positive/negative replacement values of the held-for-trading positions) classified as Level 1 and 2. The replacement value is the difference in price compared to the closing price.

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

Tables show values in TCHF unless otherwise noted.

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

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

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

	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	Receivables / other current liabilities	Receivables / other current liabilities	Positive / negative replacement values	Positive / negative replacement values
Assets				
Gross amount of financial assets before offsetting	806,014	869,174	252,950	344,605
Gross amount of financial liabilities that have been offset with financial assets in the balance sheet	-313,968	-359,045	-143,112	-220,721
Net amount of financial assets in the balance sheet	**492,046**	**510,129**	**109,838**	**123,884**
Gross amounts that have led to no netting with financial assets (financial instruments and cash collateral received)	-	-	-	-
Net amount	**492,046**	**510,129**	**109,838**	**123,884**

	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	Other current liabilities / receivables	Other current liabilities / receivables	Negative / positive replacement values	Negative / positive replacement values
Liabilities				
Gross amount of financial liabilities before offsetting	-754,947	-781,743	-242,511	-324,960
Gross amount of financial assets that have been offset with financial liabilities in the balance sheet	313,968	359,045	143,112	220,721
Net amount of financial liabilities in the balance sheet	**-440,979**	**-422,698**	**-99,399**	**-104,239**
Gross amounts that have led to no netting with financial liabilities (financial instruments and cash collateral received)	-	-	-	-
Net amount	**-440,979**	**-422,698**	**-99,399**	**-104,239**

Tables show values in TCHF unless otherwise noted.

25 Business combinations, disposals and liquidations

2014 financial year

In the 2014 financial year the companies Forze Motrici Pistoia S.r.l., Repower Magyarország Kft. and Repower Slovenskà republika s.r.o. were liquidated. As a result of these liquidations, cumulative translation losses of TCHF 7,590 were reclassified to profit or loss. Pre-tax losses resulting from the liquidation of these three companies were recognised under other operating expenses in the "Other segments and activities" segment.

2013 financial year

Disposal of Repower Transportnetz AG

The Electricity Supply Act (StromVG), which came into force on 1 January 2008, requires that ownership of the Swiss transmission system be transferred to Swissgrid AG. Repower transferred all shares in Repower Transportnetz AG to Swissgrid AG on 3 January 2013. The two balance sheet items assets held for sale and liabilities held for sale, which were previously separate, have now been adjusted. The selling price of TCHF 73,672 was consistent with the carrying amount and financial assets recorded as a consideration. These comprise new Swissgrid shares (TCHF 22,204) and a receivable from Swissgrid in the form of a loan (TCHF 51,468), TCHF 22,042 of which was repaid in the 2013 financial year. The consideration recorded is a provisional value. The final transfer value is not yet available. The complete disposal of the shares in Repower Transportnetz AG had the following effect on the assets and liabilities of the Repower Group:

	03.01.2013
Tangible assets	82,646
Inventories	72
Receivables	3,506
Cash and cash equivalents	-
Assets held for sale	**86,224**
Deferred tax liabilities	12,019
Other current liabilities	189
Deferred income and accrued expenses	344
Liabilities held for sale	**12,552**
Carrying value disposal group	73,672
Selling price	73,672
Profit/loss from sale	**-**

The expected consideration was adjusted to TCHF 73,447 in the course of the 2013 financial year. The loss of TCHF 225 was disclosed under other operating expenses in the Market Switzerland segment.

In December 2014 Repower sold its shares in Swissgrid and the convertible loan granted to Swissgrid (see Note 26).

There were no business combinations in the 2013 financial year.

Tables show values in TCHF unless otherwise noted.

26 Assets and liabilities held for sale

Net assets and liabilities held for sale increased from TCHF -8,257 the previous year to TCHF 49,041 at 31 December 2014. This increase is due to the reclassification of interests with respect to Swissgrid and the assets and liabilities of the sales and distribution business in Germany in the 2014 financial year.

	31.12.2014	31.12.2013
Tangible assets	-	-
Other financial assets	51,682	-
Deferred tax assets	-	-
Receivables	6,341	760
Accrued income and prepaid expenses	4	6
Cash and cash equivalents	3,667	71
Assets held for sale	**61,694**	**837**
Other non-current provisions	63	-
Current financial liabilities	8,067	7,856
Other current liabilities	3,397	1,057
Deferred income and accrued expenses	1,126	181
Liabilities held for sale	**12,653**	**9,094**

Participations held for sale: Swissgrid

Repower currently holds a 3.69 per cent interest in Swissgrid AG. The interest is primarily the result of the transfer of Repower's high-voltage network to the national grid operator. Compensation for the transfer in 2013 of the transmission grid unit took the form of shares and a convertible loan, which have been recognised in the Market Switzerland segment. In December 2014, Repower sold its shares in Swissgrid, with a carrying value of TCHF 29,268, and the TCHF 22,414 convertible loan granted to Swissgrid to an intercantonal consortium. The selling price is around CHF 56 million, with the final selling price to be set on the basis of Swissgrid AG's financial statements. Closing of the transaction is anticipated in the 2015 financial year.

Assets and liabilities held for sale: SEI S.p.A.

SEI S.p.A. is developing a project to construct a coal-fired power plant in Saline Joniche. The owner strategy formulated by majority shareholder Canton Graubünden in 2013 does not foresee interests in coal-fired power plants. Repower will completely withdraw from the Saline Joniche project on a controlled basis by the end of 2015 at the latest while complying with the contractual obligations that are in place, and dispose of the project. An impairment loss of TCHF 11,663 identified the previous year was ascribed to the tangible assets of the disposal group. This impairment was recognised in the consolidated income statement under other operating expenses. The net assets of the disposal group came to TCHF -8,638 (previous year: TCHF -8,257) at 31 December 2014, and belong to the Market Italy segment. Translation gains for SEI S.p.A. contained in the Repower Group's equity amount to TCHF 1,261 (previous year: TCHF 1,135) for the Repower Group and TCHF 657 (previous year: TCHF 564) for the minority interests.

Assets and liabilities held for sale: sales business in Germany

Repower is withdrawing from the sales business in Germany. In December 2014 Repower signed an agreement to dispose of its portfolio of sales and distribution activities in Germany and the associated assets and liabilities. Sales in Germany is not a reporting segment in its own right, and is recognised in the "Other segments and activities" segment. Closing of the transaction is anticipated in the 2015 financial year. Total assets of TCHF 5,997 were reclassified. The cumulative translation gain for this foreign operation came to TCHF 760 at 31 December 2014.

Tables show values in TCHF unless otherwise noted.

27 Segment reporting

	Market Switzerland	Market Italy	Other segments and activities and consolidation	Group
2014				
Net sales from energy sales - third parties	589,597	1,413,750	227,802	2,231,149
Net sales from energy sales between segments	138,893	90,967	-229,860	-
Income from held for trading positions - third parties	-1,714	18,330	-16,398	218
Income from held for trading positions between segments	4,804	-3,359	-1,445	-
Own costs capitalised	7,291	-	-	7,291
Other operating income - third parties	24,764	3,023	6,105	33,892
Other operating income between segments	2,876	460	-3,336	-
Operating revenue	**766,511**	**1,523,171**	**-17,132**	**2,272,550**
Energy procurement - third party	-506,313	-1,284,839	-200,131	-1,991,283
Energy procurement between segments	-88,785	-119,050	207,835	-
Operating expenses (without energy) - third parties	-86,338	-71,483	-46,906	-204,727
Operating expenses (without energy) between segments	-19,736	-10,323	30,059	-
Income before interest, income taxes, depreciation and amortisation (EBITDA)	**65,339**	**37,476**	**-26,275**	**76,540**
Depreciations	-30,762	-14,682	-5,201	-50,645
Impairments	-	-	-	-
Income before interest and income taxes (EBIT)	**34,577**	**22,794**	**-31,476**	**25,895**
Financial income				3,116
Financial expenses				-44,353
Share of results of associates and partner plants				-6,467
Income before income taxes				**-21,809**
Headcount at 31 December	340	160	166	666
Tangible assets	596,540	222,445	70,636	889,621
Intangible assets	4,762	4,131	1,483	10,376
Investments in associates and partner plants	25,751	4,931	4,184	34,866
Total non-current assets	**627,053**	**231,507**	**76,303**	**934,863**
Investments in tangible and intangible assets	18,243	2,836	1,547	22,626

Tables show values in TCHF unless otherwise noted.

	Market Switzerland	Market Italy	Other segments and activities and consolidation	Group
2013				
Net sales from energy sales - third parties	667,670	1,414,967	244,609	2,327,246
Net sales from energy sales between segments	61,850	10,011	-71,861	-
Income from held for trading positions - third parties	-19,361	-6,913	23,829	-2,445
Income from held for trading positions between segments	3,063	6,153	-9,216	-
Own costs capitalised	13,525	1,316	1	14,842
Other operating income - third parties	20,502	1,546	3,802	25,850
Other operating income between segments	3,393	700	-4,093	-
Operating revenue	**750,642**	**1,427,780**	**187,071**	**2,365,493**
Energy procurement - third party	-596,894	-1,256,797	-216,524	-2,070,215
Energy procurement between segments	-9,765	-42,164	51,929	-
Operating expenses (without energy) - third parties	-94,737	-79,051	-47,526	-221,314
Operating expenses (without energy) between segments	-20,796	-8,049	28,845	-
Income before interest, income taxes, depreciation and amortisation (EBITDA)	**28,450**	**41,719**	**3,795**	**73,964**
Depreciations	-30,594	-17,233	-6,378	-54,205
Impairments	-84,925	-78,015	-7,093	-170,033
Income before interest and income taxes (EBIT)	**-87,069**	**-53,529**	**-9,676**	**-150,274**
Financial income				2,941
Financial expenses				-9,618
Share of results of associates and partner plants				-2,654
Income before income taxes				**-159,605**
Headcount at 31 December	346	169	192	707
Tangible assets	604,471	239,159	74,620	918,250
Intangible assets	4,662	4,355	2,031	11,048
Investments in associates and partner plants	26,528	8,051	4,089	38,668
Total non-current assets	**635,661**	**251,565**	**80,740**	**967,966**
Investments in tangible and intangible assets	43,349	7,002	939	51,290

Information by product

	2014	2013
Power, inclusive considerations for energy transmission	1,757,718	1,886,483
Gas	379,697	345,795
Other	93,952	92,523
Net sales	**2,231,367**	**2,324,801**

Information by country

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

Tables show values in TCHF unless otherwise noted.

Non-current assets

	31.12.2014	31.12.2013
Switzerland	664,843	674,605
Italy	231,606	251,668
Other countries	38,414	41,693
Total	**934,863**	**967,966**

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

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

28 Contingent liabilities and warranty liabilities

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

Repower is involved in various legal disputes arising from its day-to-day business operations. However, as things stand at present these are not expected to give rise to any significant risks and costs for the Group. The Executive Board has set aside the requisite provisions based on currently available information and estimates.

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

29 Obligations under leasing arrangements

Leasing contracts that mainly transfer the economic risk to Repower are recognised as finance leasing arrangements. All other leasing contracts are classified as operating leasing arrangements. Assets which are recognised in connection with a finance lease are depreciated in accordance with the guidelines explained under property, plant and equipment. If the depreciation period of the asset is greater than the length of the lease agreement, the asset is depreciated over the term of the leasing contract.

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

Operating leasing arrangements

	31.12.2014	31.12.2013
Due within 1 year	3,963	4,200
Due in 1-5 years	5,542	5,528
Due after 5 years	8,127	3,389
Total	**17,632**	**13,117**

At the reporting date of the current financial year, the outstanding minimum lease payments consisted of TCHF 14,930 for property and buildings, TCHF 2,251 for motor vehicles and TCHF 451 for IT hardware. At the reporting date of the previous financial year, the outstanding minimum lease payments consisted of TCHF 9,345 for property and buildings, TCHF 2,547 for motor vehicles and TCHF 1,225 for IT hardware.

Lease expenses of TCHF 5,114 were recognised in the financial year under review. Lease expenses came to TCHF 4,987 the previous year.

Only in the case of motor vehicle leasing contracts is Repower required to pay a standard market surcharge if it uses the vehicles beyond the contractually agreed kilometre limit. In the case of leased IT hardware, the lease contains the option of extending the contract for up to two years.

Finance leasing arrangements

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

Tables show values in TCHF unless otherwise noted.

	31.12.2014	31.12.2013
Sum of minimum lease payments		
Due within 1 year	401	371
Due in 1-5 years	153	289
Due after 5 years	13	-
Total	**567**	**660**
Future interests	**-22**	**-18**
Liabilities for financial leasing	**545**	**642**
Present value of liabilities for financial leasing		
Due within 1 year	392	358
Due in 1-5 years	142	284
Due after 5 years	11	-
Total	**545**	**642**

30 Risk assessment

Risk management is a fundamental component of Repower's business activities. Repower has an established risk management process in place. The main risks relevant to the Group are identified and assessed, and their probability of occurrence and impact is measured, as part of a regular risk identification process. The Board Committee and Executive Board evaluate and monitor all significant risks identified and regularly brief the Board of Directors. The Board of Directors or the Executive Board defines appropriate measures to avoid, mitigate, transfer or control these risks. The measures are then systematically monitored. Further details on risk management and financial risk management are provided on pages 62 to 67 of the consolidated financial statements.

31 Events occurring after the balance sheet date

The Group financial statements were approved for publication by the Board of Directors on 27 March 2015. They are subject to the approval of the Annual General Meeting, which will take place on 29 April 2015.

On 15 January 2015 the Swiss National Bank announced the removal of the 1.20 floor on the CHF/EUR exchange rate. The amounts stated in these financial statements were converted at the closing exchange rates on 31 December 2014 or at the average exchange rates for 2014, and therefore do not take account of developments in exchange rates after 31 December 2014. The effect of a lower Swiss franc/euro exchange rate on Repower's group results was analysed in the section on currency risks in Note 6 (transaction exposure). If the Swiss franc remains strong by comparison with the rate on 31 December 2014, this will also lead to losses in the next financial statements on the translation of the functional currency of the foreign Group companies into the reporting currency (translation exposure). These losses, which will be recognised directly in other income under equity, will amount to around CHF 15 million in the event of a 10 per cent devaluation of the euro. Ultimately a firmer Swiss franc has a negative impact on profitability. By way of sensitivity analysis, a 10 per cent devaluation of the euro can be expected to erode EBIT by between CHF 6 and 9 million.

In a 9 February 2015 ruling, the Italian constitutional court deemed the so-called Robin Hood tax, an extra tax on energy companies introduced in Italy in 2008, to be unlawful. In the future the subsidiaries in Italy will no longer be subject to this income tax. The resulting 6.5 per cent reduction in the tax rate will affect the level of effective and deferred tax expense (tax income) and the measurement of recognised tax assets related to loss carryforwards in the future. In 2015 Repower will have tax expense of around CHF 4 million on the basis of the adjustment of the tax rate for deferred tax assets and liabilities.

The Federal Electricity Commission (ElCom) has issued a partial ruling on Repower's electricity tariffs on the basis of its examination of grid usage charges and electricity prices in 2009 and 2010. The partial ruling ascertains that Repower did not charge improper electricity tariffs in 2009/10. ElCom even concluded that the full costs were not passed on to customers. However, there are differences between the calculation methods used by ElCom and Repower. Particularly at issue is whether or not power plants, interests and long-term contracts allocated by Repower for its domestic and international trading activities have to be included in the calculation of basic supply tariffs. Repower has therefore decided to lodge an objection with the Federal Administrative Court.

REPORT OF THE AUDITORS

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Report of the statutory auditor
to the General Meeting of
Repower AG
Poschiavo

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Repower AG, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, changes in consolidated shareholders' equity, consolidated cash flow statement and notes (pages 43 to 107), for the year ended 31 December 2014.

Board of Directors' responsibility

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation 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 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

PricewaterhouseCoopers AG, Gartenstrasse 3, Postfach, CH-7001 Chur, Switzerland
Telefon: +41 58 792 66 00, Telefax: +41 58 792 66 10, www.pwc.ch

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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 paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers AG

Beat Inauen

Audit expert
Auditor in charge

Martin Bettinaglio

Audit expert

Chur, 27 March 2015

Tables show values in TCHF unless otherwise noted.

Income statement

	Note	2014	2013
Net sales		661,445	643,931
Own costs capitalised		1,908	4,389
Other operating income		53,894	31,903
Total operating revenue	1	**717,247**	**680,223**
Energy procurement		-597,545	-564,401
Material and third parties services		-2,536	-7,813
Personnel expenses		-47,691	-47,804
Concession fees		-8,767	-8,353
Depreciation/amortisation and impairment	2	-25,902	-10,997
Other operating expenses		-25,880	-27,662
Operating expenses		**-708,321**	**-667,030**
Operating income before interest, extraordinary items and taxes		**8,926**	**13,193**
Financial income		35,570	35,017
Financial expense		-33,625	-14,540
Non-operating income		1,085	142
Income before taxes		**11,956**	**33,812**
Gains on the sale of assets		2,014	59,474
Extraordinary income		4,321	25,380
Extraordinary expenses		-252	-50,193
Profit before taxes		**18,039**	**68,473**
Taxes		-655	-1,902
Net income for the year		**17,384**	**66,571**

Tables show values in TCHF unless otherwise noted.

Balance sheet

	Note	31.12.2014	31.12.2013
Assets			
Tangible assets		150,376	156,951
Intangible assets	3	14,838	24,801
Financial assets	4	653,982	676,557
Non-current assets		**819,196**	**858,309**
Inventories		3,893	2,531
Trade accounts receivable	5	325,938	418,241
Other receivables	5	178,333	166,003
Prepaid expenses and accrued income	6	2,886	2,558
Financial current assets		158,137	1,514
Cash and cash equivalents		157,082	178,801
Current assets		**826,269**	**769,648**
Total assets		**1,645,465**	**1,627,957**

Tables show values in TCHF unless otherwise noted.

	Note	31.12.2014	31.12.2013
Liabilities and shareholders' equity			
Share capital		2,783	2,783
Participation capital		625	625
Reserves for treasury shares		-	3,667
Legal reserves		36,994	43,797
Other reserves		541,961	498,294
Retained earnings		55,602	78,218
Equity	7	**637,965**	**627,384**
Provisions	8	**37,743**	**19,551**
Non-current liabilities	9	**582,987**	**489,024**
Trade accounts payable		280,208	369,456
Other current liabilities		81,152	97,722
Deferred income and accrued expenses		25,410	24,820
Current liabilities	10	**386,770**	**491,998**
Liabilities		**1,007,500**	**1,000,573**
Total liabilities and shareholder's equity		**1,645,465**	**1,627,957**

Tables show values in TCHF unless otherwise noted.

NOTES

1 Total operating revenue

	2014	2013
Revenue from energy sales	658,355	662,972
Profit from held-for- trading positions	-1,714	-22,553
Profit from held-for- trading positions towards group companies	4,804	3,512
Total net revenue	**661,445**	**643,931**
Own costs capitalised	**1,908**	**4,389**
Revenue from other operating activities	5,059	2,965
Revenue from other operating activities towards group companies	48,835	28,938
Other operating income	**53,894**	**31,903**
Total operating revenue	**717,247**	**680,223**

2 Depreciation/amortisation and impairment

	2014	2013
Depreciation of tangible assets	7,046	6,991
Amortisation of intangible assets	4,481	4,006
Impairment of tangible assets	5,890	-
Impairment of intangible assets	6,644	-
Impairment of financial assets	1,841	-
Total	**25,902**	**10,997**

3 Intangible assets

	31.12.2014	31.12.2013
Reversion waiver compensation	30,825	30,825
Value adjustment waiver compensation	-21,577	-20,036
Software	5,590	14,012
Total	**14,838**	**24,801**

Tables show values in TCHF unless otherwise noted.

4 Financial assets

	31.12.2014	31.12.2013
Investments	398,831	407,476
Loans to Group companies	173,085	188,319
Other financial assets	82,066	80,762
Total	**653,982**	**676,557**

5 Receivables

	31.12.2014	31.12.2013
Related parties (shareholders)	17,971	25,646
Group companies	174,380	145,897
Positive replacement values held for trading positions	59,460	70,202
Positive replacement values held for trading positions towards group companies	8,092	897
Other receivables	244,368	341,602
Total	**504,271**	**584,244**

6 Prepaid expenses and accrued incomes

	31.12.2014	31.12.2013
Group companies	2,282	1,871
Other	604	687
Total	**2,886**	**2,558**

Tables show values in TCHF unless otherwise noted.

7 Equity

	31.12.2014	31.12.2013
Share capital 2,783,115 shares at a par value of 1 CHF per share	2,783	2,783
Participation capital 625,000 participation certificates at a par value of 1 CHF per share	625	625
Share capital	**3,408**	**3,408**
Reserves for treasury shares	-	3,667
Capital reserves [1]	19,871	26,674
Other legal reserves	17,123	17,123
Other reserves	541,961	498,294
Reserves	**578,955**	**545,758**
Retained earnings carried forward	38,218	11,647
Net income for the year	17,384	66,571
Retained earnings	**55,602**	**78,218**
Equity	**637,965**	**627,384**

1) No dividend was paid on the 6,605 shares and 275 participation certificates held by Repower AG on the payout date (21 May 2014), thus increasing the capital reserves carried forward by CHF 13,760.

Share capital

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

	31.12.2014	31.12.2014
Canton of Graubünden	58.30%	58.30%
Axpo Holding AG, Baden	33.70%	33.70%

Treasury shares

	Number of shares	Average price in CHF	Number of participation certificates	Average price in CHF
Values at 31 December 2012	12,156		4,107	
Purchases	-	-	-	-
Disposals	-1,393	164	-2,007	109
Treasury shares exchange	-379	171	-	-
Values at 31 December 2013	**10,384**		**2,100**	
Purchases	1	-	-	-
Disposals	-10,083	119	-2,100	102
Treasury shares exchange	-302	171	-	-
Values at 31 December 2014	**-**		**-**	

In the reporting year, 19 registered shares of Repower Holding Surselva AG were exchanged for 279 bearer shares, and 10 registered shares of Repower Klosters AG were exchanged for 23 bearer shares. A total of 302 bearer shares were thus exchanged.

Tables show values in TCHF unless otherwise noted.

8 Provisions

	31.12.2014	31.12.2013
For reversion waiver compensation	8,700	7,800
For contract risks	11,168	4,800
Other risks	17,875	6,951
Total	**37,743**	**19,551**

9 Non-current liabilities

	Interest rate	Duration	31.12.2014	31.12.2013
Loan	2.500%	2010-2030	20,000	20,000
Note	3.625%	2008-2017	15,000	15,000
Note	3.660%	2008-2018	25,000	25,000
Note	3.625%	2008-2023	10,000	10,000
Bank loan	3.360%	2006-2016	50,000	50,000
Bank loan	3.100%	2005-2020	10,000	10,000
Loans			**130,000**	**130,000**
Bond par value	2.500%	2009-2016	200,000	200,000
Net expenditures			-727	-
Bond par value	2.375%	2010-2022	115,000	115,000
Net expenditures			-1,903	-
Registered note	3.400%	2014-2034	101,002	-
Net expenditures			-5,096	-
Bonds			**408,276**	**315,000**
Towards group companies			44,573	43,878
Liabilities for financial leasing			138	146
Other financial liabilities			**44,711**	**44,024**
Total			**582,987**	**489,024**

10 Current liabilities

	31.12.2014	31.12.2013
Related parties (shareholders)	17,963	21,952
Group companies	33,820	29,046
Deferred income and accrued expenses third parties	23,623	23,254
Deferred income and accrued expenses group companies	1,787	1,566
Negative replacement values held for trading positions	63,137	83,429
Negative replacement values held for trading positions towards group companies	9,576	649
Other obligations	236,864	332,102
Current liabilities	**386,770**	**491,998**

There are no liabilities due to pension plans (previous year: none). Liabilities due to Canton Graubünden which are not explicitly attributable to its status as a shareholder of Repower AG are not disclosed separately.

Tables show values in TCHF unless otherwise noted.

OTHER INFORMATION

Non-current assets
The fire insurance value for property is CHF 122 million (previous year: CHF 56 million).
An additional property insurance policy covers all the relevant risks of the Repower Group's Swiss companies. The insurance covers the value of property, plant and equipment excluding real estate and land to the value of CHF 1,237 million (previous year: CHF 1,066 million).

Investments
The table on pages 79 to 85 of the consolidated financial statements summarises the main interests held directly or indirectly by Repower AG.

Provision policy
Risks related to delivery and sales contracts are regularly assessed in line with market developments and the necessary provisions recognised or adjusted in profit or loss.

Net release of hidden reserves
In the reporting year, hidden reserves of CHF 28.4 million before deferred tax were released (previous year: CHF 39.4 million).

Sureties, guarantee obligations and pledges in favour of third parties
Joint liability for VAT Group taxation with Repower Schweiz AG, aurax connecta ag, SWIBI AG, Elbe Beteiligungs AG, Lagobianco SA, Repartner Produktions AG and Ovra electrica Ferrera SA.

To the benefit of Group companies, letters of intent and financing agreements amounting to EUR 202 million (equivalent to CHF 242 million) were concluded (previous year: EUR 258 million, equivalent to CHF 317 million).

Recognised lease liabilities totalled TCHF 522 (previous year: TCHF 379).

No other sureties, guarantee obligations or pledge agreements exist.

Information on the risk assessment process and related measures
Repower AG is fully integrated in the risk assessment and management process at Group level. The main risks relevant for Repower AG are directly incorporated at Group level in the Group-wide risk management process, where they are comprehensively managed, controlled and monitored. Explanations on risk assessment at Group level are provided in the notes to the consolidated financial statements on pages 62 to 67.

These financial statements were drawn up using the transitional provisions for the new accounting law pursuant to the provisions of the Swiss Code of Obligations for bookkeeping and accounting which were valid until 31 December 2012.

Tables show values in TCHF unless otherwise noted.

Disclosures in accordance with Art. 663c of the Swiss Code of Obligations at 31 December of the financial year:

		Shares 2014	Shares 2013	PC 2014	PC 2013
Dr Eduard Rikli, BoD chairman		100	100	-	-
Placi Berther		9	9	-	-
Christoffel Brändli	until 14.05.14	-	14	-	-
Rolf W. Mathis		5	5	-	-
Roger Vetsch		25	25	-	-
Peter Molinari	from 14.05.14	15	-	-	-

	Shares 2014	Shares 2013	PC 2014	PC 2013
Kurt Bobst, CEO	50	50	100	100
Felix Vontobel	50	50	50	50
Fabio Bocchiola	5	5	-	-
Giovanni Jochum	25	25	300	300

There are no other items which require disclosure.

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

Net income for the year 2014	CHF	17,383,976
Retained earnings carried forward	CHF	38,217,883
Retained earnings	**CHF**	**55,601,859**
Allocation to other reserves	CHF	-20,000,000
Balance carried forward	**CHF**	**35,601,859**

Poschiavo, 27 March 2015

For the Board of Directors:

Dr Eduard Rikli
Chairman of the Board of Directors

REPORT OF THE AUDITORS

Report of the statutory auditor
to the General Meeting of
Repower AG
Poschiavo

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Repower AG, which comprise the income statement, balance sheet and notes (pages 111 to 119), for the year ended 31 December 2014.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 December 2014 comply with Swiss law and the company's articles of incorporation.

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.

PricewaterhouseCoopers AG, Gartenstrasse 3, Postfach, CH-7001 Chur, Switzerland
Telefon: +41 58 792 66 00, Telefax: +41 58 792 66 10, www.pwc.ch

pwc

In accordance with article 728a paragraph 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.

PricewaterhouseCoopers AG

Beat Inauen

Audit expert
Auditor in charge

Martin Bettinaglio

Audit expert

Chur, 27 March 2015

ADDRESSES

Head office

Repower
Via da Clalt 307
7742 Poschiavo
T +41 81 839 7111
F +41 81 839 7299

www.repower.com
info@repower.com

Switzerland

Glennerstrasse 22
7130 Ilanz
T +41 81 926 2626
F +41 81 926 2630

Kraftwerk Küblis
7240 Küblis
T +41 81 423 7777
F +41 81 423 7799

Bahnhofstrasse 11
7302 Landquart
T +41 81 423 7822
F +41 81 423 7849

Hardstrasse 201
8005 Zürich
T +41 81 839 7000
F +41 81 839 7099

Italy

Via Giulio Uberti 37
20129 Milano
T +39 02 764 5661
F +39 02 764 56630

Romania

Bd. Primăverii
nr. 19-21, sector 1
011972 Bucuresti
T +40 21 335 0935
F +40 21 335 0934

Czech Republic

Vodičkova 710/31
110 00 Praha 1
T +420 255 73 0200
F +420 255 73 0238

Bosnia and Herzegovina

Fra Andela Zvizdovića 1
9th Floor, Tower A
71000 Sarajevo
T +387 33 942 300

KEY DATES

29 April 2015	Annual General Meeting in Pontresina
27 August 2015	First Half Year Results
12 May 2016	Annual General Meeting in Landquart

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March 2015

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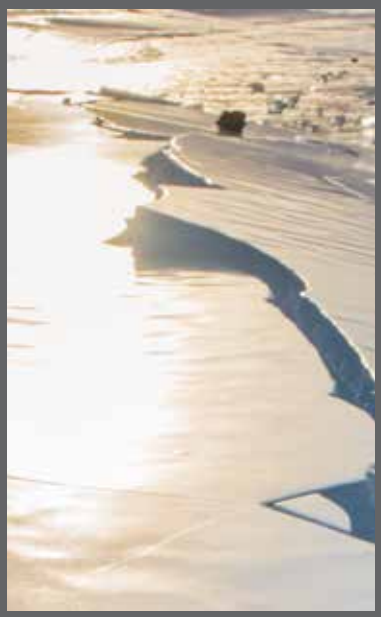
All the energy you need.



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