REPOWER


# ANNUAL REPORT **2010**


MASCHINENGRUPPE 2

# CONTENT



Cover: Küblis power plant (Switzerland)

# AT A GLANCE

- Repower achieves a very good operating result in 2010 despite a challenging environment.
- We increased electricity sales by 36 % to 19.7 TWh.
- The Group's total gas turnover volume in distribution, trading and for operating the Teverola power plant amounts to around 450 million cubic meters.
- We succeeded in growing total operating revenue by 16 % to CHF 2.3 billion.
- We increased earnings before interest and income taxes to CHF 163 million (+ 19 %).
- Group profit is CHF 80 million (- 28 %).
- Repower enters the end-customer business in Romania with its acquisition of the distribution company Elcomex EN.
- The "Lago Bianco" project is approved by the residents of the concession municipalities.
- Other power plant projects reach an advanced planning stage, in particular the "Chlus" hydropower plant near Landquart (Switzerland) and the combined cycle power plant in Leverkusen (Germany).
- We increased wind power capacity significantly and thanks to new wind farms now stands at 47 MW.
- The new company name, Repower, is firmly established in all markets.

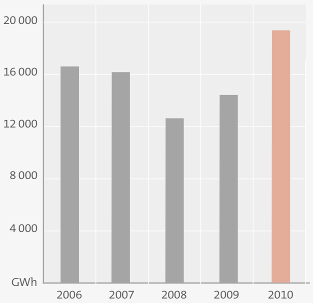
## SHARE INFORMATION

| | | | | | |
|---|---|---|---|---|---|
| Share capital | 2,783,115 | bearer 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** | | | | **2009** | **2010** |
| Bearer shares | | | High | 520 | 505 |
| | | | Low | 360 | 410 |
| Participation certificates (PC) | | | High | 390 | 400 |
| | | | Low | 208 | 249 |
| **Dividend** | **2006** | **2007** | **2008** | **2009** | **2010** *) |
| Bearer shares | 4.50 | 5.50 | 7.00 | 8.00 | 8.00 |
| Participation certificates (PC) | 4.50 | 5.50 | 7.00 | 8.00 | 8.00 |

*) 2010 dividend subject to decision by the Annual General Meeting.
There are no restrictions on transferability or voting rights.

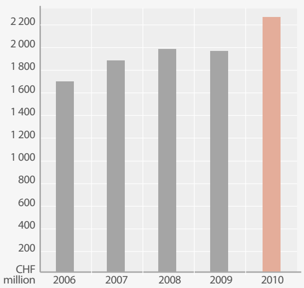
## ENERGY BALANCE SHEET




*Electricity sales*

| | 2009 | 2010 | Change |
|---|---|---|---|
| **Electricity business in GWh** | | | |
| Contracts > 1 year | 1,123 | 868 | - 23 % |
| Contracts ≥ 1 month ≤ 1 year | 4,514 | 7,087 | + 57 % |
| Spot < 1 month | 4,556 | 6,608 | + 45 % |
| Trading | 10,192 | 14,563 | + 43 % |
| Supply/sales | 4,010 | 4,603 | + 15 % |
| Pumps, own use, losses | 230 | 520 | + 126 % |
| **Electricity sales** | **14,432** | **19,686** | **+ 36 %** |
| Contracts > 1 year | 1,903 | 1,692 | - 11 % |
| Contracts ≥ 1 month ≤ 1 year | 5,108 | 7,457 | + 46 % |
| Spot < 1 month | 4,584 | 7,809 | + 70 % |
| Trading | 11,596 | 16,959 | + 46 % |
| Own generation | 1,778 | 1,788 | + 1 % |
| Energy from participations | 1,058 | 940 | - 11 % |
| **Electricity procurement** | **14,432** | **19,686** | **+ 36 %** |
| | | | |
| **Gas business in 1,000 m³** | | | |
| Sales to end customers | 54,617 | 125,230 | + 129 % |
| Trading (sales) | 62,870 | 110,371 | + 76 % |
| **Gas sales** | **117,487** | **235,601** | **+ 101 %** |
| Teverola power plant consumption | 177,001 | 210,274 | + 19 % |

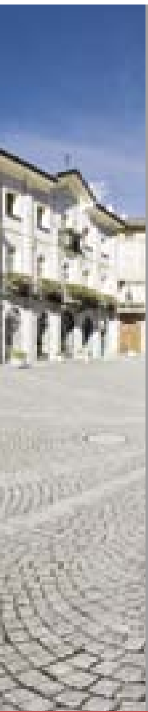
## FINANCIAL HIGHLIGHTS




*Total operating revenue*

| | 2009 | 2010 | Change |
|---|---|---|---|
| **CHF million** | | | |
| Total operating revenue | 1,959 | 2,267 | + 16 % |
| Income before interest and income taxes (EBIT) | 137 | 163 | + 19 % |
| **Group profit including minority interests** | **111** | **80** | **- 28 %** |
| Balance sheet total | 2,248 | 2,274 | + 1 % |
| **Equity** | **912** | **922** | **+ 1 %** |

# A JOURNEY THROUGH THE **WORLD OF REPOWER**



## *Repower in Poschiavo*

*The cornerstone for Repower's history was laid more than 100 years ago in Valposchiavo: the journey into the world of energy began amidst the mountains in southern Switzerland, which are brimming with energy.*

Build trust, take personal initiative, produce effect: these are the basic values that Repower identifies with. In the spirit of these values, the photographs featuring in the 2010 Annual Report provide an insight into everyday life at Repower.

Our aim is to break new ground and portray energy in an unconventional light in the 2010 Annual Report. Repower has operations in many countries in Europe, thus bridging cultures, languages and different social realities. Our employees would like to take you on a personal tour of our working world on the following pages. Experience the places where we work and Repower's infrastructure as we travel through Europe by bike. It was certainly not without reason that our staff was willing to pedal under its own power: people who ride bikes exude energy, they use local landmarks to orient themselves, cover a lot of ground quickly but still with enough time to interact closely with their surroundings. This is exactly what our corporate group wants to achieve in all markets: "All the energy you need."

## STOPS ALONG THE ENERGY JOURNEY

The trip begins at our headquarters in Poschiavo and takes us over the Bernina Pass, where energy cannot only be felt through the forces of nature but can also be seen in the Bernina power transmission line and the Lago Bianco lake which Repower uses for electricity generation. In Prättigau we take a look at the pressure line that goes into the Küblis power plant. Then the Repower cyclists take a cable car up the mountain where they begin an exhilarating descent into the valley. In Italy, Repower employees let their presence be known with their attire in the Galleria Vittorio Emanuele II shopping center in Milan. Others show us the gas-fired combined-cycle power plant in Teverola where we encounter a bunch of happy boule players near the plant. One of our Zurich colleagues gets ready to ride home on her recumbent bike after work and members of the trading team in Prague take us to a park right next to their offices. In Bucharest, an employee shows us around the university where some of our Repower colleagues earned their degrees and then takes us on a tour of the grandiose squares of the Romanian capital. Back in Switzerland, we stop in at the Ilanz substation in Surselva and experience the wild Rhine Gorge by bike. Finally, our bike trip takes us to Germany to the snow-covered Repower wind farm in Prettin and to a mine in Essen where culture and interaction bring new energy to an old mining community.

## JOIN US ON OUR JOURNEY

Energy is as multifaceted as Repower! Repower puts all of its energy into embracing this diversity and addressing the needs of our customers no matter where they are. Repower, the new name for the Group since April 2010, is continuing its journey into the energy future with power and dedication. We invite you to join us on our journey!

# PUBLIC INTEREST FOCUSES ON THE **ENERGY INDUSTRY**

DR EDUARD RIKLI, **CHAIRMAN OF THE BOARD OF DIRECTORS**

*Dr Eduard Rikli,*
*Chairman of the Board of Directors:*
*"Thanks to our clear strategy, a motivating and open corporate culture, market proximity and expertise gained over many years, we have created a solid basis for the future."*

**The current discussions about energy policy are evidence that we are on the right track with our Repower strategy: profitable growth along the entire value chain in clearly defined markets. Further milestones were achieved in 2010. The overall political conditions proved increasingly challenging.**

The environment Repower operates in as a European company is characterised by a search for answers to the question of the "right" energy mix, different focal points of policy in the various European countries and varying levels of market liberalisation.

## CLEAR SITUATION

Three elements have proven essential to the assessment of the future environment:

1. Energy consumption, particularly electricity consumption, will continue to increase.
2. Renewable energies will assume an increasingly important role.
3. Large conventional power plants will remain necessary, also in the future.

The strategy of the Repower Group is based on these factors. We are addressing the needs of the market with our sales efforts in the defined segments while also helping to expand generation capacities. We are committed to using particularly hydro and wind power for new facilities and are paying close attention to developments in other areas of renewable energy generation. Based on the technical conditions and the expected demand, we are working carefully on selected conventional power plant projects. This strategy is based on projections from sources such as the International Energy Agency or the OECD.

## RESERVATIONS ABOUT INFRASTRUCTURE PROJECTS

Generally speaking, infrastructure projects – and not just those in the field of energy generation and transmission – trigger discussions. These

discussions, which centre on all different types of energy generation, are often particularly heated in the energy segment. It is interesting here that perceptions and assessments vary widely depending on the country. And even environmentally optimised projects like our "Lago Bianco" project are controversial in the public realm.

In view of these circumstances, we see it as our duty to carefully plan all projects, to seek out the optimum solutions in dialogue with all stakeholders and to deploy the best possible technologies. We are responsible in our decision-making and take into account technical, environmental and economic aspects. But we are also convinced that one-sided perspectives will not help us reach our goal. Prosperity, job security, social advancement and also environmental improvements cannot be accomplished without renewing existing infrastructure or creating new infrastructure.

## SOLID BASIS

Repower considers the changing environment, the technical developments and the political and regulatory conditions to be a challenge. In 2010, our employees once again successfully tackled these complex tasks, something I would like to thank them for on behalf of the Board of Directors. Key milestones were achieved in many strategic projects, we displayed flexibility in a highly competitive marketplace and continued to expand our position. The energy industry is faced with a market environment that continues to be difficult and one that Repower cannot escape. Thanks to our clear strategy, a motivating and open corporate culture, market proximity and expertise gained over many years, we have created a solid basis for the future.

# VERY GOOD OPERATING RESULT – UNCERTAIN **CONDITIONS**

KURT BOBST, **CEO**

*Kurt Bobst, CEO:*

*"In addition to the successful renaming of our Group to Repower, we continued to make headway in various strategic projects in 2010."*

Despite a difficult environment, we closed 2010 with a very good operating result. This positive appraisal is somewhat clouded by the current exchange rate situation, which has lowered profits. Key elements of the ongoing successful pursuit of the Repower strategy were the market launch in Romania and progress in the various power plant projects.

The market environment in the energy markets continued to pose challenges in 2010. Recovery is slow and the impact of the crisis can still be clearly felt in some European countries. This is reflected in an overall weak demand for energy. The vigorous activity seen in past years is not yet again in evidence. Consistent with these conditions, low prices were prevalent in 2010, a situation that is only likely to change slowly and put pressure on margins.

## CHALLENGING CONDITIONS

Demand, however, will continue to grow in the medium term, which means that the need to make new power plant capacities available is not a question. Energy prices will reflect the increase in demand over the medium term. The ongoing political discussion about the best energy mix for Europe's future still holds uncertainties.
The role of the regulator, which has yet to be defined, is another element affecting the market environment for energy companies in Switzerland. Legal uncertainties that keep cropping up mean significant additional costs for everyone involved and negatively affect legal certainty.

## MAJOR CHALLENGE POSED BY EXCHANGE RATES

Seen against market developments in 2010, our operating result (EBIT) of CHF 163 million can be viewed as very good. The result was 19 % above the prior-year figure, exceeding the expectations. Pre-tax profit fell by 5 % year-on-year to CHF 106 million and profit declined by 28 %, whereby the previous year's result was positively influenced by tax effects of more than CHF 20 million. This is also a considerable improvement over the mid-year trend that saw a drop in profit of 68 %.

The main reason for the decline in pre-tax profit is the extremely difficult exchange rate situation, dominated above all by the strong Swiss franc. Already in the middle of the year, the euro lost around 10 % of its value against the Swiss franc. It weakened by a further 4 % or so in the second half of the year. For Repower, which transacts over 80 % of its business in euros, these developments in exchange rates represent a major challenge that is likely to continue in 2011.

## MORE ENERGY SALES

Total operating revenue generated by the Repower Group rose by 16% to CHF 2.267 billion in 2010. Roughly 19.7 TWh of electricity was sold in total, approximately 36 % more than in the previous year. Electricity sales rose by 43 % in trading and in distribution by 15 %. The gas business also experienced positive growth. Repower's total gas turnover volume amounted to around 450 million cubic meters in 2010: with end customers accounting for 125 million (+ 129 %), trade sales 110 million (+ 76 %) and 210 million were consumed in the Teverola gas-fired combined-cycle power plant (+ 19 %).

## PROGRESS IN ALL KEY PROJECTS

In addition to the successful renaming of our Group to Repower, we continued to make headway in various strategic projects in 2010. With the purchase of a distribution company in Romania, we took another step in the development of this fourth key market. Our idea of giving small and medium-sized utilities the opportunity to generate their own energy through a project investment company met with considerable interest in the industry. Development of the "Lago Bianco" project (Switzerland) reached such an advanced stage that

## *Repower in the Bernina Pass*

*The Bernina Pass has always served as a bridge between North and South. People travel over the pass either by car or train, which has been declared a UNESCO world heritage site. And Repower has made it possible for electricity to make this same journey by laying a 380 kilovolt power line.*

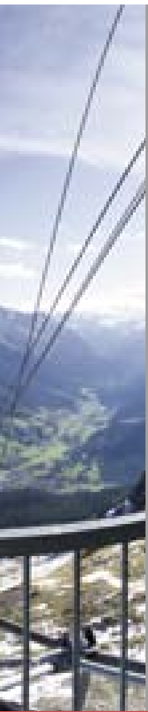

the residents of the municipalities concerned issued the concessions necessary to construct this 1,000 MW pumped storage power plant. The plan to build a 430 MW combined cycle power plant in Leverkusen (Germany) also met with a good response from the local community and the project is at an advanced stage. Initial positive feedback has been received from the authorities concerning the projects for new coal-fired power plants in Brunsbüttel (Germany) and Saline Joniche (Italy) - the approval procedures are ongoing for both projects. In the spring of 2011 the new Taschinas hydroelectric plant (Switzerland), with a capacity of 10 MW, will go into operation and a decision was reached in 2010 to proceed with the 26 MW Lucera wind farm (Italy) so that construction can begin in 2011. These projects show we are successfully pursuing our strategy and that we are on course with further diversification of our generation facilities in both geographical and technological terms.

### OUTLOOK

We expect 2011 to be a difficult and extremely challenging year for the industry and thus also for Repower. Market uncertainties will continue and prices will remain relatively low. We also don't yet anticipate a sustained recovery of the euro. And we don't expect there to be any short-term clarification of the regulatory requirements. The same holds true for energy policy for which a reliable framework is still lacking in many countries. Against this background, we assume EBIT and profit will close out lower at the end of 2011 than in 2010. It must also be borne in mind that the special effects brought about by the income from the sale of a property in Samedan and the aurax electro ag will also be eliminated in 2011.

The current difficult conditions show, on the other hand, that we are well-positioned for the future with our strategy of clearly concentrating on selected key markets and consistently relying on our expertise as an integrated energy company.

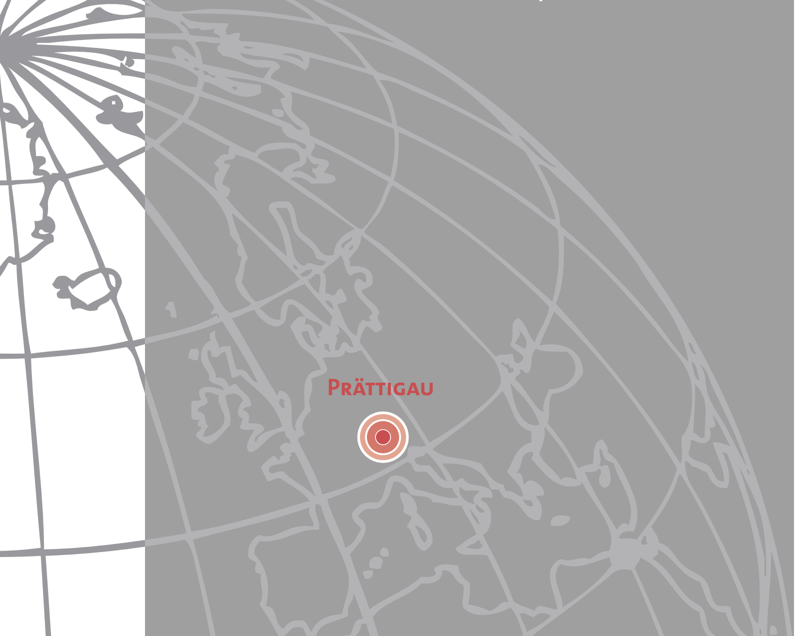
# MARKET DIVISION: **REPOWER IN ROMANIA**



## *Repower in Prättigau*

*In the tourist canton of Graubünden, many mountain railway companies are Repower customers. Passengers can sit back and enjoy the ascent into the fascinating mountain setting. And they can also make an exhilarating descent into the valley on mountain bikes like the Repower team in the Gotschna mountain station.*

**2010 has been a successful year for Repower in both trading as well as sales. This is particularly gratifying because prices were low and forecasts difficult. Energy consumption is also on the decline among some customers as the economic situation continues to be uncertain. The launch of sales activities in Romania marked the start of the development of a fourth key market for Repower.**




In line with our strategy, we concentrate on selected key markets where we operate along the entire electricity value chain. This first step in Romania will thus be followed by others in the future.

### LAUNCH OF SALES IN ROMANIA

Already since 2007, Repower has had a base in the Romanian capital of Bucharest and we also maintain trade relationships to this country via our trading offices. In 2010, we took another important step in developing this key market. We reached an agreement with the former owner to acquire the distribution company, Elcomex EN. Elcomex EN focuses on selling electricity to business customers in Romania – similar to Repower's existing operations in Italy and Germany. Elcomex EN is thus an excellent fit for the Repower business model. Elcomex EN has a market share of approximately 6 % of the liberalised Romanian electricity market, selling around 1 TWh of power in 2009 to generate sales revenues of some EUR 70 million. Revenue developed positively in 2010, increasing by around 16 %. This underscores the market potential we see in Romania. Intensive efforts are now underway to integrate Elcomex EN and we are also building up our capacity to generate power in Romania.

### FURTHER DEVELOPMENT OF MARKETS IN ITALY, SWITZERLAND AND GERMANY

Sales activities also showed positive growth in the three other key markets in Italy, Switzerland and Germany. In Italy sales of electricity and gas increased year on year by 15 % and 129 % respectively, equivalent to

around 4 TWh of electricity and 125 million cubic meters of gas. 32,000 customers buy their electricity from Repower and 7,000 are supplied with gas. Customers benefit from innovative products and services and professional support. Repower's efforts in 2010 focused not only on achieving higher volumes, but also on increasing profitability. Evidence of this can be seen in our accomplishments in the fiercely competitive Italian market in this difficult year. Repower has been able to enhance its expertise in electromobility through a partnership with an automotive manufacturer. The partnership entered into in 2010 with the newly formed Swiss center for electric vehicles serves the same purpose in Switzerland.

Further headway was made in building up the German market. Today, Repower has 1,700 customers in this market who purchased 380 GWh more than in the previous year. As mentioned in the report on the Assets Division, Repower now has two wind farms in Germany and interesting projects aimed at further expanding its own generating capacity. This has enabled Repower to reinforce its standing in Germany and increase name recognition.

In Switzerland, Repower continues to serve 75,000 end customers either directly or through resellers. Given the slow pace of market liberalisation, we are concentrating on collaborating with energy suppliers in Switzerland. In the area of end customer support, we came up with a one-off concept for Switzerland, setting up a customer information centre that also sells mobile communication products in Ilanz. In addition, mobile info or "Energy Contact" points were developed in order to foster debate on energy-related issues, primarily in "energy cities" and schools.

2010 was a good hydrological year, with precipitation around 120 % higher than average. Several new large customers signed up for PUREPOWERgraubünden, the high-quality green power.

## INNOVATIVE INVESTMENT SCHEME FOR PARTNERS

Together with other energy suppliers, we developed an innovative investment scheme which enables partners to tap into electricity generation from existing Repower assets and from Repower projects and procurement agreements. We presented this scheme to the public towards the end of the year, laying the foundation for the partnership in a letter of intent with two founding partners. The scheme meets the needs of companies that want a reliable source of energy at fixed terms and conditions without having to operate on the international markets themselves or having to develop projects of their own. Repower also offers its partners support services depending on their individual needs. Further details of the cooperation will be worked out in 2011 and the investment scheme then opened to further partners. Electricity deliveries are scheduled to begin in 2012.

## NARROWER MARGINS IN ENERGY TRADING

Price pressure was still evident on energy markets in 2010. Persistent economic uncertainty in many places and the impact of the financial

## *Repower in Küblis*

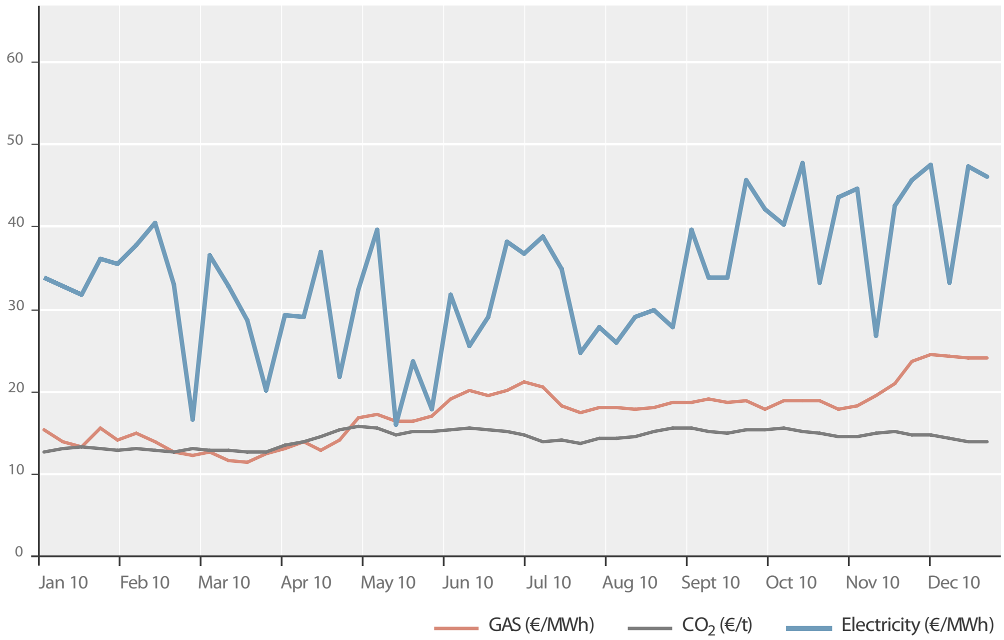
*Repower operates several hydropower plants in Prättigau. This pressure line routes the water to the Küblis station which was recently completely modernised.*


crisis continued to cause exasperation. The European energy markets are also growing closer together. The liquidity of the markets is increasing and, at the same time, markets are further consolidating. More and more market transparency inevitably results in narrower margins and limits the ways to exploit price differences. In light of this situation and based on the expertise we have accumulated from managing our own assets, when it comes to energy trading, we concentrate on special products and not on standard offerings. This way, we operate closer to physical energy transactions. This also holds true for trading with renewable energies, where we are focusing more on high-quality electricity which is subject to less price volatility. The Repower trading floor relies on the three sites of Poschiavo, Milan and Prague, each of which has specific market knowledge and concentrates on certain areas of trading. Gas trading in Italy, which got underway there in 2009, now makes a significant contribution to the results. Repower has its own gas transport capacities, also making distribution easier. The significance of the balancing energy market also continues to rise in Switzerland due to subsidies for new renewable energies. Our involvement in this market was consolidated in 2010. To the extent that it is technically feasible, we are also making our capacities available to supply balancing energy in Italy. The Repower pumped storage power plant projects, one in Switzerland ("Lago Bianco") and one in Italy ("Campolattaro"), underscore the important role that we believe this market will play in the future.

Proprietary trading contributed significantly to the result in 2010. We further expanded these activities and were also able to capitalise on our trading experience for optimum deployment of our own power plants.

## NEW TRADING PLATFORM

We will meet the changing requirements for trading and risk management by setting up a new trading platform. The system is designed in such a way that it will be possible to track and monitor the key risks involved in energy trading even better over the long term. The complex project progressed further in 2010, procedures and processes were defined and adapted and training for the trading teams got underway. We were also able to handle $CO_2$ trading via the new platform already in 2010.




*The chart shows how prices for electricity (blue), gas (red) and $CO_2$ (grey) developed during 2010. Conclusion: volatile electricity prices, with a tendency to increase slightly towards the end of the year.*

# ASSETS DIVISION: **GREEN LIGHT FOR "LAGO BIANCO"**

*Repower in Teverola*

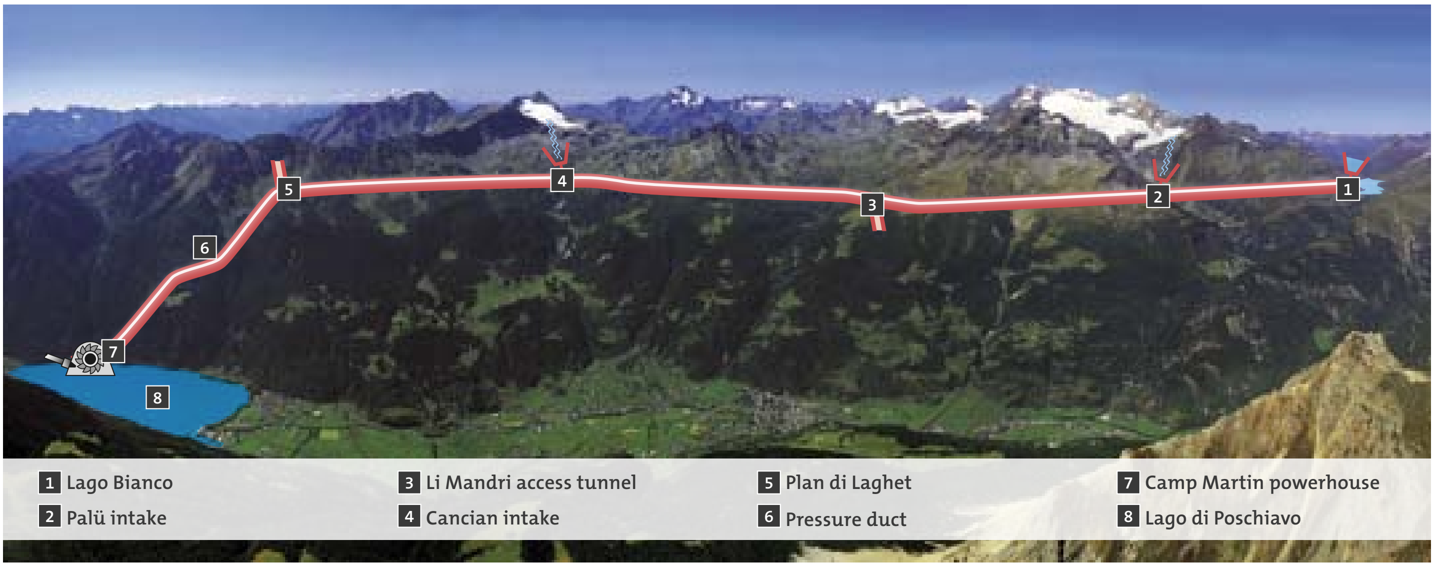
*The 400-MW gas-fired combined-cycle power plant in Teverola has been in operation since 2006. The plant contributes to electricity supply and energy security in southern Italy and sometimes even is the destination for a family Sunday trip.*

**Repower's "Lago Bianco" project took a major step forward in 2010, thanks to intensive cooperation with environmental organisations and local authorities: the municipalities involved agreed to the granting of the concessions. We also made significant progress with other projects aimed at strengthening our own generation base. Among other things, we succeeded in considerably boosting our wind power generation capacity.**


Group trading and sales activities are based to a large extent on the strength of our generation base. One of the strategic goals of the Repower Group is therefore to expand our own power plant capacity in all key markets and make use of a wide range of technologies. Substantial progress was made in driving forward a number of projects in 2010.

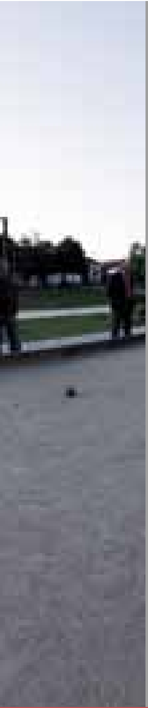
## GREEN LIGHT FOR "LAGO BIANCO"

The goal of the "Lago Bianco" project is to build a 1,000-MW pumped storage power plant in Upper Poschiavo. With this project, Repower aims to make a contribution to energy security, grid stability and support of the new renewable energies with hydropower. These activities will simultaneously play a part in consolidating and strengthening Switzerland's role in the European transmission grid. The pumped storage power plant can use electricity generated by wind farms and photovoltaic systems, which are heavily subsidised throughout Europe, to pump water from the lower-lying Lago di Poschiavo up to the Lago Bianco located 1,200 meters higher at the Bernina Pass when there is a surplus of energy. Conversely, the plant can generate electricity at periods of peak demand and feed it into the grid. The future "Lago Bianco" power plant is thus an essential component in the intelligent use of wind and solar energy which is not always generated when consumers need it. The fact that the power plant fulfils this important function and that its environmental balance sheet is positive compared to the current status as well as to the project it replaces has meant that all of the parties involved in project development fully back the project. The intensive dialogue and the




decision-making process were goal-oriented and extremely constructive, something that we would like to explicitly acknowledge here. We made great strides in project development in 2010: the concession project was submitted to the concession municipalities, Poschiavo and Pontresina, for assessment in the summer. The application was then reviewed by the municipal councils and voted on by the electorate. Before the end of the year, the residents of both municipalities voted heavily in favour of granting the concession to Repower. Parallel to the discussions with Poschiavo and Pontresina, Repower reached an agreement with the Brusio municipality to renew its concession after the existing one expires in 2020 for the lower level in Valposchiavo; this was approved in a referendum early in the new year. This will make it easier to coordinate the use of both levels in Valposchiavo.

The "Lago Bianco" project also underscores the strong roots of the Repower Group in Valposchiavo and the canton of Graubünden.



## *Repower in Teverola*

*A moment of relaxation in the industrial region around Naples: the Repower team comes across a group of men near Teverola who are busy playing their favourite game, Boccia.*

## INTEREST IN SWISS HYDROPOWER

The use of hydropower in the canton of Graubünden was also further developed in two other projects. Construction of the Taschinas power plant is proceeding according to schedule. The pressure duct was fully excavated, the pressure line constructed and the components in the machine room assembled in 2010. The power plant has an installed capacity of around 10 MW and will soon be ready for operation; it is scheduled to be connected to the grid in spring 2011. A public viewing day of the construction site held in the summer of 2010 attracted keen interest. Some 800 people visited the facility near Grüsch. Prättigau is also the site of another project: we are working on a concession project for the Chlus/Rhine power plant which will use the stretch of river between Küblis and the Rhine near Landquart with two power plant installations. An installed capacity of around 53 MW is planned. This is the largest Swiss power plant project currently underway apart from the projects for pumped storage power plants. As with our other projects, we are engaged in an intensive exchange of ideas with environmental organisations, the cantonal authorities and the municipalities concerned. Meetings have been held to familiarise the public with the project and information about the project was provided at municipal meetings. Response has generally been positive. The environmental impact assessment is currently in the works and will be completed in the summer of 2011.

## PUMPED STORAGE POWER PLANT IN ITALY

Repower is also pursuing projects to further develop capacities for electricity generation from hydropower outside Switzerland. One of these projects is in Italy. We are working on a pumped storage power plant with an installed capacity of 540 MW in Campolattaro (Benevento province). Similar to the “Lago Bianco” project, one goal is to provide storage capacity to optimise the use of wind power and photovoltaics and the other is to provide balancing energy to ensure reliable operation of the transmission grid in southern Italy. Campolattaro is the ideal place for this in light of the limited grid capacities. The project, which was launched in 2008, can make use of an existing lower-level reservoir and has met with a favourable response so far. Discussions have been conducted with the local and regional authorities and an agreement with the province is on hand. In light of the positive assessment given by the authorities, we expect to obtain the concession and approval in 2012. Repower intends to complete the project together with other partners.

## PROGRESS IN THERMAL POWER PLANT PROJECTS

The two coal-fired power plant projects that Repower is involved in completed several steps in the approval procedure in 2010. In Brunsbüttel (Germany), efforts concentrated on obtaining the initial restricted planning permission and the permit for water rights. The project in Saline Joniche (Italy) in still wrapped up in the approval phase but the first positive assessment was received from the Italian Ministry of the Environment in October. The approval procedures are ongoing for both projects. Once the projects have reached an advanced stage, they will be reevaluated together with the partners involved.

Repower has successfully operated the Teverola gas-fired combined-cycle power plant since 2006. The expertise gained here is also being incorporated into a project based in Germany: we are planning to build

## *Repower in Milan*

*After riding through the centre of Milan, the cyclists attract attention with their Repower outfits in the Galleria Vittorio Emanuele.*


a highly efficient combined cycle power plant with an installed capacity of around 430 MW on the chemical park site in Leverkusen. In 2010, a letter of intent was signed for the project with the local partner. Great progress was made in project development and in the work on the necessary detailed contracts. This project has also met with great interest and acceptance: this assessment is based on the positive reactions received thus far at public informational events and the discussions with the authorities responsible. It is therefore our assumption that significant progress will be made in the approval procedure in 2011. Construction for this facility is projected to take just under three years.

### MORE WIND POWER THAN IN ALL OF SWITZERLAND

2010 was an important year for Repower in terms of further expanding our own wind power portfolio. On the one hand, we increased our stake in the Corleto Perticara wind farm to 100 % and, on the other, we acquired three wind farms in Giunchetto (Italy, Repower interest 39 %), Prettin (Germany) and Lübbenau (Germany). These were important steps in pursuing our strategy of further expanding our capacity for electricity generation from wind power. Following intensive project work, we will also begin construction of a wind farm in Lucera (Italy) in 2011 with an installed capacity of another 26 MW. Repower currently has an installed capacity of 47 MW in wind farms. These farms generate around 90 GWh annually, which is more than the current wind power generated in the whole of Switzerland.

### TRANSMISSION GRID SOON TO BE IN NEW HANDS

According to the Swiss Electricity Supply Act that went into force in 2008, the previous owners of the transmission grid have to transfer

ownership of the grid to swissgrid, the national grid operator. The 380-kV lines across the Albula and Bernina Pass that Repower owns are a core element in this high-voltage grid both strategically and in terms of capacity. Now that special use privileges for these lines which we installed and put into operation in 2005 will be discontinued and ownership transferred to swissgrid, we will lose a strategic core business that it will only be possible to compensate for in part by the Campocologno-Tirano merchant line.

## INVESTMENTS IN EXISTING ASSETS

Repower attaches great importance to upgrading and maintaining existing assets. In 2010 the Ilanz and Pontresina substations were extensively modernised and adapted to future needs with respect to capacity expansion and energy security.

On the generation side, work was launched on renovating the pressure duct that extends from Davos Lake to the reservoir of the Klosters power plant. The structural and electromechanical systems will be renovated and upgraded in two different stages.

# FINANCE DIVISION: **IMPROVED RISK MANAGEMENT**

## *Repower in Zurich*

*The Repower office in Switzerland’s largest city is focused on trading in renewable energies. This employee gets ready to head home from the office on her bike.*

**Repower continued to grow in 2010, expanding its area of activity and penetrating new markets. In light of this, we paid particular attention to further developing risk management in order to keep pace with the growth of the Group.**


Two key figures most clearly illustrate the growth of the Repower Group: ten years ago, the company earned revenues of CHF 263 million, in the year under review, this figure reached CHF 2.3 billion. The company's areas of activity and international orientation developed in parallel and, at the same time, the energy markets became more complex. Repower has always attached great importance to being aware of the risks it faces and finding the best possible way to manage them.

## RISK MANAGEMENT EXPANDED

We thus focused on further developing risk management and controlling in 2010, with key emphasis on systematic expansion and integration of risks from the gas trade, a new business activity for Repower, and the $CO_2$ trade which Repower is pursuing more intensively. This work also resulted in a reorganisation of the division, combined with an increase in personnel.

Shareholding Management, IT and HR Development were spun off from the Finance Division in 2010 and now report directly to the CEO. The move proved efficient and effective.

Repower transacts more than 80 % of its business in euro. The extremely strong franc vis-à-vis the euro has had a significantly negative impact on margins. The balance sheet positions expressed in euro are also, of course, affected by revaluations. In the Treasury Unit we were able to considerably reduce the adverse effects by actively managing the foreign currency positions.
In July Repower successfully placed a 2.375 % bond for CHF 115 million with a term of 12 years. It will be used for financing projects and developing new markets.

## INSTALLATION BUSINESS SOLD

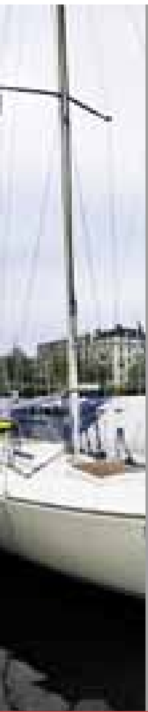
In the interest of ongoing business prospects and the personnel concerned, we sold aurax electro ag to a larger market player in Switzerland in March 2010. The company with some 80 employees (including 35 trainees) successfully operated in the installation business mainly in Surselva, Prättigau and Rhine Valley. We decided, however, to give up this area of activity because the trend on the market is towards one-stop providers. This also created interesting new opportunities for personnel that Repower would not have been able to offer in this area over the long run.

## SWIBI AG OPERATIONS INDEPENDENT

Personnel was added and structures defined to ensure the operational independence of Swibi AG. This company operates in energy and grid management and in data logistics for supply companies and is the leading provider in south-eastern Switzerland. It supports energy suppliers and municipalities with an attractive range of services on the liberalised electricity market. In 2010 four municipal utilities invested in Swibi AG which is open to further shareholders.

## COOPERATION WITH THE AUTHORITIES

Repower is involved in various legal proceedings with regulatory and anti-trust authorities in Italy and Switzerland. We are working closely with these authorities. Business activities are not affected by the proceedings.



## *Repower in Zurich*

*Repower considers itself an innovative group of companies that is open to people who also like to take a less conventional path. Recumbent bikes fit in with this philosophy: offering a new perspective also during leisure time.*

## REPOWER AS AN EMPLOYER

Our Group relies on motivated, competent and well-trained personnel. We offer attractive working conditions in return. Under the scope of a comprehensive project, we have improved internal communications and added new instruments. We also reviewed salary structures throughout the Group and adjusted them to the new requirements. This is also related to the creation of a standard performance evaluation that now uses Group-wide uniform criteria.

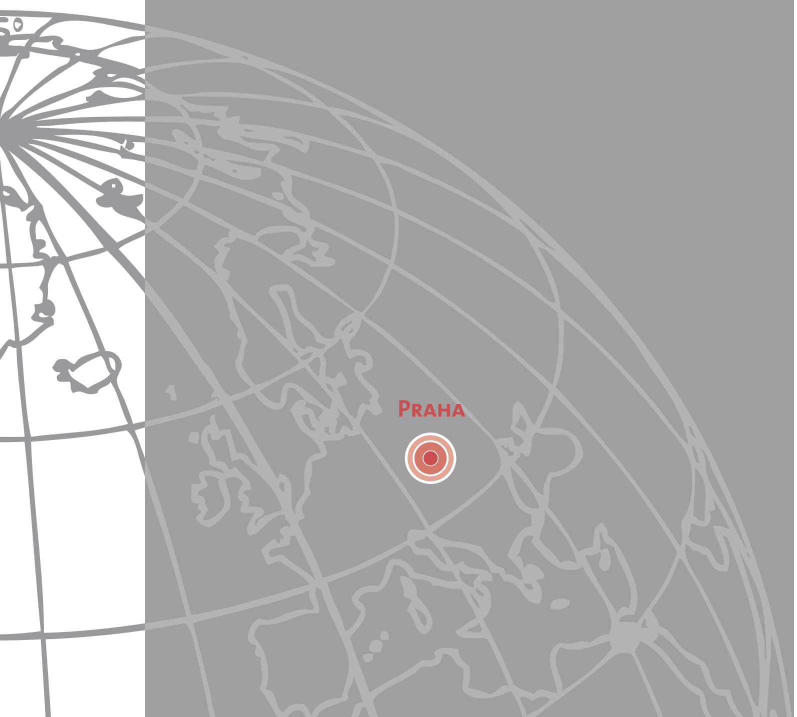
Great importance is attached to HR development. As part of our "Repower Academy" we are creating internal and external opportunities for further training and education which aim to enhance the technical knowledge, management capabilities and communication skills of our employees.

# CORPORATE GOVERNANCE

*Repower in Prague*

*You have to know where the journey is headed in the energy business. This holds true for our team not just on the bike path along the Vltava River but also for their work on the trading floor.*

This section complies with the structure of the SIX Corporate Governance Directive 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 (available at www.repower.com/governance) and in the Organisational Regulations and related Assignment of Authority and Responsibility. The Board of Directors and Executive Board regularly review these principles and revise them as and when required.

## GROUP STRUCTURE AND SHAREHOLDERS

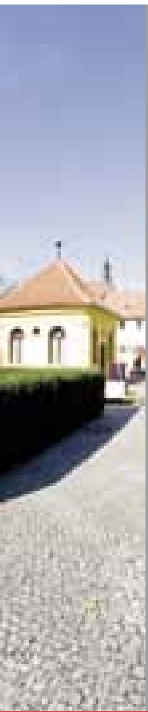
The Repower Group consists of Repower AG and its holdings. The registered office of Repower AG is in Brusio in the canton of Graubünden, and its mailing address is in Poschiavo. Repower Group is a vertically integrated energy company with activities along the entire electricity value chain (generation, trading, transmission, sales and distribution) as well as in the gas and certificates business. The business operations of the Repower Group are carried out in divisions and country organisations which operate as a unit in accordance with the business model. There are three divisions and four country organisations.

The Assets Division coordinates the management of plants and systems relating to the generation, transmission and distribution of electricity in the individual country organisations, implements and evaluates new assets relating to the generation of electricity and the transmission system, operates merchant lines, manages the transmission system up to the transfer to swissgrid and devotes its activities to the general development and expansion of generation facilities for the Repower Group. The Market Division manages energy trading (electricity, natural gas and emission certificates) in Switzerland, Italy and other selected European markets as well as trading in renewable


## REPOWER ORGANISATION

- **CEO**
  - Shareholding Management
  - Management Services
  - Corporate Marketing and Communications
  - HR Development
- **Assets**
  - Project Development Hydraulic Plants
  - Project Development Thermal & Renewables
  - Lago Bianco Project
  - Transmission Grid
- **Market**
  - Trading Poschiavo
  - Trading Prague
  - Project Development Market
  - Application Management Corporate
- **Finance**
  - Corporate Accounting
  - Corporate Treasury
  - Corporate Controlling
  - Corporate Risk Management
  - ERP Centre of Competence

| | Assets | Market | Finance |
|---|---|---|---|
| Switzerland | Generation CH, Grid CH | Sales CH | Finance and Services CH |
| Italy | Generation I | Trading Milan, Sales I | Finance and Services I |
| Germany | | Sales D | |
| Romania | | Sales RO | Finance and Services RO |



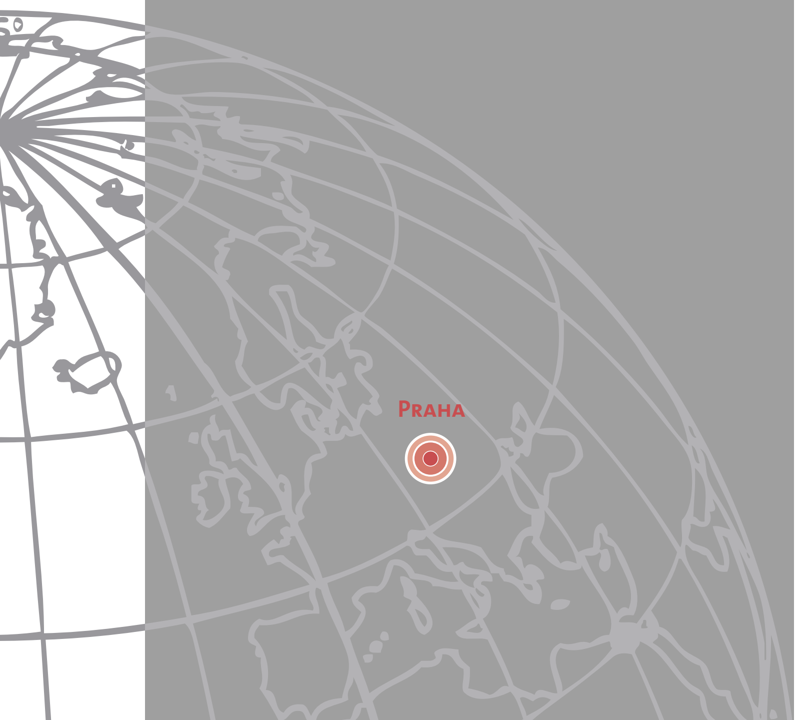
## *Repower in Prague*

*A relaxing break following a mid-day tour in a park close to our Prague office.*

energies, and conducts market analyses. It is also responsible for expanding energy trading in Switzerland, Italy and selected European markets, as well as building up sales in selected European country organisations and overseeing the related projects. The division also coordinates the sales activities in the markets. The Finance Division manages the functions Group Accounting, Corporate Treasury, Group Controlling and Risk Management as well as Group-wide business management system support (ERP).
Reporting directly to the CEO are the units Shareholding Management, Management Services (including Legal Services, Corporate IT and Document Management), Corporate Marketing and Communications as well as HR Development.

For Switzerland, Italy, Germany and Romania there are also country organisations responsible for the operating business as follows:
- Country organisation for Switzerland: sales of energy and green electricity certificates to end consumers, operation and maintenance of distribution grids and generating facilities in Switzerland
- Country organisation for Italy: sales of energy, natural gas and green electricity certificates to end consumers, operation and maintenance of generating facilities in Italy
- Country organisation for Germany: sales of energy to end consumers, operation and maintenance of generating facilities in Germany
- Country organisation for Romania: sales of energy to end consumers.

The country organisations for Germany and Romania are currently under development.
The individual activities are managed by Repower AG and not organised as 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 acquired (for example through acquisition), management is handled by legally independent subsidiaries. An overview of holdings is given on pages 68 to 70.

Repower AG bearer shares and participation certificates are listed on the SIX Swiss Exchange. There are no restrictions on the transfer of shares, except as relates to the mandatory offer requirement under Swiss securities law in the event of a public takeover. The canton of Graubünden holds 46.0 % of the shares and voting rights, while Alpiq Holding AG (Alpiq) and EGL AG (EGL) hold 24.6 % and 21.4 % respectively. The principal shareholders are committed to one another through a shareholders' agreement. No cross-shareholdings exist. The remaining 8 % of the shares are free-floating.

## CAPITAL STRUCTURE

The share capital of Repower AG (equity information supplementing the balance sheet is given on pages 4 and 83 of the Annual Report) consists of 2,783,115 bearer shares (Securities No. 1640583) and 625,000 participation certificates (Securities No. 1640584) with a par value of CHF 1 each. Each bearer share entitles the holder to one vote at the Annual General Meeting of Shareholders. 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 1.35 billion at the end of 2010.

## BOARD OF DIRECTORS

### MEMBERS

The members of the Board of Directors are listed on pages 38 to 41 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 fiscal years preceding the year under review, no member of the Board of Directors was entrusted with any executive functions within the Repower Group. Business relations with board members, which are limited in number, are restricted to clarification of legal or business matters and are regarded as immaterial by both parties. Some members of the Board of Directors perform executive functions for the principal shareholders Alpiq and EGL or their affiliated companies. Normal business relations exist with these companies.

### ELECTION AND TERM OF OFFICE

The members of the Board of Directors are elected by the Annual General Meeting for a three-year term. The election procedure is based on the principle of total renewal whereby the members are generally elected collectively as a group in a single ballot. Newly elected members assume the term of office of their respective predecessor. As the last regular election was held at the 2008 Annual General Meeting, the term of office of all members of the Board of Directors will expire at the 2011 Annual General Meeting. The Board of Directors currently

*Repower in Ilanz*

*A reliable electricity supply requires well-maintained facilities like the Ilanz substation shown here.*


comprises 12 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.

### INTERNAL ORGANISATION

The Board of Directors is self-constituting and elects its Chairman, 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, compensation 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 38 to 40 of the Annual Report. In addition to its duties as nomination, compensation and audit committee, the Board Committee advises the Board of Directors on business that comes before it, and issues recommendations. Finally, 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).

### BOARD COMMITTEE 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 may commission the external auditors or other external consultants to carry out 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 Chief Financial Officer and, if the committee deems it necessary, with the external auditor in charge. Finally, the committee decides whether to recommend to the Board of Directors that the individual and consolidated financial statements be presented to the Annual General Meeting for approval. It evaluates the services and fees of the external auditors and verifies their independence. It also determines whether the auditing activity is compatible with any existing consulting mandates.

**BOARD COMMITTEE AS COMPENSATION COMMITTEE**

The Board Committee, in its capacity as compensation committee, deals with compensation policies, primarily concerning compensation at senior management level. It has the authority to define the terms and conditions of contracts of employment for Executive Board members. It ensures that the company offers competitive, performance-based total compensation packages in order to attract and retain individuals with the necessary skills and attributes.

**BOARD COMMITTEE AS NOMINATION COMMITTEE**

The nomination committee handles the preparations for electing and re-electing individuals to the Board of Directors based on the shareholder structure, and for electing the Chief Executive Officer of the Repower Group (CEO), the CEO's deputy and the other members of the Executive Board.

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 the Board Committee. Members of these two boards 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 as often as business requires, but at least twice a year; meetings are called by the Chairman or by the Vice Chairman if the Chairman is prevented from doing so. 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 requests a meeting in writing, specifying the reason. In the year under review the Board of Directors met five times and the Board Committee six times. The normal meeting duration for both bodies is half a day.

The CEO and the other members of the Executive Board generally attend each meeting of the Board of Directors and the Board Committee and explain the proposals. The Board of Directors is deemed to have 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

## *Repower in Surselva*

*Wild water, bold paths: the Rhine Gorge marks the natural border to Surselva. Fascinating scenery which is ideally suited to turn individual energy into a nature experience either on foot or by bike.*


to the Board for approval at its next meeting. The Board Committee and Board of Directors follow the same procedures.

**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 business planning. It also deals with the organisational structure, accounting structure, internal control system and financial planning, the appointment and discharge of 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. The Board of Directors has delegated overall 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). The Assignment of Authority and Responsibility can be viewed at www.repower.com/governance.

**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 and long-term plans and on the basis of detailed quarterly reporting comparing actual and target figures. Quarterly reporting includes data on energy sales and procurement, the income statement and balance sheet (including expected values for the most important key figures, namely energy sales, total operating revenue, operating income, profit, capital expenditure, property, plant and equipment, balance sheet total, equity, return on equity), risks in energy trading (market risks and counterparty risks) and key projects. 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. Performance reports were drawn up in the year under review on the 150-kV line, replacement of the Albanatscha – Bivio sub-section and on the Campocologno - Tirano merchant line. The annual and long-term planning covers corporate objectives, key projects and financial planning. In addition, risk management and auditors' reports support the assessment of business management and the risk situation. Repower has a risk management system which is described in detail in a concept issued by the Board of Directors. The Board of Directors establishes the risk strategy during the first six months of each 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 detailed description of the risk and financial risk management policies of the Repower Group can be found on pages 62 to 65. 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 Assets / Deputy CEO

Martin Gredig
CFO (Head of Finance)

Giovanni Jochum
Head of Market

Fabio Bocchiola
Country head for Repower Italy

Rino Caduff
Country head for Repower Switzerland

The list on pages 42 and 43 provides detailed information on members of the Executive Board (name, age, position, nationality, date of joining the company, educational and professional background, and other activities and interests).

## COMPENSATION, SHAREHOLDINGS AND LOANS

### NATURE AND METHOD OF DETERMINING COMPENSATION

Under the Articles of Association, incumbent members of the Board of Directors receive compensation based on their workload and responsibilities. This consists of a fixed compensation plus meeting expenses. The compensation is not dependent on company performance and is set by the Board of Directors. The Board of Directors last adjusted the fixed compensation and the meeting expenses in 2006 based on comparisons with compensation received by members of Boards of Directors in Swiss companies in the energy sector of a comparable size. The compensation is reviewed at unspecified intervals and redefined if necessary.

Compensation for members of the Executive Board comprises a fixed basic salary plus a variable bonus, which can amount to up to 40 % of the annual basic salary if operating targets are met, as well as a profit-based bonus which is set at the end of a three-year assessment period. The fixed basic salary and the variable bonus are defined annually by the Board Committee in its capacity as compensation committee. The bonus depends on whether the financial targets of the Repower Group and personal performance objectives are met. EBIT, EVA (economic value added) and the net debt/EBITDA figures of the Repower Group serve as common goals and are weighted to account for 50 % of the bonus determined. Between three and seven personal performance goals are set for each member of the Executive Board and also account for 50 % of the bonus determined. Total compensation increased in the 2010 financial year, primarily due to additional members joining the Executive Board as of 1 January 2010.

The aim of the profit-based bonus, which was first introduced in the 2007 financial year, is to drive the company's medium-term strategic direction and sustainably enhance corporate value. It is paid out at the end of a three-year period (the first time from 2007 to 2009; new period from 2010 to 2012) and can account for 30 % of the fixed basic salary in the third year of the assessment period if targets are met in full. The performance targets are based on the cumulative strategic key figures (EVA) of the Repower Group and were determined at the beginning of the assessment period. The Board of Directors based its decisions on the findings and experiences of its members from the electricity sector and thus on comparisons with the companies where these members were involved in an operational capacity.

The CEO submits to the Board Committee, in its capacity as compensation committee, a proposal as to how the individual compensation components are to be determined; the Committee makes the final decision. Individual performance is evaluated at the end of the reporting period in a meeting with the individual’s line manager, based on the objectives agreed upon at the beginning of the fiscal year. All compensation components take the form of compensation in cash. The Board Committee must brief the Board of Directors on the progress of the bonus-setting and compensation process. This is done by means of minutes to be submitted immediately following meetings on such matters, as well as a verbal briefing by the Chairman of the Board of Directors at the next meeting of the Board of Directors. During the financial year, one meeting was held by the Board Committee in its capacity as compensation committee for the purpose of setting compensation. Members of the Executive Board and the remaining members of the Board of Directors may neither attend nor participate in any meetings of the Board Committee in its capacity as compensation committee. The CEO, however, is called on in an advisory capacity for certain parts of these meetings.

## 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 of Shareholders. In order 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 % 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 fiscal year.

Each shareholder may be represented at the General Meeting by another shareholder by proxy. Each share entitles the holder to one vote at the General Meeting.

## CHANGES 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. Contracts of employment for members of the Executive Board do not contain any clauses pertaining to change of control. Repower does not provide a "golden parachute" for senior management. There are no long-term contractual commitments with members of the Board of Directors or the Executive Board. No severance payments have been agreed.

## AUDITORS

The Board Committee is responsible for supervising and controlling the auditors. Since 1996, PricewaterhouseCoopers based in Chur, Switzerland, has been appointed annually by the General Meeting of Shareholders as the statutory auditors and Group auditors. The lead auditor, Beat Inauen, has been responsible for the mandates since 2010. In 2010 PricewaterhouseCoopers was paid a total fee of CHF 1.302 million for their auditing services for the Group and TCHF 556 for other consulting services. The fees for other consulting services comprise the following: TCHF 274 for tax consulting, TCHF 249 for project-related consulting and TCHF 33 for other consulting such as transfer pricing.

### 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, supervises the credentials, independence and performance of the statutory auditors and their audit experts. It obtains information at least once a year from the audit managers and the Executive Board concerning planning, implementation and results of the audit work. The auditors draw up for the Board of Directors a comprehensive report with findings on accounting practices, internal controls, as well as the performance 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 presented to the Board Committee. Representatives of the external auditors participated in three meetings of the Board Committee in its capacity as audit committee in 2010.

### INFORMATION POLICY

Repower provides its shareholders, potential investors and other stakeholder groups 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 press releases (link to request press releases by e-mail: www.repower.com/investornews). The website www.repower.com, which is regularly updated, serves as an additional source of information.

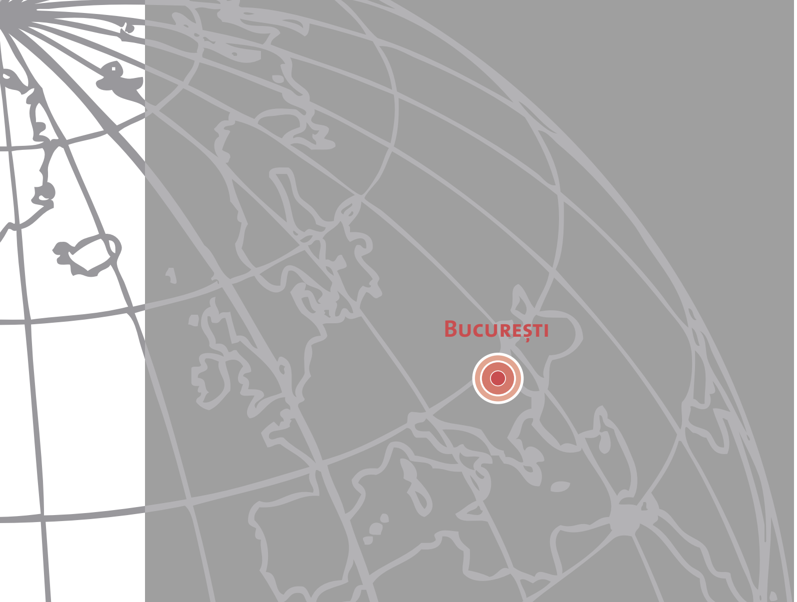
# BOARD OF DIRECTORS

THE MEMBERS OF THE BOARD OF DIRECTORS ARE ELECTED UNTIL THE 2011 ANNUAL GENERAL MEETING

## *Repower in Bucharest*

*It is important to Repower that its employees are highly trained. Members of our team in Romania received their professional training at the University of Bucharest.*

**Board of Directors:**
Dr Eduard Rikli
Dr Reto Mengiardi
Kurt Baumgartner
Dr Guy Bühler
Christoffel Brändli
Rudolf Hübscher
Guido Lardi
Rolf W. Mathis
Dr Martin Schmid
Dr Hans Schulz
Antonio Matteo Taormina
Michael Wider




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 and the Board Committee

PROFESSIONAL CAREER
**Previous**
- Head of Sulzer Turbo Division (1990 – 1995)
- Member of the Sulzer Executive Committee (1996 – 2003)
- Head of Corporate Development, Sulzer Group (1996 – 1998)
- Head of Sulzer Roteq Division (1998 – 2000)
- Head of Sulzer Services and Equipment Division (2000 – 2001)
- Head of Sulzer Metco Division (2001 – 2003)
- Chief Executive Officer, Mikron Group (2004 – 2009)

**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 AG, Urdorf
- Member of the Boards of Delta JS AG, Zurich (Technopark) and Hatebur Umformmaschinen AG, Reinach
- Member of the Academic Board of the University of Applied Sciences Zurich
- Member of the Board of Trustees of the University of Applied Sciences, Zurich, the Technopark Foundation, Zurich, and the


Technorama Foundation, Winterthur
- Chairman of the Industrial Advisory Board of the Federal Institute of Technology, Zurich, Department of Mechanical Engineering
- Member of the Executive Board of Swissmem Zurich

## DR RETO MENGIARDI (1939)

*Swiss citizen; Dr. iur., lawyer and notary*
Member of the Board since 1978
Vice Chairman of the Board and the Board Committee

### PROFESSIONAL CAREER

**Previous**
- Lawyer and notary until 1979
- Member of Executive Council of Canton of Graubünden (1979 – 1990)

**Current**
- Lawyer and notary since 1991

### OTHER ACTIVITIES AND FUNCTIONS

**Positions on boards of major corporations, organisations and foundations**
- Chairman of the Board of Engadiner Kraftwerke AG
- Vice Chairman of the Boards of Repower Klosters AG and Repower Holding Surselva AG
- Member of the Boards of Grischelectra AG and Holcim (Switzerland) AG
- Trustee of the Martin Hilti Familien-Treuhänderschaft, Schaan

## KURT BAUMGARTNER (1949)

*Swiss citizen, lic. rer. pol.*
Member of the Board since 1993
Member of the Board Committee

### PROFESSIONAL CAREER

**Previous**
- Various positions, primarily in strategic and operational planning and in controlling
- Sales and business development for Aare-Tessin AG für Elektrizität (Atel) (1975 – 1991)

**Current**
- Member of the Executive Board of Alpiq Holding AG and Head of Financial Services (CFO) since 1992

### OTHER ACTIVITIES AND FUNCTIONS

**Positions on boards of major corporations, organisations and foundations**
- Chairman of the Board of Pensionskasse Energie (pension fund)
- Member of the Board, AEK Energie AG, Kernkraftwerk Gösgen-Däniken AG, Kernkraftwerk Leibstadt AG and other companies in the Alpiq Group

## DR GUY BÜHLER (1964)
*Swiss citizen, Dr. ès sciences économiques*
Member of the Board since 2008
Member of the Board Committee

#### PROFESSIONAL CAREER
**Previous**
- Head of Spot Trading, Elektrizitäts-Gesellschaft Laufenburg AG (EGL) (1994 – 2002)
- Head of Trading, Deriwatt (2003 – 2004)
- Head of Strategy, Asset Management and Tolling, EGL (2005 – 2007)

**Current**
- Member of the Executive Board of EGL AG and Head of Assets since 2007

#### OTHER ACTIVITIES AND FUNCTIONS
**Positions on boards of major corporations, organisations and foundations**
- Chairman of the Boards of AKEB Aktiengesellschaft für Kernenergie-Beteiligungen and ENAG Energiefinanzierungs AG
- Member of the Boards of Kernkraftwerk Leibstadt AG and Lizerne et Morge SA

## CHRISTOFFEL BRÄNDLI (1943)
*Swiss citizen, mag. oec. HSG*
Member of the Board since 1996

#### PROFESSIONAL CAREER
**Previous**
- Member of Executive Council of Canton of Graubünden (1983 – 1994)

**Current**
- Business consultant since 1994

#### OTHER ACTIVITIES AND FUNCTIONS
**Official functions and political offices**
- Member of the Council of States

## RUDOLF HÜBSCHER (1947)
*Swiss citizen; secondary-school teacher*
Member of the Board since 2000

#### PROFESSIONAL CAREER
**Previous**
- Mayor of Klosters-Serneus (1994 – 2008)

**Current**
- Secondary school teacher since 1971

## GUIDO LARDI (1939)
*Swiss citizen; secondary-school teacher (PHIL I)*
Member of the Board since 2000

#### PROFESSIONAL CAREER
**Previous**
- Mayor of Poschiavo (1989 – 2002)

**Current**
- Self-employed since 2003

## 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 – 1982)
- Defence Services Group, project engineer and section head (1982 – 1987)
- Various positions at Von Roll Betec AG, latterly as Head of Business Unit (1990 – 1998)

**Current**
- Member of the Executive Board of Axpo AG and Head of Hydroenergy Division since 1998

#### OTHER ACTIVITIES AND FUNCTIONS
**Positions on boards of major corporations, organisations and foundations**
- Chairman of the Boards of Kraftwerke Hinterrhein AG, 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 Repower Holding Surselva AG, Blenio Kraftwerke AG, Grande Dixence SA and Force Motrice de Mauvoisin SA

**Permanent positions with important interest groups**
- Member of the Executive Board of Schweizerischer Wasserwirtschaftsverband (Swiss Water Management Association) and VGB PowerTech

## DR MARTIN SCHMID (1969)
*Swiss citizen; Dr. iur., lawyer*
Member of the Board since 2008

#### PROFESSIONAL CAREER
**Previous**
- Assistant at the Institute for Financial Science and Financial Law/IFF, University of St. Gallen, part-time positions with PricewaterhouseCoopers and part-time freelance lawyer (1997 – 2002)

- Member of the Cantonal Executive Council, Head of the Department for Justice, Security and Health (2003 – 2008)

**Current**

- President of the Executive Council of the Canton of Graubünden
- Head of the Department of Finance and Municipalities since 2008

OTHER ACTIVITIES AND FUNCTIONS

**Positions on boards of major corporations, organisations and foundations**

- Chairman of the Canton of Graubünden Pension Fund (KPG)
- Vice Chairman of the Boards of Kraftwerke Hinterrhein AG and Kraftwerke Hinterrhein Netz AG
- Member of the Boards of Repower Holding Surselva AG, Repower Klosters AG and Schweizer Rheinsalinen AG

**Permanent positions with important interest groups**

- Chairman of the Association of Alpine States (Arge Alp)
- Member of the Steering Committee of the Conference of Cantonal Governments

**Official functions and political offices**

- Member of the Executive Council of the Canton of Graubünden

## DR HANS SCHULZ (1959)

*German citizen; Dr. Ing. Mechanical Engineering, Certified Industrial Engineer*

Member of the Board since 2008

PROFESSIONAL CAREER

**Previous**

- Head of Coating Division of Balzers and Leybold (subsequently renamed Coating Services Division (Balzers) of Unaxis), Head of Balzers Thin Films Division, from 1999 member of the extended Executive Board of Unaxis (1996 – 2005)
- Member of the Executive Board of Nordostschweizerische Kraftwerke, Head of NOK Grids, Head of NOK Trading and Sales (2006 – 2007)

**Current**

- CEO of EGL AG

OTHER ACTIVITIES AND FUNCTIONS

**Positions on boards of major corporations, organisations and foundations**

- Member of the Boards of EGL Italia and Trans Adriatic Pipeline AG
- Member of the Executive Board of Axpo Holding AG

**Permanent positions with important interest groups**

- Member of the Executive Board of Swisselectric

## ANTONIO MATTEO TAORMINA (1948)

*Swiss and Italian citizen; dipl. Math. ETHZ*

Member of the Board since 1999

PROFESSIONAL CAREER

**Previous**

- Project manager at EIR Würenlingen (1973 – 1978)
- Managing Director of Nuclear Assurance Corporation (1978 – 1987)
- Managing Director of KBF Zürich (1987 – 1998)
- Director of Maggia Kraftwerke AG and Blenio Kraftwerke AG (1998 – 1999)

**Current**

- Member of the Executive Board of Alpiq Holding AG and Head of Energy Western Europe since 1999

OTHER ACTIVITIES AND FUNCTIONS

**Permanent positions with important interest groups**

- Vice Chairman of the Board of Società Elettrica Sopracenerina SA (SES)
- Member of the Boards of A2A S.p.A., Edipower S.p.A. and EnPlus S.r.L.

## MICHAEL WIDER (1961)

*Swiss citizen; lic. iur. MBA*

Member of the Board since 2010

PROFESSIONAL CAREER

**Previous**

- Various positions at Entreprises Electriques Fribourgeoises (EEF) (1987 – 1995)
- EEF secretary general, member of the Executive Board (1995 – 1997)
- Head of Finance and Management Services, member of the Executive Board (1997 – 2001)
- Head of the EEF / ENSA merger to form Groupe E, member of the Executive Board (2001 – 2002)
- COO EOS Holding + Erzeugung (2003 – 2007)

**Current**

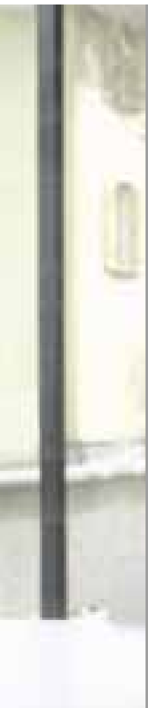
- Deputy CEO Alpiq Holding AG and Head of Energy Switzerland since 2009

OTHER ACTIVITIES AND FUNCTIONS

**Positions on boards of major corporations, organisations and foundations**

- Member of the Boards of Kernkraftwerk Gösgen-Däniken AG, swissgrid ag, Grande Dixence SA, Electricité d'Emosson SA, Società Elettrica Sopracenerina SA (SES) and HYDRO Exploitation SA
- Member of the Executive Board, Association of Swiss Electricity Suppliers (VSE)

# EXECUTIVE BOARD



*The Repower Executive Board*

*(from left to right):*

*Fabio Bocchiola, Giovanni Jochum,*

*Felix Vontobel, Kurt Bobst,*

*Rino Caduff, Martin Gredig.*

## KURT BOBST (1965)

*Swiss citizen; federally certified controller*

CEO since 2008

### PREVIOUS SENIOR POSITIONS

- Head of Administration at SABAG Hägendorf (1985 – 1992)
- Head of Financial Accounting at Atel (1992 – 1995)
- Business consultant at PwC and A.T. Kearney (1995 – 2001)
- Head of Management Consulting at Pöyry Energy, CEO of Pöyry Energy AG Switzerland (2002 – 2008)

**Positions on boards of major corporations, organisations and foundations**

- Vice Chairman of the Board, Grischelectra AG
- Member of the Boards of Directors of Kraftwerke Hinterrhein AG and AKEB Aktiengesellschaft für Kernenergie-Beteiligungen
- Chairman of the Boards of Repower Holding Surselva AG and Repower Klosters AG

**Permanent positions with important interest groups**

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

## FELIX VONTOBEL (1958)

*Swiss citizen; dipl. Elektroingenieur FH*

Since 1987: Kraftwerke Brusio / Rätia Energie

Since 1992: Deputy Director of Kraftwerke Brusio

Since 2000: Deputy CEO

Head of Assets

### PREVIOUS SENIOR POSITIONS

- Commissioning engineer at BBC (ABB) (1982 – 1985)
- Project manager and commissioning engineer for biotechnology research and production installations at Bioengineering AG (1985 – 1987)

**Positions on boards of major corporations, organisations and foundations**

- Member of the Board of Directors of EL.IT.E S.p.A.

## MARTIN GREDIG (1965)

*Swiss citizen; lic. oec. publ., AMP University of Oxford*

Since 1999: Kraftwerke Brusio / Rätia Energie

Since 2000: Member of the Executive Board

(CFO) Head of Finance

### PREVIOUS SENIOR POSITIONS

- Bank employee with Schweizerische Bankgesellschaft (1986 – 1994)
- Assistant to the Executive Board of Solothurner Bank SoBa (1994 – 1995)
- Head of Controlling at Solothurner Bank SoBa (1996 – 1999)

GIOVANNI JOCHUM (1964)
*Swiss citizen; lic. oec. HSG*
Since 1993: Kraftwerke Brusio / Rätia Energie
Since 1998: Deputy Director of Kraftwerke Brusio
Since 2000: Member of the Executive Board
Head of Market

**PREVIOUS SENIOR POSITIONS**
- Auditor with Revisuisse Price Waterhouse (1990 – 1992)

FABIO BOCCHIOLA (1964)
*Italian citizen; diploma in business administration, piano diploma from the Conservatorium in Brescia*
Since 2002: Rezia Energia Italia
Since 1.1.2010: Member of the Executive Board
Head of the country organisation Italy

**PREVIOUS SENIOR POSITIONS**
- DALKIA, Regional Manager, Central and Southern Italy, with one-year experience in France (1990 – 1995)
- ASTER, Assistant Operations Manager (1995 – 1996)
- EDISON, Key Account Manager (1996 – 1999)
- EnBW, Managing Director (2000 – 2002)

**Permanent positions with important interest groups**
- Member of the ASSOELETTRICA Committee
- Member of the Advisory Committee of the Swiss Chamber of Commerce in Italy

RINO CADUFF (1949)
*Swiss citizen; dipl. Elektroingenieur HTL*
Since 2004: Rätia Energie / aurax
Since 1.1.2010: Member of the Executive Board
Head of the country organisation Switzerland

**PREVIOUS SENIOR POSITIONS**
- EWBO / aurax, since 1978
- Member of the Executive Board of EWBO / aurax, since 1991
- Member of City Council, Ilanz (1990 – 2002)
- Mayor of Ilanz (2002 – 2005)

**Positions on boards of major corporations, organisations and foundations**
- Vice Chairman of the Board of Directors Kraftwerke Ferrera AG
- Member of the Board of Directors of Rhiienergie AG (Tamins)

**Permanent positions with important interest groups**
- Member of the Executive Board of the Association of Graubünden Electrical Utilities (Vereinigung Bündnerischer Elektrizitätswerke) and the Corporation of Concession Communities KW Zervreila (KWZ).

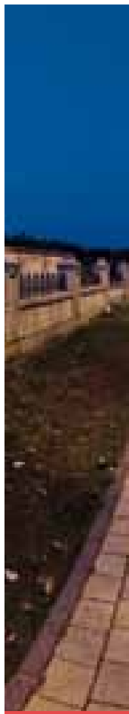
## *Repower in Bucharest*

*A Repower employee gets ready to end the day's work with a tour of the grandiose squares of the Romanian capital.*

# FINANCIAL REPORT

## Consolidated Financial Statements of the Repower Group





## Financial Statements of Repower AG

# CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

## COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

*Repower in Prettin*

*The cyclists brave the winter wind that turns the wind turbines in the Repower wind farm in Prettin, Germany.*


### STRONG OPERATING INCOME, GOOD GROUP RESULT

The Repower Group faced a challenging economic environment during the 2010 financial year. The energy and financial markets continued to be strained. The euro lost around 16 % of its value against the strong Swiss franc. Still, the Repower Group posted a good Group profit of CHF 80 million in 2010. Total operating revenue increased by 16 % to CHF 2.3 billion (previous year: CHF 2.0 billion). This increase is attributable to the continuous expansion of national and, in particular, international trading and sales activities. We also successfully entered the Romanian market with the acquisition of Elcomex EN, a distribution company. Generation capacity was boosted with several wind farms in Germany and Italy and significant progress was made in various power plant projects. The strong operating income (EBIT) of CHF 163 million (previous year: CHF 137 million) is confirmation that the Repower Group is firmly established in the energy business.

Implementation of Repower's growth strategy is proceeding according to plan and is continuously being adapted in response to the changing market environment. Business with supplier profiles was massively expanded during the year under review. A margin of CHF 45 million (previous year: CHF 18 million) was achieved with held-for-trading transactions. The gross result generated by the energy business (net sales less energy procurement) increased by a total of CHF 33 million to CHF 359 million (previous year: CHF 326 million).

Operating expenses rose from the same period last year by CHF 14 million to CHF 200 million. This figure also includes an increase of CHF 5 million for personnel expenses which is directly related to the

growth strategy. An additional CHF 9 million was also reported under expenses for material and third-party services as well as other operating expenses. This increase was also in part due to the strong growth. These positions also contain expenses incurred for the renaming of all companies belonging to the Repower Group (previously Rätia Energie).

Depreciation/amortisation and impairment of CHF 56 million (previous year: CHF 59 million) include ordinary annual amortisation/depreciation and smaller individual value adjustments related to projects.

During the business year just ended, income before interest and income taxes (EBIT) rose by CHF 26 million (+ 19 %) to CHF 163 million (previous year: CHF 137 million). CHF 17 million resulted from the sale of real estate no longer required by the company. The operating result can be considered very good particularly if the difficult market environment in the energy sector is taken into account.

Currency factors had a strong adverse effect on financial income. The precautions taken to hedge currency risks positively impacted income in the Repower Group. In addition to currency losses of around CHF 30 million, CHF 20 million in interest paid on non-current liabilities was reported.

Income taxes in the year under review do not contain any special items as in the previous year where tax income of CHF 21 million was reported mainly as a result of statutory provisions regulating the single-entity financial statements of SET, owner of the gas-fired combined-cycle power plant in Teverola near Naples.

## HEALTHY BALANCE SHEET

Non-current assets rose year-on-year by CHF 55 million to CHF 1.3 billion. The increase comprises CHF 19 million for plant and equipment and CHF 35 million for intangible assets. The latter figure is related to Elcomex EN where goodwill of CHF 19 million and other intangible assets of CHF 12 million were acquired.

Current assets ended the year CHF 29 million lower. This includes an increase of CHF 16 million in cash and cash equivalents. The liquidity of CHF 350 million at year-end enables high flexibility and ensures continued growth.

Non-current liabilities rose by CHF 27 million to CHF 752 million (previous year: CHF 725 million). Under current liabilities, a reclassification was reported in non-current provisions of CHF 36 million attributable to the obligation for reversion waiver compensation to be paid within the space of a year. On the other hand, there was an increase in non-current financial liabilities of CHF 66 million. In addition to repayments for notes falling due, a debenture bond amounting to CHF 115 million with a term of 12 years and an annual interest rate of 2.375% was successfully placed on the market in the year under review.

The balance sheet total remained stable at CHF 2.3 billion.

Equity of CHF 922 million (previous year: CHF 912 million) and an equity ratio of 41 % continue to provide a solid basis for the vigorous implementation of the Group strategy.

Trade accounts receivable from customers who are also suppliers are offset by trade accounts payable if the respective contract terms provide for this and the intention to offset exists and is legally permitted. The offset trade accounts receivable and payable totalled CHF 233 million (previous year: CHF 141 million). These offsets were applied for the first time in the year under review and were adjusted for the previous year (restatement).

# CONSOLIDATED FINANCIAL STATEMENTS
# REPOWER GROUP

## Consolidated statement of comprehensive income

| CHF thousands | Note | 2009 | 2010 |
|---|---|---|---|
| Net sales | | 1,904,037 | 2,207,655 |
| Own costs capitalised | | 12,755 | 14,787 |
| Other operating income | | 42,526 | 44,850 |
| **Total operating revenue** | 1 | **1,959,318** | **2,267,292** |
| Energy procurement | | -1,577,854 | -1,848,255 |
| Concession fees | | -16,361 | -16,955 |
| Personnel expenses | 2 | -78,803 | -83,425 |
| Material and third-party services | | -32,518 | -27,109 |
| Other operating expenses | | -58,391 | -72,455 |
| **Income before interest, income taxes, depreciation and amortisation** | | **195,391** | **219,093** |
| Depreciation/amortisation and impairment | 3 | -58,588 | -56,217 |
| **Income before interest and income taxes** | | **136,803** | **162,876** |
| Financial income | 4 | 1,542 | 2,996 |
| Financial expenses | 5 | -24,870 | -62,399 |
| Share of results of associates and partner plants | 6 | -1,690 | 2,190 |
| **Income before income taxes** | | **111,785** | **105,663** |
| Income taxes | 7 | -304 | -25,547 |
| **Group profit including minority interests** | | **111,481** | **80,116** |

| | | | |
|---|---|---|---|
| Group profit including minority interest | | 111,481 | 80,116 |
| Effect of currency translation | | -412 | -41,628 |
| Fair value adjustment of financial instruments | | -1,331 | 789 |
| Income taxes | | 492 | -268 |
| **Comprehensive income** | 7 | **110,230** | **39,009** |

| | | | |
|---|---|---|---|
| Share of Group profit attributable to Repower shareholders and participants | | 106,672 | 79,777 |
| Share of Group profit attributable to minority interests | | 4,809 | 339 |
| Share of comprehensive income attributable to Repower shareholders and participants | | 105,661 | 45,703 |
| Share of comprehensive income attributable to minority interests | | 4,569 | -6,694 |
| Earnings per share (undiluted) | 8 | CHF 31.45 | CHF 23.52 |

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

# CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

## Consolidated balance sheet

| **Assets**<br>CHF thousands | Note | **31.12.2009** | **31.12.2010** |
|---|---|---|---|
| Property, plant and equipment | 9 | 1,071,766 | 1,091,090 |
| Intangible assets | 10 | 11,896 | 46,547 |
| Investments in associates and partner plants | 6 | 41,071 | 51,784 |
| Other financial assets | 11 | 70,848 | 63,400 |
| Deferred tax assets | 7 | 17,191 | 14,915 |
| **Non – current assets** | | **1,212,772** | **1,267,736** |
| Inventories | 12 | 34,293 | 30,154 |
| Receivables | 13/25 | 471,245 | 478,724 |
| Prepaid expenses and accrued income | 24 | 12,825 | 16,340 |
| Securities and other financial instruments | 14 | 2,239 | 5,889 |
| Positive replacement values held-for-trading positions | 15/25 | 180,114 | 125,140 |
| Cash and cash equivalents | 16 | 334,382 | 349,975 |
| **Current assets** | | **1,035,098** | **1,006,222** |
| **Total assets** | | **2,247,870** | **2,273,958** |

| **Liabilities and shareholders' equity**<br>CHF thousands | Note | **31.12.2009** | **31.12.2010** |
|---|---|---|---|
| Share capital | 17 | 2,783 | 2,783 |
| Participation capital | 17 | 625 | 625 |
| Treasury shares | | -16 | -16 |
| Capital reserves | | 17,732 | 17,732 |
| Fair value adjustment of financial instruments | | -2,116 | -1,798 |
| Retained earnings (including Group profit) | | 841,266 | 893,937 |
| Accumulated translation differences | | -5,596 | -39,988 |
| **Shareholders' equity excluding minority interests** | | **854,678** | **873,275** |
| Minority interests | | 57,135 | 48,647 |
| **Shareholders' equity** | | **911,813** | **921,922** |
| Non–current provisions | 19/20 | 63,778 | 28,159 |
| Deferred tax liabilities | 7 | 71,192 | 67,854 |
| Non–current financial liabilities | 18 | 533,238 | 599,495 |
| Other non–current liabilities | 21/25 | 56,538 | 56,782 |
| **Non–current liabilities** | | **724,746** | **752,290** |
| Current income tax liabilities | | 28,055 | 32,717 |
| Current financial liabilities | 23 | 62,557 | 66,120 |
| Negative replacement values held-for-trading positions | 15/25 | 160,821 | 99,361 |
| Current provisions | 20 | 614 | 37,801 |
| Other current liabilities | 22/25 | 339,303 | 333,411 |
| Deferred income and accrued expenses | 24 | 19,961 | 30,336 |
| **Current liabilities** | | **611,311** | **599,746** |
| **Liabilities** | | **1,336,057** | **1,352,036** |
| **Total liabilities and shareholders' equity** | | **2,247,870** | **2,273,958** |

# CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

## Changes in consolidated equity

| CHF thousands | Share capital | Participation capital | Treasury shares | Capital reserves | Fair value adj. for fin. instr. | Retained earnings | Accumulated translation differences | Total Group equity | Minority interests | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Equity at 1 January 2009** | **2,783** | **625** | **-16** | **17,732** | **-1,604** | **758,044** | **-5,098** | **772,466** | **51,606** | **824,072** |
| **Comprehensive income for the period** | | | | | **-512** | **106,672** | **-499** | **105,661** | **4,569** | **110,230** |
| Dividends (excl. treasury shares) | | | | | | -23,744 | | -23,744 | -80 | -23,824 |
| Purchase/sale of treasury shares | | | | | | | | - | | - |
| Changes in consolidation | | | | | | -16 | 1 | -15 | -24 | -39 |
| Purchase/sale of minority interests | | | | | | 310 | | 310 | -592 | -282 |
| Capital increase, minority interests | | | | | | | | - | 1,656 | 1,656 |
| **Equity at 31 December 2009** | **2,783** | **625** | **-16** | **17,732** | **-2,116** | **841,266** | **-5,596** | **854,678** | **57,135** | **911,813** |
| **Comprehensive income for the period** | | | | | **318** | **79,777** | **-34,392** | **45,703** | **-6,694** | **39,009** |
| Dividends (excl. treasury shares) | | | | | | -27,136 | | -27,136 | -68 | -27,204 |
| Purchase/sale of treasury shares | | | | | | -223 | | -223 | | -223 |
| Changes in consolidation | | | | | | | | - | -1,138 | -1,138 |
| Purchase/sale of minority interests | | | | | | 253 | | 253 | -657 | -404 |
| Capital increase, minority interests | | | | | | | | - | 69 | 69 |
| **Equity at 31 December 2010** | **2,783** | **625** | **-16** | **17,732** | **-1,798** | **893,937** | **-39,988** | **873,275** | **48,647** | **921,922** |

## Consolidated cash flow statement

| CHF thousands | | | 2009 | 2010 |
|---|---|---|---|---|
| Group profit including minority interests | | | 111,481 | 80,116 |
| Depreciation/amortisation and impairment | | 9/10 | 58,588 | 56,217 |
| Own costs capitalised | | 9/10 | -12,755 | -14,787 |
| Change in provisions | | 20 | -29,412 | -561 |
| Change in deferred taxes | | 7 | -21,785 | -4,917 |
| Share of results of associates and partner plants | | 6 | 1,690 | -2,190 |
| Compound interest from non–current liabilities | | | 428 | 869 |
| Dividends from associates and partner plants | | 6 | 591 | 315 |
| Other income and expenses not affecting cash | | | 6,830 | 12,271 |
| Change in inventories | | 12 | -9,042 | -192 |
| Change in receivables | | 13 | -61,883 | -37,581 |
| Change in prepaid expenses and accrued income | | 24 | -1,794 | -3,241 |
| Change in liabilities | | | 86,132 | 32,085 |
| Change in deferred income and accrued expenses | | 24 | -4,999 | 11,619 |
| Change in replacement values, held-for-trading positions | | 15 | 12,557 | -9,626 |
| Change in securities and other financial instruments | | 14 | 1,208 | -3,593 |
| **Cash flow from operating activities** | | | **137,835** | **116,804** |
| Property, plant and equipment: | - Investments | 9 | -71,820 | -72,701 |
| | - Disposals | | 174 | 19,903 |
| Intangible assets: | - Investments | 10 | -2,045 | -8,205 |
| | - Disposals | | - | - |
| Group companies: | - Investments | 27 | -321 | -83,500 |
| | - Disposals | 27 | 53 | 2,798 |
| Investments in associates and partner plants: | - Investments | 6 | -12,526 | -12,656 |
| | - Disposals | | - | - |
| Non–current financial assets: | - Investments | 11 | - | -492 |
| | - Disposals | | 251 | |
| **Cash flow from investing activities** | | | **-86,234** | **-154,853** |
| Additions to financial liabilities | | 18 | 199,621 | 134,437 |
| Repayment of financial liabilities | | 18/23 | -65,596 | -47,168 |
| Dividend payments | | | -23,824 | -27,204 |
| Purchase of treasury shares | | | - | -1,293 |
| Sale of treasury shares | | | - | 1,254 |
| Purchase/sale of minority interests | | | - | -404 |
| Capital increase through minority interests | | | 1,656 | 69 |
| **Cash flow from financing activities** | | | **111,857** | **59,691** |
| **Translation differences** | | | **-467** | **-11,757** |
| **Change in cash and cash equivalents** | | | **162,991** | **9,885** |
| Cash and cash equivalents at 1 January | | | 171,391 | 334,382 |
| **Cash and cash equivalents at 31 December** | | 16 | **334,382** | **344,267** |
| Cash flow from operating activities covers: | | | | |
| Interest received | | | 1,202 | 1,994 |
| Interest paid | | | -14,532 | -15,277 |
| Income taxes paid | | | -34,207 | -29,013 |

# CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

## Notes to the consolidated financial statements

### CONSOLIDATED ACCOUNTING PRINCIPLES

**Company information**

Repower AG, Poschiavo, is a listed stock corporation with registered office in Switzerland. Repower is a vertically integrated group active in Switzerland and abroad in the fields of electricity generation, management, trading, sales, transmission and distribution. The company also trades and sells gas as well as emissions allowances and green electricity certificates in selected European markets. The business activities and main operations are described in detail in this annual report.

The 2010 consolidated financial statements of the Repower Group were authorised by the Board of Directors on 18 March 2011, and are subject to the approval of the Annual General Meeting on 4 May 2011.

### PRINCIPLES OF CONSOLIDATION

**Basis**

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). They provide a true and fair view of the financial position, results of operations and cash flows of the Repower Group. All current standards and interpretations were applied in preparing the consolidated financial statements, which comply with Swiss law.

The consolidated financial statements are drawn up in Swiss francs (CHF). With the exception of items designated otherwise, all figures are rounded in thousands of francs (CHF thousands).

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

**New and revised accounting and valuation principles**

The accounting and valuation principles used correspond to the principles applied in the previous year, with the following exceptions:
The Repower Group reviewed the new or changed standards and interpretations listed below, and implemented them where necessary during the year under review. This had no significant impact on the consolidated annual financial statements.

| | |
|---|---|
| IAS/IFRS | 2008 – 2009 annual changes |
| IAS 27 | Group and Separate Financial Statements (IFRS) |
| IAS 39 | Financial Instruments: Recognition and Measurement |
| IFRS 2 | Share-based Payment |
| IFRS 3 | Business Combinations |
| IFRIC 17 | Distributions of Non-cash Assets to Owners |
| IFRIC 18 | Transfers of Assets from Customers |

The IASB and IFRIC have also issued other revised or new standards and interpretations, but these will only be adopted in subsequent financial years.

| | |
|---|---|
| IAS/IFRS | 2010 annual changes (applicable to financial years starting on or after 1 January 2011) |
| IAS 12 | Amendments to Deferred Taxes: Recovery of Underlying Assets (applicable to financial years starting on or after 1 July 2011) |
| IAS 24 | Related Party Disclosures (applicable to financial years starting on or after 1 January 2011) |
| IAS 32 | Financial Instruments: Presentation (applicable to financial years starting on or after 1 February 2010) |
| IFRS 7 | Amendments to Financial Instruments: Disclosures (applicable to financial years starting on or after 1 July 2011) |
| IFRS 7 | Financial Instruments: Disclosures for OCI Statement (applicable to financial years starting on or after 1 January 2012) |
| IFRS 9 | Financial Instruments (applicable to financial years starting on or after 1 January 2013) |
| IFRIC 14 | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (applicable to financial years starting on or after 1 January 2011) |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments (applicable to financial years starting on or after 1 July 2010) |

The Repower Group is currently analysing the implementation and impact of the new or changed standards.

**Scope of consolidation**

The consolidated financial statements cover Repower AG and all Swiss and foreign companies over which Repower is able to exercise operational and financial control. These companies are fully consolidated and designated as Group companies. Their financial year ends on 31 December.

Minority holdings 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. Jointly-managed partner plants (joint ventures) are also accounted for in the consolidated financial statements using the equity method.

**Consolidation method**

Fully consolidated companies are included in the consolidated financial statements in their entirety (assets, liabilities, income and expenses). Investments in associates and partner plants are accounted for using the equity method on the basis of the share of equity. If these companies and partner plants apply accounting and valuation principles that deviate from those adopted by the Repower Group, appropriate adjustments are made in the consolidated financial statements.

Business combinations are accounted for using the purchase method. The acquisition costs are calculated by measuring 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 the income statement as negative goodwill on the date of acquisition. Group companies are deconsolidated from the date on which they are sold or no longer controlled by the Repower Group.

**Intragroup transactions**

All intragroup transactions (receivables and payables, income and expenses) are eliminated and the proportion of equity attributable to minority shareholders as well as their share in the results of consolidated companies, are recognised separately. Income arising from intragroup transactions and holdings is eliminated and charged to income.

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

**Currency translations**

The consolidated financial statements are drawn up and presented in Swiss francs. Each Group company defines its own functional currency in which the financial statements are drawn up. 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 charged to income. Non-monetary foreign currency positions measured at fair value are converted at the rate on the balance sheet date in order to determine the fair value.

The functional currency for the main 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. When translating foreign currencies, euros were translated at the closing rate of CHF/EUR 1.2500 (previous year: 1.4863) and an average rate of CHF/EUR 1.3774 (previous year: 1.5101). Positions in other currencies are insignificant and were converted using the rates published by the European Central Bank (ECB Fixings). The translation differences between the closing exchange rate and the average exchange rate are recognised as an effect of currency translation in other income/expenses in the statement of comprehensive income. If Group companies are disposed of, the corresponding accumulated translation differences are derecognised in the income statement.

## ACCOUNTING AND VALUATION PRINCIPLES

**Basis**

Within the context of preparing the consolidated financial statements, the Board of Directors and Executive Board of Repower make estimates and valuations which have an impact on the recognised assets and liabilities as well as on income and expenses. This concerns the valuation of assets and liabilities for which no other sources (e.g. market prices) are available. Estimates and valuations are based on past experience and the best possible assumptions on future developments. Actual developments may differ from the assumptions made. The estimates and valuations are periodically reviewed. Any changes result in a revised valuation of the relevant assets and liabilities, and revisions are made and disclosed in the period in which they occur. Estimates and valuations are carried out, in particular to identify impairment of assets, to estimate useful lives and the residual value of property, plant and equipment and intangible assets, and to recognise provisions. The carrying amounts are disclosed in the balance sheet.

**Property, plant and equipment**

Property, plant and equipment are recorded at acquisition or production cost less accumulated depreciation and any impairment losses recognised. The acquisition or production cost of property, plant and equipment covers the purchase price including any costs directly attributable to bringing the asset to the location and condition necessary for the intended use. 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 an asset or, at most, over the concession period in the case of energy generation facilities.

Any residual values are taken into account when determining useful lives. The useful lives and residual values are reviewed annually. If an asset is sold or 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 the income statement in the period in which the asset is derecognised.

# CONSOLIDATED FINANCIAL STATEMENTS REPOWER GROUP

## Notes to the consolidated financial statements

The 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 recognised directly in the income statement. Costs for regular major overhauls are capitalised and depreciated.

Assets under construction cover property, plant and equipment not yet completed. During the construction phase these items are not depreciated unless impairment is recognised immediately. Interest on borrowings related to construction is capitalised along with other acquisition and production costs.

Property, plant and equipment 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 the 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 the estimated future cash flows over a five-year period and extrapolated projections for subsequent years, 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.

**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 payments used 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 the income statement at the time of acquisition.

Goodwill is allocated in order to determine the intrinsic value of a cash-generating unit on the date of acquisition. A cash-generating unit corresponds to the lowest level of the company whose goodwill is monitored for internal management purposes. Goodwill is tested for impairment at least once a year. If the carrying amount of the unit is higher than the recoverable amount in accordance with IAS 36, an impairment is recognised in the income statement in the reporting period.

For investments acquired in associates and partner plants, the difference between the acquisition cost of the holding and the fair value of the identifiable net assets is calculated. The difference is disclosed together with the investments under investments in associates and partner plants.

**Intangible assets**
Intangible assets are recognised at acquisition 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 amount of amortisation. On each balance sheet date they are tested for indications of impairment. If indications of impairment are identified, the recoverable amount of the intangible asset 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:

| | |
|---|---|
| Customer relations | 13 – 15 years |
| Brands (Note 10) | 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. If there are indications of impairment, the recoverable amount is determined the same way as for the property, plant and equipment. Any impairments are recognised in the income statement. The assumption of 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.

**Investments in associates and partner plants (joint ventures)**
Companies over which Repower exerts a significant influence but not control are measured using the equity method. Jointly managed partner plants (joint ventures) are measured according to the same method and included in the consolidated financial statements. Partner plants constitute investments in power plants in which the shareholders are obliged to purchase electricity at cost in proportion to their investment.

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

**Financial assets**
Financial assets cover cash and cash equivalents, securities and other financial instruments, receivables, prepaid expenses and accrued income (anticipatory positions only), and other financial assets. All financial assets are recognised for the first time at fair value. This includes the transaction costs that can be directly allocated to the acquisition of the asset. Purchases are recorded on the settlement date. For subsequent valuation, financial assets are classified according to IAS 39.

Cash and cash equivalents, receivables as well as prepaid expenses and accrued income (anticipatory) are allocated to the category "loans and receivables" and carried at amortised cost. Due to their short-term nature, the carrying amounts are assumed to be the fair values less any necessary impairments.

Securities and other financial instruments disclosed in current assets fall into the category "held for trading". These are measured at fair value, whereby corresponding gains or losses are recognised in the income statement.

Non-marketable fixed-income investments are allocated to the category "loans and receivables" and carried at amortised cost. Long-term prepayments for the purchase of green electricity certificates are allocated to the category "designated at fair value through profit and loss" in order to avoid measurement inconsistencies. The position is measured using a valuation model based on observable market data. All other financial assets are classified as "available for sale" and recognised at fair value. Marketable fixed-income securities are measured at market value on the balance sheet date. Marketable shares and other equity securities for which an active market exists are measured at market value on the balance sheet date. The unrealised value adjustments of financial assets available for sale are recognised under other income. In the event of disposal or other derecognition, the value adjustments accumulated in equity since such assets were purchased are transferred to financial income in the current reporting period. In the event of a significant or prolonged decline in the fair value of an available-for-sale equity instrument below its acquisition cost, this is recognised as an impairment.

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. For other 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 current market rate of return for a similar financial asset. Unlike the value adjustment above, an impairment is always recognised in the income statement immediately after it is identified.

# CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

## Notes to the consolidated financial statements

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

Financial assets are no longer recognised if the rights, obligations, opportunities and risks associated with the ownership of an asset are transferred in full.

**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 and recognised as held-for-trading positions or replacement values. On the balance sheet date, all open derivative financial instruments from energy trading transactions are measured at fair value 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 the 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 the currency risk, open forward exchange transactions can exist at the end of the year in euros. Moreover, interest rate swaps can be deployed to reduce the interest rate risk of variable loans. If such financial instruments exist at the end of the year, these are measured at market value (fair value). For accounting purposes, these and similar financial transactions are treated as derivative financial instruments in accordance with IAS 39, and if positive are disclosed as "replacement values" under "Securities and other financial instruments" and "Other financial assets". If the values are negative, they are disclosed as "Current financial liabilities" and "Non-current financial liabilities". All open receivables and liabilities arising from forward exchange transactions are measured at the market value as at the balance sheet date. The value adjustment is contained in the financial income or financial expense and thus recognised in the income statement.

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

**Treasury shares and participation certificates**
Treasury shares and participation certificates are deducted from equity. Under IFRS, no gain or loss is recognised in the income statement 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 when it is virtually certain that 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 annually and revised in line with current developments. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**Financial liabilities**
Financial liabilities consist of current and non-current financial liabilities, other current liabilities as well as deferred income and accrued expenses (anticipatory positions only). Financial liabilities are initially recognised in the balance sheet at their fair value, including the transaction costs that can be allocated directly to the entry of the liability. The subsequent measurement is conducted based on the rules of the "Other liabilities" category; this does not include the

negative replacement values of held-for-trading positions. These negative replacement values are handled the same way as positive replacement values.

Non-current financial liabilities are recognised at amortised cost using the effective interest method. Interest rate swaps exist to hedge a portion of the company's interest rate risk (hedge accounting) relating to the variable-rate loan in respect of the construction of the gas-fired combined-cycle power plant in Teverola. These interest rate swaps are used to hedge cash flows, and the change in value is recognised under other income as a fair market adjustment of financial instruments.

Other current liabilities as well as deferred income and accrued expenses are recognised at amortised cost. Current financial liabilities are also in principle recorded at amortised cost. Liabilities from current forward exchange transactions are excepted. These are measured at market value (fair value). The value adjustment is contained in financial income or financial expense and thus recognised in the income statement.

Trade accounts payable to suppliers who are simultaneously customers are offset against trade accounts receivable if the respective contract terms provide for this and the intention to offset exists and is legally permitted.

**Other non-current liabilities**
Other non-current liabilities include installation usage rights granted to third parties. The rights of use granted are contractual obligations which are fulfilled exclusively by permitting a third party to use installations. These are non-financial liabilities. The liabilities are amortised over the period of use of the corresponding installations using the straight-line method.

**Pension plans**
On the balance sheet date, employees of Repower in Switzerland were members of the PKE Pensionskasse Energie (PKE), which is a legally independent pension fund based on defined benefits or defined contributions.

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 made on the balance sheet date, the total cost of a pension plan is based on the years of service rendered by the respective employees and their projected salaries until retirement, and is recognised annually in the income statement. Pension obligations are measured according to the fair value of estimated future pension benefits, using the interest rates on government bonds with a similar residual term to maturity. Actuarial gains and losses are recognised as income and expenses over the expected average remaining working lives of the insured, provided they exceed the greater of 10 % of the present value of the pension obligations and 10 % of the fair value of any plan assets (corridor approach).

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

**Contingent liabilities**
Potential or existing liabilities for which the probability of an outflow of funds is considered possible but unlikely are not recognised in the balance sheet. Existing contingent liabilities and guarantee obligations are disclosed on the balance sheet date in the Notes to the consolidated financial statements.

**Share-based payments**
There are no employee share participation programmes or other forms of share-based payments.

**Finance and operating leases**
In the reporting period and the previous period there were no finance leases. IT outsourcing includes an operating lease for IT hardware. There continue to be leases with third-parties. The related future minimum leasing payments are disclosed in the Notes to the consolidated financial statements. Payments for operating lease transactions are recognised as expenses on a straight-line basis over the lease term.

**Income taxes**
Income taxes cover current and deferred income taxes. Current income taxes are calculated based on the current tax rates on the earnings of individual Group companies.

Deferred taxes are recognised in the Group financial statements based on the differences between the taxable value of the assets

# CONSOLIDATED FINANCIAL STATEMENTS REPOWER GROUP

## Notes to the consolidated financial statements

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 utilised.

**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 or service fulfilment has been performed.

Energy transactions conducted for the purpose of managing the Group's own energy generation plants, as well as energy procurement contracts for the physical supply of energy to customers, are treated as "own use" transactions in accordance with IAS 39 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 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 "Profit from held-for-trading positions".

**Interest on borrowings**
Interest on borrowings that can be allocated directly or indirectly to the purchase, construction or production of a qualifying asset are considered part of the acquisition/production costs of this asset and are capitalised. Other borrowing costs are recognised as expenses in accordance with IAS 23.8.

### SEGMENT REPORTING

Repower Group is a vertically integrated energy company with activities along the entire value chain (power generation, trading, transmission, sales and distribution). As the primary decision-makers, the Board of Directors and the Executive Board have considered the results as a single unit in line with the integrated business model in order to be able to conduct evaluations and assessments and make decisions about resource deployment. Accordingly, the standardised management information has not been broken down by segment. There is thus no segment reporting as defined by IFRS 8.

In the course of 2011 there will be a review of management instruments, including reporting. IFRS 8 requires operating segments to be identified on the basis of internal reports. As things stand at present we expect this to happen from 2012 onwards.

### CAPITAL MANAGEMENT

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

- Optimised use of capital, taking returns and risk into account
- Timely availability of sufficient liquidity

Strategic parameters (total operating revenue, return on equity and the equity ratio) are calculated and monitored for the purpose of measuring these goals. 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 the strategic alignment of Repower since the previous year.
Repower's capital is managed while taking the Group's financial development and risk structure into account. To manage this capital, the Group can, for instance, borrow or repay capital, carry out capital increases or reductions, or change its dividend policy. The Repower Group is not subject to any prescribed regulatory minimum capital requirements.

The most important key figures for capital management are return on equity and the equity ratio. When calculating return on equity (excluding minority interests), Group profit excluding minority interests is measured against equity without minority interests. The equity ratio (including minority interests) describes the relationship between equity including minority interests and total assets.

The target figure for return on equity (without minority interests) is ≥ 10 % and the equity ratio must be kept within the 35-45 % range. In principle, these key figures also have an impact on Repower's credit rating and thus its borrowing costs.

⇨ ***Return on equity / Equity ratio on page 62.***

# CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

## Notes to the consolidated financial statements

Return on equity and the equity ratio were calculated on 31 December 2009 and 31 December 2010 as follows:

| | 31.12.2009 | 31.12.2010 |
|---|---|---|
| Group profit including minority interests in TCHF | 111,481 | 80,116 |
| Group profit excluding minority interests in TCHF | 106,672 | 79,777 |
| Equity including minority interests in TCHF | 911,813 | 921,922 |
| Equity excluding minority interests in TCHF | 854,678 | 873,275 |
| Total assets in TCHF | 2,247,870 | 2,273,958 |
| Return on equity (excluding minority interests) in % | 12.5 | 9.1 |
| Equity ratio (including minority interests) in % | 40.6 | 40.5 |

The target figure for equity ratio was met, while the strategic parameter, return on equity, fell slightly short of target in the year under review.

### RISK MANAGEMENT AND FINANCIAL RISK MANAGEMENT

**Basis**

The operating activities of Repower are exposed to market, counterparty and transaction risks arising from the energy sector as well as liquidity risks. Risk management aims to limit the risks specified through operational and financial measures. Financial risks are managed by the Executive Board within the framework of the strategic parameters and risk targets determined by the Board of Directors. The guidelines issued by the Board of Directors on "Risk Management in the Energy Sector" set down the principles governing the Repower Group›s risk policy. They cover directives on the entry into, assessment, management and limitation of business risks in the energy sector and define the organisation and responsibilities. The aim is to ensure a reasonable balance between business risks entered into, earnings and risk-bearing equity. The Board of Directors and the Executive Board define risk limits in accordance with the company's risk capability. These limits are regularly reviewed for each risk category. Special measures are taken to manage risks related to personal safety, information technology and the energy business (transaction, market and counterparty risks). Risk management was further developed during the year under review but there were no changes in terms of content.

**Market risks**

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

Energy price risks:

Energy transactions are conducted for the main purpose of covering physical delivery contracts, energy procurement, and selling and optimising the company's own generation volumes. Within this risk policy, purely financial transactions are used for trading. Energy price risks include risks arising from price volatility, changes in the price level, and changing correlations between markets and generation times. Compliance with trading limits and the risk situation of the portfolio are monitored by Risk Management and reported to the Risk Management Committee. Under the leadership of the Head of Finance, the Risk Management Committee assesses the risk situation in the energy sector at least once a month. The Board of Directors and the Executive Board are kept informed about the risk situation by reports submitted by the Risk Management Committee on a quarterly basis and 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. Due 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 goods and services are paid for and sold by Repower 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 are particularly subject to currency risks. The currency risk is largely eliminated by netting receivables and liabilities in the foreign currency as agreed. 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 since the differences in inflation rates and exchange rate fluctuations should offset each other over the long term.

**Counterparty risks**

Credit risks:

Credit risks arise if customers cannot meet their obligations as agreed, or the intrinsic value of financial assets is endangered in some other way. The credit risk is permanently monitored by checking outstanding payments by counterparties and by carrying out credit checks on contractual parties. Repower enters into significant business relationships only with counterparties who are creditworthy and whose solvency has been confirmed by a credit check.

The maximum credit risk exposure on the closing date is equal to the carrying amounts of the recognised financial assets. As the agreed offsetting of receivables and liabilities with the same counterparty has already been recognised, no other major agreements which would lessen the maximum default risk exist on the balance sheet date.

Supplier default risks:

Supplier default risks arise if suppliers cannot meet their supply obligations as agreed and a replacement can only be purchased at less favourable terms. Limits are set on purchase volumes to avoid risk concentration and to minimise supplier default risks. Observance of these limits is permanently monitored. Repower enters into significant business relationships only with counterparties who can guarantee supply readiness.

**Transactions risks**

During the course of business activities, operational risks arise. These transaction risks are mitigated by the skill and professionalism of the employees, and where necessary by providing them with training and further training. Other transaction risks arise as a result of political decisions and regulatiory changes. Repower pays close attention to these developments at all times.

# CONSOLIDATED FINANCIAL STATEMENTS REPOWER GROUP

## Notes to the consolidated financial statements

**Liquidity risks**

Liquidity risks arise if Repower cannot meet its obligations as agreed or is unable to do so under economically feasible conditions. Repower permanently 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 over- or under-liquidity, taking into account the maturity terms of financial liabilities as well as the financial assets. At the balance sheet date, financial liabilities exist with the following due dates (amounts represent the contractual, undiscounted cash flows):

| CHF thousands | 31.12.2009 | 31.12.2010 |
|---|---|---|
| Up to 3 months | 553,336 | 352,314 |
| From 3 to 12 months | 203,249 | 214,071 |
| From 1 to 5 years | 197,415 | 174,114 |
| Over 5 years | 331,162 | 520,369 |

These financial liabilities are expected to be offset by financial assets (carrying values of balance sheet items) which are expected to become available or which can be liquidated during the following periods:

| CHF thousands | 31.12.2009 | 31.12.2010 |
|---|---|---|
| Up to 3 months | 1,128,893 | 926,324 |
| Over 3 months | 70,848 | 63,400 |

Cash and cash equivalents are available for the purpose of liquidity. At the balance sheet date, Repower also has the following bank credit lines which have been secured but remain unused:

| CHF thousands | 31.12.2009 | 31.12.2010 |
|---|---|---|
| Unused general credit lines | 105,100 | 115,000 |
| Additional unused credit lines for the purpose of issuing guarantees | 37,157 | 13,844 |

**Sensitivity analyses on 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 income and equity. During this analysis, the impact of individual factors is investigated, meaning that mutual interdependencies of individual risk variables are not taken into consideration. The same methods and assumptions as last year were applied to perform the analyses. The following scenarios were analysed for each of the individual market risk categories:

**Energy price risks**

When establishing energy price risks, a distinction is made in accordance with IAS 39 between positions held for own use and those held for trading. With regard to those positions held for own use, a potential price change on the balance sheet date will not have an impact on net income or equity since these positions are not measured at fair value. When considering positions held for trading, scenarios are assumed in which energy prices are 10 euros higher and lower per MWh.

| CHF thousands | 31.12.2009 | 31.12.2010 |
|---|---|---|
| Impact on net income and equity at a higher energy rate | -9,166 | -4,636 |
| Impact on net income and equity at a lower energy rate | 9,166 | 4,636 |

**Interest rate risks**

In the sensitivity analysis of interest rate risks, an impact is only seen in positions for which the agreed interest rate is variable. All loans are recognised at amortised cost, i.e. for positions for which the agreed interest rate is fixed, changes in interest rates will have no impact on the balance sheet item. The analysis was performed in 2009 and 2010 for interest rates which were 150 bp higher and lower.

| CHF thousands | 31.12.2009 | 31.12.2010 |
|---|---|---|
| Impact on net income and equity at a higher interest rate | -222 | -525 |
| Impact on net income and equity at a lower interest rate | 222 | 525 |

Hedging relationships (hedge accounting) were recognised for a portion of the interest rate risk. The corresponding effective hedge was recognised via equity and had no impact on the income statement. The impact of a shorter-term change in interest rates on the valuation of the long-term hedging instrument is insignificant and was not taken into consideration in the sensitivity calculation.

**Currency risks**

Currency risks exist mainly in connection with euro positions for receivables and trade accounts payable, cash and cash equivalents, intragroup loans, forward exchange transactions as well as non-current financial liabilities. The analysis was performed using euro exchange rates which were 10% higher and lower than the closing rate. The closing rate of the year under review was CHF/EUR 1.2500 (previous year: CHF/EUR 1.4863).

| | 31.12.2009 | | 31.12.2010 | |
|---|---|---|---|---|
| | CHF/EUR | TCHF | CHF/EUR | TCHF |
| Impact on net income and equity at a higher exchange rate | 1.6349 | 24,851 | 1.3750 | 1,048 |
| Impact on net income and equity at a lower exchange rate | 1.3377 | -24,851 | 1.1250 | -1,048 |

# CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

## Notes to the consolidated financial statements

ESTIMATION UNCERTAINTIES

**Fixed assets**

On each balance sheet date, property, plant and equipment are tested for indications of impairment. If indications of impairment are identified, the recoverable amount is calculated in accordance with the provisions of IAS 36 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 value adjustments to parts of assets.

In 2008 the Swiss Electricity Supply Act (StromVG) and the Swiss Electricity Supply Ordinance (StromVV) came into force. Under the StromVG the high-voltage grid (220/380kV) must be transferred to the national grid company (swissgrid) within 5 years. Repower AG's high-voltage networks have been entirely incorporated into Repower Transportnetz AG. As no reliable estimate can currently be made of the value swissgrid will accord the high-voltage network on transfer, the future transfer value is subject to a high degree of uncertainty.

**Receivables and liabilities**

Trade accounts receivable are measured by applying individual and lump-sum value adjustments to the non-adjusted positions based on their maturity structure and on historical experience. Effective losses on receivables may deviate from this estimate.

In individual countries, invoicing and payment is carried out by the national grid operator and any rulings of the regulator may involve a delay of more than a year. The best possible estimates have been made where indicated.  Definitive invoicing, payments and rulings may vary from these estimates and affect the overall results.

**Provisions**

Provisions are recognised taking into account the best possible estimate of the amount and date of the probable cash outflow.

In Italy, Repower is involved in an investigation by the "Autorità Garante della Concorrenza e del Mercato" (the Italian anti-trust authority) into matters relating to the use of gas-fired combined-cycle power plants. Repower is aiding the authority to the best of its ability in order to clarify the situation as quickly as possible. Based on the current assessment, Repower has no reason to take into account provisions or other obligations in this context.

# CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

## Notes to the consolidated financial statements

### Repower Group companies

aurax electro ag, and TGK Skavica S.r.l. were sold and RE Energija d.o.o. in Ljubljana was dissolved during the financial year. The scope of consolidation was also expanded to include the Repower Wind companies Prettin/Lübbenau and the Repower GuD CURE companies in Germany and Elcomex EN S.r.l. in Romania. The stake in Energia Sud S.r.l. was increased from 67 % to 100 %.

**Fully consolidated companies at 31 December 2010**

| Company | Head office | Currency | Issued capital | Holding | Closing date | Purpose |
|---|---|---|---|---|---|---|
| Repower AG[a)] | Poschiavo | CHF | 3,408,115 | - | 31.12. | H/G/E |
| Repower Klosters AG[b)] | Klosters | CHF | 16,000,000 | 99.88% | 31.12. | C/G |
| Repower Ilanz AG[c)] | Ilanz | CHF | 250,000 | 95.61% | 31.12. | C/G |
| aurax connecta ag | Ilanz | CHF | 100,000 | 95.61% | 31.12. | S |
| Repower Holding Surselva AG[d)] | Waltensburg | CHF | 5,000,000 | 95.61% | 31.12. | H |
| Ovra electrica Ferrera SA[1)] | Trun | CHF | 3,000,000 | 46.85% | 31.12. | G |
| Vulcanus Projekt AG | Poschiavo | CHF | 100,000 | 60.00% | 31.12. | PC |
| Repower Transportnetz AG[e)] | Poschiavo | CHF | 100,000 | 100.00% | 31.12. | GC |
| SWIBI AG | Landquart | CHF | 500,000 | 99.18% | 31.12. | S |
| Repower Immobilien AG[f)] | Poschiavo | CHF | 50,000 | 100.00% | 31.12. | RE |
| Repower Consulta AG[g)] | Ilanz | CHF | 700,000 | 95.61% | 31.12. | RE |
| Alvezza SA in Liquidation | Disentis | CHF | 500,000 | 59.28% | 31.12. | RE |
| Elbe Beteiligungs AG | Poschiavo | CHF | 1,000,000 | 100.00% | 31.12. | H |
| Elbe Finance Holding GmbH & Co KG | Dortmund | EUR | 25,000 | 100.00% | 31.12. | H |
| Elbe Finance Holding Verwaltungs–GmbH | Dortmund | EUR | 25,000 | 100.00% | 31.12. | H |
| Repower Deutschland GmbH | Dortmund | EUR | 25,000 | 100.00% | 31.12. | C |
| Repower Wind Holding GmbH | Dortmund | EUR | 25,000 | 100.00% | 31.12. | H |
| Repower Wind Prettin GmbH | Dortmund | EUR | 25,000 | 100.00% | 31.12. | G |
| Repower Wind Lübbenau GmbH | Dortmund | EUR | 25,000 | 100.00% | 31.12. | G |
| Repower GuD CURE Verwaltungs GmbH | Dortmund | EUR | 25,000 | 100.00% | 31.12. | H |
| Repower GuD CURE GmbH & Co. KG | Dortmund | EUR | 25,000 | 100.00% | 31.12. | PC |
| Repower Holding Italia S.p.A.[h)] | Milano | EUR | 10,000,000 | 100.00% | 31.12. | H |
| Repower Italia S.p.A.[i)] | Milano | EUR | 2,000,000 | 100.00% | 31.12. | E |
| Repower Vendita Italia S.p.A.[j)] | Milano | EUR | 4,000,000 | 100.00% | 31.12. | C |
| Repower Produzione Italia S.p.A.[k)] | Milano | EUR | 120,000 | 100.00% | 31.12. | H |
| SET S.p.A. | Milano | EUR | 120,000 | 61.00% | 31.12. | G |
| Energia Sud S.r.l. | Milano | EUR | 1,500,000 | 100.00% | 31.12. | G |
| RES S.p.A. | Milano | EUR | 120,000 | 51.00% | 31.12. | PC |
| SEA S.p.A. | Milano | EUR | 120,000 | 100.00% | 31.12. | PC |

| | | | | | | |
|---|---|---|---|---|---|---|
| REC S.r.l. | Milano | EUR | 10,000 | 100.00% | 31.12. | PC |
| REN S.r.l. | Milano | EUR | 100,000 | 100.00% | 31.12. | PC |
| SEI S.p.A. | Milano | EUR | 120,000 | 57.50% | 31.12. | PC |
| Immobiliare Saline S.r.l. | Milano | EUR | 10,000 | 100.00% | 31.12. | RE |
| Repower Trading Česká republika s.r.o.[l] | Prag | CZK | 3,000,000 | 100.00% | 31.12. | E |
| S.C. Repower Vanzari Romania S.R.L.[m] | Bukarest | RON | 165,000 | 100.00% | 31.12. | E |
| Repower Magyarország Kft.[n] | Budapest | HUF | 50,000,000 | 100.00% | 31.12. | E |
| Repower Serbia d.o.o. Beograd[o] | Belgrad | EUR | 20,000 | 100.00% | 31.12. | E |
| Repower Macedonia DOOEL Skopje[p] | Skopje | EUR | 20,000 | 100.00% | 31.12. | E |
| Repower Slovenskà republika s.r.o.[q] | Bratislawa | EUR | 49,791 | 100.00% | 31.12. | E |
| Repower Polska Sp. z.o.o.[r] | Warschau | PLN | 75,000 | 100.00% | 31.12. | E |
| Repower Adria d.o.o[s] | Sarajevo | BAM | 1,000,000 | 100.00% | 31.12. | E |
| RE Energija d.o.o | Zagreb | HRK | 366,000 | 100.00% | 31.12. | E |
| Elcomex EN S.r.l. | Bukarest | RON | 510,000 | 100.00% | 31.12. | E |

1) Ovra electrica Ferrera SA, Trun, is a power plant company in which the local community holds a 51 % stake. The Repower Group bears full operating responsibility for this company, and sells 100 % of the generated energy on the market. The Repower Group therefore exercises overall control, hence Ovra electrica Ferrera SA is fully consolidated.

a) Previously Rätia Energie AG
b) Previously Rätia Energie Klosters AG
c) Previously Rätia Energie Ilanz AG
d) Previously aurax ag
e) Previously RE Transportnetz AG
f) Previously Rätia Energie Immobilien AG
g) Previously aurax consulta AG
h) Previously RE Italia S.p.A.
i) Previously Rezia Energia Italia S.p.A.
j) Previously Dynameeting S.p.A.
k) Previously REI Produzione S.p.A.
l) Previously RE Trading CEE s.r.o.
m) Previously RE Enegie S.r.l.
n) Previously RE Magyarorszag kft.
o) Previously Raetia Energija d.o.o. Beograd
p) Previously Retia Energija DOOEL Skopje
q) Previously RE Energy Slovakia s.r.o.
r) Previously Raetia Energia Sp z.o.o.
s) Previously RE Energija d.o.o. Sarajevo

**Key:**

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

# CONSOLIDATED FINANCIAL STATEMENTS REPOWER GROUP

## Notes to the consolidated financial statements

### Companies included according to the equity method at 31 December 2010

| 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 |
| Rhiienergie AG | Tamins | CHF | 915,500 | 21.73% | 31.12. | C |
| Aerochetto S.r.l.[1)] | Catania | EUR | 2,000,000 | 39.00% | 31.12. | G |

| Partner plants | Head office | Currency | Issued capital / liability capital | Holding | Closing date | Purpose |
|---|---|---|---|---|---|---|
| Grischelectra AG | Chur | CHF | 1,000,000 (20% paid in) | 11.00% | 30.09. | H |
| AKEB Aktiengesellschaft für Kernenergie – Beteiligungen | Luzern | CHF | 90,000,000 | 7.00% | 30.09. | H |
| Kraftwerke Hinterrhein AG | Thusis | CHF | 100,000,000 | 6.50% | 30.09. | G |
| SüdWestStrom StadtKraftWerk Brunsbüttel GmbH & Co KG[2)] | Pinneberg | EUR | 4,000,000 | 51.00% | 31.12. | PC |

1) In the year under review, a 39 % interest in Aerochetto S.r.l. was acquired. (Note 6)
2) Repower AG does not exercise control over this company as defined by IAS 27 due to contractual provisions.

**Key:**

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

## Notes

| 1 Total operating revenue<br>CHF thousands | 2009 | 2010 |
|---|---|---|
| Revenue from energy sales | 1,886,299 | 2,162,400 |
| Profit from held–for–trading positions[1)] | 17,738 | 45,255 |
| **Total net revenue** | **1,904,037** | **2,207,655** |
| **Own costs capitalised** | **12,755** | **14,787** |
| Income from the sale of associates and Group companies | 69 | 2,520 |
| Gain from the sale of property, plant and equipment | 331 | 17,184 |
| Revenue from other operating activities[2)] | 42,126 | 25,146 |
| **Other operating income** | **42,526** | **44,850** |
| **Total** | **1,959,318** | **2,267,292** |
| 1) Income from held–for–trading positions | 2,728,673 | 3,370,307 |
| Expenses for held–for–trading positions | -2,710,935 | -3,325,052 |
| **Profit from held–for–trading positions** | **17,738** | **45,255** |

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

During the first six months of 2010, both the size and the number of staff involved in energy profile business increased. One part of the profile business was initially classified as own use instead of held-for-trading. This resulted in an error as at 30 June 2010, leading to the reporting of net sales being CHF 226 million higher than it should have been and to the reporting of energy procurement being CHF 222 million higher than it should have been. Adjusting the unrealised income would have lowered the pre-tax income by CHF 4 million to CHF 18 million as at 30 June 2010 (instead of CHF 22 million). The impact on earnings per share would have been CHF -1.06 and accordingly would have been CHF 4.18 (instead of CHF 5.24).

The result would have been an overstatement of CHF 16 million in positive replacement values for held-for-trading positions in the balance sheet as at 30 June 2010. The negative replacement values for held-for-trading positions, on the other hand, would have been overstated by CHF 20 million.

| 2 Personnel expenses<br>CHF thousands | 2009 | 2010 |
|---|---|---|
| Wages and salaries | 62,911 | 66,163 |
| Social insurance contributions | 10,059 | 11,512 |
| Pension costs | 2,915 | 3,238 |
| Other personnel costs | 2,918 | 2,512 |
| **Total** | **78,803** | **83,425** |
| **Headcount** | **31.12.2009** | **31.12.2010** |
| Full–time equivalent employees | 656 | 651 |
| Trainees | 69 | 30 |
| **Average** | **2009** | **2010** |
| Full–time equivalent employees | 631 | 629 |
| Trainees | 67 | 33 |

# CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

## Notes to the consolidated financial statements

| 3 Depreciation/amortisation and impairment<br>CHF thousands | 2009 | 2010 |
|---|---|---|
| Depreciation/impairment on property, plant and equipment | 53,392 | 51,997 |
| Amortisation/impairment on intangible assets | 5,196 | 4,220 |
| **Total** | **58,588** | **56,217** |

| 4 Financial income<br>CHF thousands | 2009 | 2010 |
|---|---|---|
| Income from other financial assets | 122 | 695 |
| Income from current financial assets | 1,362 | 2,301 |
| Exchange rate gains | 58 | - |
| **Total** | **1,542** | **2,996** |

Exchange rate gains and losses are recognised net. There was an exchange rate loss in the year under review, which is recognised as a financial expense in the income statement. An exchange rate gain was recognised the previous year.

Financial income applies to the following positions and measurement categories

| Balance sheet position | Detailed position | IAS 39 measurement category | 2009 | 2010 |
|---|---|---|---|---|
| Other financial assets | Non–current securities | Available for sale | 122 | 695 |
| Liabilities | Trade accounts payable | Other financial liabilities | 58 | 2 |
| Securities and other financial instruments | Other securities and financial instruments | Held for trading | 24 | 218 |
| Cash and cash equivalents | Sight funds and cash invested for less than 90 days | Loans and receivables | 1,338 | 2,081 |
| **Total** | | | **1,542** | **2,996** |

Interest income for recognised financial assets which were not measured at fair value amounts to TCHF 2,010 (previous year: TCHF 1,334).

| 5 **Financial expenses** CHF thousands | **2009** | **2010** |
|---|---|---|
| Expenses for current financial assets | 5,019 | 3,998 |
| Interest paid on non–current liabilities | 18,295 | 26,858 |
| Expenses for current liabilities | 1,556 | 1,667 |
| Exchange rate losses | - | 29,876 |
| **Total** | **24,870** | **62,399** |

Exchange rate gains and losses are recognised net. There was an exchange rate loss in the year under review, which is recognised as a financial expense in the income statement. An exchange rate gain was recognised the previous year.

Financial expenses apply to the following positions and measurement categories

| **Balance sheet position** | **Detailed position** | **IAS 39 measurement category** | **2009** | **2010** |
|---|---|---|---|---|
| Securities and other financial instruments | Other securities and financial instruments | Held for trading | 1,764 | 2,692 |
| Receivables | Trade accounts receivables | Loans and receivables | - | 209 |
| Cash and cash equivalents | Sight funds and cash invested for less than 90 days | Loans and receivables | 3,255 | 1,097 |
| Non–current financial liabilities | Loans and other financial liabilities | Other financial liabilities | 17,935 | 26,495 |
| Other current liabilities | Trade accounts payable | Other financial liabilities | 1,556 | 1,667 |
| Non–current provisions | Provisions for contract risks, reversions and other provisions | n/a | 360 | 363 |
| Exchange rate losses | | | - | 29,876 |
| **Total** | | | **24,870** | **62,399** |

Interest expense for recognised financial liabilities which were not measured at fair value amounts to TCHF 26,495 (previous year: TCHF 17,935). Bank fees and commissions for recognised financial assets and liabilities which were not measured at fair value amount to TCHF 196 (previous year: TCHF 103).

# CONSOLIDATED FINANCIAL STATEMENTS
# REPOWER GROUP

## Notes to the consolidated financial statements

| 6 Investments in associates and partner plants<br>CHF thousands | 2009 | 2010 |
|---|---|---|
| **Carrying amounts at 1 January** | **31,017** | **41,071** |
| Investments (equity increase / acquisition of holding) | 12,526 | 12,656 |
| Dividends | -591 | -315 |
| Effect of currency translations | -191 | -3,818 |
| Share of the results | -1,690 | 2,190 |
| **Carrying amounts at 31 December** | **41,071** | **51,784** |

The increase this year was primarily a result of the acquisition of a 39 % stake in Aerochetto S.r.l. Aerochetto S.r.l. owns and operates the Giunchetto wind farm (Sicily, Italy) with an installed capacity of 29.75 MW. The wind farm was connected to the grid at the end of 2010. Repower has the right to acquire the remaining shares in the company within six months of the close of its second productive year. In 2009 there was an increase due to the acquisition of a stake in SüdWestStromStadtKraftWerk Brunsbüttel GmbH & Co. KG.

| Key figures<br>Associates | 2009<br>Gross values | 2010<br>Gross values | 2009<br>Repower share | 2010<br>Repower share |
|---|---|---|---|---|
| Assets | 56,765 | 147,867 | 19,666 | 54,529 |
| Liabilities | -30,006 | -93,020 | -12,264 | -36,232 |
| Income | 15,969 | 23,289 | 4,247 | 7,046 |
| Expenses | -15,463 | -21,274 | -3,988 | -6,270 |
| Profit/loss | 506 | 2,015 | 259 | 776 |

| Key figures<br>Partner plants | 2009<br>Gross values | 2010<br>Gross values | 2009<br>Repower share | 2010<br>Repower share |
|---|---|---|---|---|
| Non–current assets | 768,690 | 854,058 | 58,343 | 65,913 |
| Current assets | 107,132 | 164,161 | 11,980 | 13,367 |
| Non–current liabilities | -419,731 | -531,261 | -28,731 | -36,088 |
| Current liabilities | -105,756 | -110,985 | -7,923 | -9,705 |
| Income | 327,749 | 344,882 | 24,211 | 25,095 |
| Expenses | -342,367 | -312,491 | -26,160 | -23,681 |
| Profit/loss | -14,618 | 32,391 | -1,949 | 1,414 |

| 7 **Income taxes** CHF thousands | **2009** | **2010** |
|---|---|---|
| **Income taxes charged to the income statement** | | |
| Current income taxes | 23,415 | 30,411 |
| Deferred income taxes | -23,111 | -4,864 |
| **Total** | **304** | **25,547** |
| **Income taxes charged to equity** | | |
| Income taxes on changes in equity | -492 | 268 |
| **Total** | **-492** | **268** |
| The reconciliation between the actual tax burden and the expected tax charge for the years ending 31 December 2010 and 31 December 2009 is as follows: | | |
| **Transitional statement** | | |
| Profit before income taxes | 111,785 | 105,663 |
| Expected income tax rate | 18.9 % | 16.7 % |
| Income taxes at expected tax rate | 21,127 | 17,625 |
| Tax effect from non–tax–deductible expenses | 2,885 | 1,144 |
| Tax effect from income taxed at other rates | -2,112 | 9,113 |
| Tax effect from tax–free income | -385 | -3,059 |
| Value adjustment of previously capitalised deferred taxes on tax–loss carryforwards or temporary differences | 603 | |
| Tax losses in the current year for which no deferred tax assets were formed | 992 | 1,469 |
| Tax losses charged for which no deferred tax assets were formed | -57 | -2,609 |
| Tax rate revision - Switzerland1) | -7,609 | -450 |
| Tax law revision in Italy2) | -11,792 | 2 |
| Regional production tax - Italy (IRAP) 3) | - | 3,786 |
| Tax burden/relief subsequently recognised for previous years | -2,849 | -1,948 |
| Other | -499 | 474 |
| **Income taxes charged to the income statement** | **304** | **25,547** |
| Effective income tax rate | 0.3% | 24.2% |

1) The revised tax law that came into effect in the canton of Grisons on 1 January 2010 provides for a reduction in the tax rate on earnings. This results in a recognised reversal of deferred tax obligations and a corresponding impact on the effective income tax rate.

2) In 2009 SET, owner of a gas-fired combined-cycle power plant in Teverola near Naples, increased the value of the generation facility by TEUR 22,968 in the statutory single-entity financial statements as a result of the provision in Art. 15 of the 185/2008 law relating to real estate. The provision allows real estate assets to be reappraised at a higher value via equity reserves. Depreciation of the reappraisal is permitted.

3) The Italian IRAP totalled TCHF 1,052 in the previous year and was disclosed in the “Other” category. These taxes are now disclosed separately.

# CONSOLIDATED FINANCIAL STATEMENTS
# REPOWER GROUP

## Notes to the consolidated financial statements

| Deferred income taxes by origin of difference<br>CHF thousands | 31.12.2009 | 31.12.2010 |
|---|---|---|
| **Deferred tax assets** | | |
| Property, plant and equipment | 2,399 | 3,123 |
| Other non–current assets | 19,134 | 13,731 |
| Current assets | 6,563 | 3,169 |
| Provisions | 401 | 1,344 |
| Liabilities | 35,529 | 30,974 |
| Loss carryforwards / tax credits | 2,336 | 1,478 |
| **Total** | **66,362** | **53,819** |
| **Deferred tax liabilities** | | |
| Property, plant and equipment | 71,532 | 63,816 |
| Other non–current assets | 2,691 | 5,199 |
| Current assets | 24,777 | 19,615 |
| Provisions | 19,392 | 17,079 |
| Liabilities | 1,971 | 1,050 |
| **Total** | **120,363** | **106,759** |
| Of which the following are disclosed in the balance sheet as: | | |
| Deferred tax assets | -17,191 | -14,915 |
| Deferred tax liabilities | 71,192 | 67,854 |
| **Net deffered tax liabilities** | **54,001** | **52,939** |

There are no notable additional tax obligations anticipated as a result of dividend payments made to Group companies and associates. The Repower Group does not recognise deferred taxes levied on possible future payments of retained earnings by Group companies, since these are regarded as permanently reinvested.

**Tax loss carryforwards**

On 31 December 2010, individual Group companies had tax loss carryforwards of TCHF 17,351 (previous year: TCHF 17,629) which they can charge in future periods as taxable profit. 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 unrecognised tax loss carryforwards of TCHF 12,280 (previous year: TCHF 8,066), since the future utilisation of these amounts for tax purposes is not probable. These are due on the following dates:

| Unrecognised tax loss carryforwards<br>CHF thousands | 31.12.2009 | 31.12.2010 |
|---|---|---|
| Due within 1 year | - | - |
| Due in 1–3 years | 352 | 36 |
| Due in 3–7 years | 6,827 | 4,057 |
| Due after 7 years or no due date | 887 | 8,187 |
| **Total** | **8,066** | **12,280** |

## 8 Earnings per share

| | 2009 | 2010 |
|---|---|---|
| Total bearer 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 bearer shares (annual average) | -12,156 pieces | -12,156 pieces |
| Less treasury participation certificates (annual average) | -3,957 pieces | -4,032 pieces |
| **Average number of shares in circulation** | **3,392,002 pieces** | **3,391,927 pieces** |
| Shareholders and participants share in Repower Group profit | TCHF 106,672 | TCHF 79,777 |
| Earnings per share (undiluted) | CHF 31.45 | CHF 23.52 |
| There are no factors resulting in a dilution of earnings per share. | | |
| Dividend | TCHF 27,265 | TCHF 27,265*) |
| Dividend per share | CHF 8.00 | CHF 8.00*) |

*) 2010 dividend subject to approval by the Annual General Meeting

# CONSOLIDATED FINANCIAL STATEMENTS
# **REPOWER GROUP**

## Notes to the consolidated financial statements

| **9 Property, plant and equipment** CHF thousands | Power plants | Grids | Assets under construction | Property and buildings | Other tangible assets | Total |
|---|---|---|---|---|---|---|
| **Gross values at 1 January 2009** | **752,132** | **766,673** | **65,157** | **105,229** | **51,865** | **1,741,056** |
| Own costs capitalised | 29 | 3,979 | 8,310 | - | 43 | 12,361 |
| Additions | 1,197 | 14,818 | 50,316 | 148 | 5,341 | 71,820 |
| Disposals | -2,205 | -5,555 | -239 | -288 | -1,819 | -10,106 |
| Reclassification | 6,754 | 19,177 | -26,885 | - | 954 | - |
| Translation differences | 1,633 | - | -57 | 201 | 58 | 1,835 |
| **Gross values at 31 December 2009** | **759,540** | **799,092** | **96,602** | **105,290** | **56,442** | **1,816,966** |
| **Accumulated depreciation and impairments at 1 January 2009** | **-259,245** | **-362,880** | **-16,405** | **-34,542** | **-26,643** | **-699,715** |
| Depreciation | -23,573 | -18,616 | - | -1,887 | -3,836 | -47,912 |
| Impairments | - | - | -5,480 | - | - | -5,480 |
| Disposals | 1,918 | 3,927 | 5 | 174 | 1,493 | 7,517 |
| Reclassification | -6 | - | - | - | 6 | - |
| Reversal of impairments | - | - | - | 183 | - | 183 |
| Translation differences | 115 | - | 86 | 4 | 2 | 207 |
| **Accumulated depreciation at 31 December 2009** | **-280,791** | **-377,569** | **-21,794** | **-36,068** | **-28,978** | **-745,200** |
| **Net values at 31 December 2009** | **478,749** | **421,523** | **74,808** | **69,222** | **27,464** | **1,071,766** |
| Incl. security pledged for debts | | | | | | 4,050 |
| **Gross values at 1 January 2010** | **759,540** | **799,092** | **96,602** | **105,290** | **56,442** | **1,816,966** |
| Own costs capitalised | 72 | 5,462 | 7,632 | - | - | 13,166 |
| Additions | 612 | 12,215 | 50,921 | 6,688 | 2,265 | 72,701 |
| Additions from change in consolidation | 60,326 | - | - | 2,846 | 78 | 63,250 |
| Disposals | | -23,672 | -2,330 | -7,950 | -8,395 | -42,347 |
| Disposals from change in consolidation | - | - | -5,907 | - | -1,840 | -7,747 |
| Reclassification | 2,934 | 14,299 | -28,656 | 14,893 | -3,470 | - |
| Translation differences | -64,994 | - | -2,894 | -7,632 | -2,941 | -78,461 |
| **Gross values at 31 December 2010** | **758,490** | **807,396** | **115,368** | **114,135** | **42,139** | **1,837,528** |
| **Accumulated depreciation and impairments at 1 January 2010** | **-280,791** | **-377,569** | **-21,794** | **-36,068** | **-28,978** | **-745,200** |
| Depreciation | -23,263 | -19,276 | - | -1,912 | -5,812 | -50,263 |
| Impairments | -1,660 | - | -74 | - | - | -1,734 |
| Disposals | - | 22,658 | - | 4,968 | 8,291 | 35,917 |
| Disposals from change in consolidation | - | - | 2,207 | - | 1,340 | 3,547 |
| Reclassification | -5 | -7,396 | - | - | 7,401 | - |
| Translation differences | 9,383 | - | 583 | 442 | 887 | 11,295 |
| **Accumulated depreciation at 31 December 2010** | **-296,336** | **-381,583** | **-19,078** | **-32,570** | **-16,871** | **-746,438** |
| **Net values at 31 December 2010** | **462,154** | **425,813** | **96,290** | **81,565** | **25,268** | **1,091,090** |
| Incl. security pledged for debts | | | | | | 4,050 |

The pledged fixed assets were put up as collateral for the investment loans and mortgages as listed in Note 18. Insured value of property, plant and equipment: MCHF 1,380 (previous year: MCHF 1 311). In the year under review, TCHF 1,465 in interest on borrowings (previous year: TCHF 528) was capitalised for construction in progress. A financing cost rate of 3.36 % was used (previous year: 3.34 %).

**Impairment of property, plant and equipment**

Impairments of CHF 1.7 million were recognised in 2010. These mainly relate to a wind power plant. Impairments of CHF 5.5 million were recognised in 2009 in connection with several power plant projects which have either been abandoned for the foreseeable future or whose realisation at present must be regarded as not very likely.

## 10 Intangible assets

CHF thousands

| | Goodwill | Customer relations | Brand | Misc. Intangible assets | Total |
|---|---|---|---|---|---|
| **Gross values at 1 January 2009** | - | **9,071** | **3,505** | **5,627** | **18,203** |
| Own costs capitalised | - | - | - | 394 | 394 |
| Additions | - | - | - | 2,045 | 2,045 |
| Disposals | - | - | - | -8 | -8 |
| Translation differences | - | 36 | 14 | 1 | 51 |
| **Gross values at 31 December 2009** | - | **9,107** | **3,519** | **8,059** | **20,685** |
| **Accumulated amortisation and** | - | | | | |
| **impairments at 1 January 2009** | - | **-1,653** | **-711** | **-1,300** | **-3,664** |
| Amortisation | - | -788 | -237 | -1,087 | -2,112 |
| Impairments | - | - | -2,615 | -469 | -3,084 |
| Translation differences | - | 10 | 44 | 17 | 71 |
| **Accumulated amortisation at 31 December 2009** | - | **-2,431** | **-3,519** | **-2,839** | **-8,789** |
| **Net values at 31 December 2009** | - | **6,676** | - | **5,220** | **11,896** |
| **Gross values at 1 January 2010** | - | **9,107** | **3,519** | **8,059** | **20,685** |
| Own costs capitalised | - | - | - | 1,621 | 1,621 |
| Additions | - | - | - | 8,205 | 8,205 |
| Additions from change in consolidation | 20,131 | 9,554 | 2,572 | 9 | 32,266 |
| Disposals | - | - | -2,822 | -20 | -2,842 |
| Translation differences | -1,320 | -1,894 | -387 | -589 | -4,190 |
| **Gross values at 31 December 2010** | **18,811** | **16,767** | **2,882** | **17,285** | **55,745** |
| **Accumulated amortisation and impairments at 1 January 2010** | - | **-2,431** | **-3,519** | **-2,839** | **-8,789** |
| Amortisation | - | -681 | -221 | -2,169 | -3,071 |
| Impairments | - | -1,149 | - | - | -1,149 |
| Disposals | - | - | 2,822 | 7 | 2,829 |
| Reversal of impairments | - | - | - | 19 | 19 |
| Translation differences | - | 392 | 244 | 327 | 963 |
| **Accumulated amortisation at 31 December 2010** | - | **-3,869** | **-674** | **-4,655** | **-9,198** |
| **Net values at 31 December 2010** | **18,811** | **12,898** | **2,208** | **12,630** | **46,547** |

The increase during the financial year results from acquisitions (Note 27) and the purchase of software. The customer relationships of Repower Vendita Italia S. p. A. (formerly Dynameeting S. p. A.) were impaired in the amount of TCHF 1,149. The remaining period of use is 10 years. The amortisation periods for the customer relationships acquired during the course of the year and for the Elcomex EN S.r.l. brands amount to 13 and 2 years respectively. As a result of updating the brand concept, the Dynameeting brand was impaired last year and removed this year.

# CONSOLIDATED FINANCIAL STATEMENTS
# REPOWER GROUP

## Notes to the consolidated financial statements

| 11 Other financial assets<br>CHF thousands | 31.12.2009 | 31.12.2010 |
|---|---|---|
| Prepaid green electricity certificates | 10,402 | 5,768 |
| Prepaid long–term electricity procurement agreements | 53,170 | 50,040 |
| Other non–current securities | 7,276 | 7,592 |
| **Total** | **70,848** | **63,400** |

Prepayments for green electricity certificates were initially recognised under "fair value through profit or loss". The fair value of prepaid green electricity certificates is determined using a valuation model which takes into account current third-party selling prices as well as expected future price developments. Prepayments for long-term electricity procurement agreements are amortised on the basis of the physical delivery of electricity and held solely for this purpose. All other financial securities in non-current assets are classified as "available for sale" and recognised 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.

| 12 Inventories<br>CHF thousands | 31.12.2009 | 31.12.2010 |
|---|---|---|
| Green electricity certificates | 11,609 | 5,704 |
| Emissions certificates | 5,139 | 4,786 |
| Emissions certificates held–for–trading | 931 | 4,520 |
| Material inventories | 16,614 | 15,144 |
| **Total** | **34,293** | **30,154** |

Inventories consist of material inventories and certificates and are valued 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 valued at fair value less selling costs. In the year under review a value adjustment of TCHF 600 (previous year TCHF 1,950) was recognised. This adjustment was made to the net selling price.

| 13 Receivables<br>CHF thousands | 31.12.2009 | 31.12.2010 |
|---|---|---|
| Trade accounts receivable | 417,387 | 414,606 |
| Allowances for doubtful accounts | -14,845 | -14,769 |
| Other receivables | 68,703 | 78,887 |
| **Total** | **471,245** | **478,724** |
| Receivables are carried in the following currencies: | | |
| Swiss francs | 48,066 | 66,257 |
| Euros (translated) | 423,179 | 412,467 |

All receivables fall into the category "Loans and receivables" and are measured at amortised cost. The total sum of receivables at 31 December 2010 (and 31 December 2009) falls due within one year. Due to their short-term nature, the carrying amounts are assumed to be the fair values. Trade accounts receivables include the following overdue and non-impaired amounts:

| | **31.12.2009** | **31.12.2010** |
|---|---|---|
| Less than 30 days overdue | 11,713 | 6,967 |
| 31–60 days overdue | 8,600 | 19,176 |
| 61–90 days overdue | 6,983 | 4,727 |
| 91–180 days overdue | 13,650 | 5,324 |
| 181–360 days overdue | 16,365 | 7,929 |
| More than 360 days overdue | 34,012 | 32,654 |

The total amount of receivables which are neither impaired nor overdue is TCHF 322,632 (previous year: TCHF 309,640). There are no indications that would necessitate an allowance for these receivables.

Allowances for doubtful accounts amounted to:

| | **2009** | **2010** |
|---|---|---|
| At 1 January | 12,360 | 14,845 |
| Additions | 8,433 | 10,301 |
| Disposals | -6,037 | -8,331 |
| Translation differences | 89 | -2,046 |
| **At 31 December** | **14,845** | **14,769** |
| Of which | | |
| Individual allowances | 14,723 | 7,597 |
| Collective allowances | 122 | 7,172 |

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

Disclosure of netting error

In the course of clarifications to correct the error relating to the energy profiles (Note 1), it was found that the conditions for offsetting trade accounts receivables and payable (Note 22) have been fulfilled. As these conditions were already fulfilled last year, the error was corrected in last year's figures.

The offset receivables and payables total CHF 233 million (last year: CHF 141 million).

# CONSOLIDATED FINANCIAL STATEMENTS REPOWER GROUP

## Notes to the consolidated financial statements

| 14 Securities and other financial instruments<br>CHF thousands | 31.12.2009 | 31.12.2010 |
|---|---|---|
| Marketable equities | 2,034 | 1,502 |
| Other securities | 205 | 205 |
| Positive replacement values | - | 4,182 |
| **Total** | **2,239** | **5,889** |

Securities and other financial instruments fall into the category "held for trading" and are measured at fair value. The replacement values consist solely of open forward exchange transactions and correspond to the market value.

| 15 Positive/negative replacement values for held - for - trading positions<br>CHF thousands | 31.12.2009 | 31.12.2010 |
|---|---|---|
| Positive replacement values | 180,114 | 125,140 |
| Negative replacement values | 160,821 | 99,361 |

The figures for the replacement values and contract volumes 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. The contract volume corresponds to the basic value of the underlying financial instrument. The contract volume for contingent assets corresponds to the future energy procured measured at contract terms. The contract volume for contingent liabilities corresponds to the future energy supplied measured at contract terms.

Replacement values of held-for-trading positions relate to forward contracts measured at fair value. Forward contracts cover forwards and futures with flexible profiles. The replacement value is obtained from the difference in price compared to the closing price. Price fluctuations for forward contracts are recognised by adjusting the replacement values since there is no daily financial settlement of fluctuations in value.

Held-for-trading positions are used to hedge 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. An obligation by the company towards the counterparty exists in the event of a negative replacement value. In this case the counterparty bears the repayment risk. These risks related to held-for-trading positions are limited by imposing high requirements on contract partners' creditworthiness.

| 16 Cash and cash equivalents | 31.12.2009 | 31.12.2010 |
|---|---|---|
| Sight funds | 297,249 | 348,663 |
| Cash invested for less than 90 days | 37,133 | 1,312 |
| **Total** | **334,382** | **349,975** |

All cash and cash equivalents fall into the category "Loans and receivables" and are measured at amortised cost.

The average interest rate for credit in CHF was 0.2 % (previous year: 0.2 %) and 0.6% for credit in EUR (previous year: 0.6 %).

| Cash and cash equivalents are held in the following currencies: | 31.12.2009 | 31.12.2010 |
|---|---|---|
| Swiss francs | 196,121 | 156,739 |
| Euros (translated) | 133,551 | 191,186 |
| Other currencies (translated) | 4,710 | 2,050 |

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 cash low statement<br>CHF thousands | 31.12.2009 | 31.12.2010 |
|---|---|---|
| Cash and cash equivalents | 334,382 | 349,975 |
| Negative overdrafts | - | - 5,708 |
| **Total** | **334,382** | **344,267** |

The negative overdrafts are liabilities owed to banks which may fall due at any time and which are integrated into the payment transactions of the Group companies. These are disclosed under current financial liabilities (note 23).

| 17 Share capital<br>CHF thousands | | 31.12.2009 | 31.12.2010 |
|---|---|---|---|
| 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 | | 46.00% | 46.00% |
| Alpiq Holding AG, Olten | | 24.60% | 24.60% |
| EGL (EGL) | | 21.40% | 21.40% |
| Other (free float) | | 8.00% | 8.00% |

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

**Treasury shares and participation certificates**

In the year under review 2,867 bearer shares (previous year: none) and no participation certificates (previous year: none) were sold at market rates and 2,867 bearer shares (previous year: none) and 150 participation certificates (previous year: none) were acquired. At 31 December 2010 the number of treasury shares amounted to 12,156 bearer shares (previous year: 12,156) with a total par value of TCHF 12 and 4,107 participation certificates (previous year: 3,957) with a par value of TCHF 4.

# CONSOLIDATED FINANCIAL STATEMENTS
# REPOWER GROUP

## Notes to the consolidated financial statements

### 18 Non–current financial liabilities

| CHF thousands | Currency | Due date | Interest | 31.12.2009 | 31.12.2010 |
|---|---|---|---|---|---|
| Note | CHF | 02.07.2011 | 4.500% | 15,000 | - |
| Note | CHF | 10.04.2017 | 3.625% | 15,000 | 15,000 |
| Note | CHF | 30.03.2018 | 3.660% | 25,000 | 25,000 |
| Note | CHF | 20.03.2023 | 3.625% | 10,000 | 10,000 |
| Note | CHF | 28.06.2030 | 2.500% | - | 20,000 |
| Bank loan | CHF | 12.12.2020 | 3.100% | 10,000 | 10,000 |
| Bank loan | CHF | 04.07.2016 | 3.360% | 50,000 | 50,000 |
| Bank loan (SET)[1)] | EUR | 30.06.2014 | variable | 104,041 | 62,500 |
| Bank loan (SET)[1)] | EUR | 31.07.2015 | 5.020% | 81,746 | 68,750 |
| Interest rate swaps[1)] | | | | 5,275 | 3,646 |
| **Loans** | | | | **316,062** | **264,896** |
| Debenture bond par value | CHF | 18.11.2016 | 2.500% | 200,000 | 200,000 |
| Net expenditures | CHF | | | -2,538 | -2,195 |
| Debenture bond par value | CHF | 20.07.2022 | 2.375% | - | 115,000 |
| Net expenditures | CHF | | | - | -2,775 |
| **Bonds** | | | | **197,462** | **310,030** |
| Mortgage loan[2)] | CHF | 24.03.2011 | variable | 1,445 | - |
| **Mortgages** | | | | **1,445** | **-** |
| Investment loan | CHF | 31.12.2015 | No interest | 910 | 758 |
| Investment loan[2)] | CHF | 31.12.2020 | No interest | 2,338 | 2,125 |
| Investment loan | CHF | 31.12.2015 | No interest | 280 | 234 |
| Loan (minority interest) | CHF | 31.12.2011 | No interest | 160 | - |
| Loan (minority interest) | EUR | 31.12.2014 | variable | 7,157 | 7,455 |
| Loan (minority interest) | EUR | 31.12.2011 | variable | 7,424 | - |
| Residual purchase obligation Elcomex EN S.r.l. | EUR | 30.06.2015 | 7.500% | - | 13,997 |
| **Other financial liabilities** | | | | **18,269** | **24,569** |
| **Total** | | | | **533,238** | **599,495** |
| Financial liabilities are carried in the following currencies | | | | | |
| Swiss francs | | | | 327,594 | 443,147 |
| Euros (translated) | | | | 205,644 | 156,348 |

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 was 3.4 % (previous year: 3.3 %). The fair value of non-current financial liabilities amounted to TCHF 666,496 (previous year: TCHF 615,776).
Repower has complied with all credit and loan agreements in full.

1) Interest rate swaps are agreed and hedge accounting applied to hedge the variable-interest SET bank loan. The value adjustment of TCHF 789 (of which TCHF 308 apply to minority interests) was recognised in the consolidated statement of comprehensive income (fair value adjustment of financial instruments) after taking into account deferred income taxes of TCHF -268 (of which TCHF -105 apply to minority interests). The maturity dates of the interest rate swaps are the same as the maturity dates for the SET loan interest and/or will generate cash flows, expenses and income in the coming years. Last year this item was disclosed in current financial liabilities.

2) Mortgage assignments were pledged as security for the investment loan of TCHF 2,125 (previous year: TCHF 2,338) and for the mortgage (now a current financial liability – Note 23). The fixed assets pledged in this connection are disclosed in Note 9.

# CONSOLIDATED FINANCIAL STATEMENTS REPOWER GROUP

## Notes to the consolidated financial statements

### 19 Pension fund obligation

CHF thousands

| | 2009 | 2010 |
|---|---|---|
| **Development of plan liabilities and assets** | | |
| Present value of plan liabilities on 1 January | 166,871 | 167,106 |
| Service costs | 6,351 | 7,115 |
| Interest expense | 5,406 | 5,215 |
| Plan reduction / plan payment | -1,182 | -7,203 |
| Benefits paid | -8,034 | -7,686 |
| Gains / losses | -2,304 | 14,703 |
| Currency gains/losses | -2 | -289 |
| **Present value of plan liabilities at 31 December** | **167,106** | **179,161** |
| Fair value of plan assets on 1 January | 147,083 | 143,929 |
| Expected return on plan assets | 6,583 | 6,243 |
| Employer contributions | 3,689 | 4,416 |
| Employee contributions | 2,100 | 2,247 |
| Plan reduction / plan payment | -792 | -5,188 |
| Benefits paid | -8,034 | -7,686 |
| Gains / losses | -6,700 | 2,582 |
| **Fair value of plan assets at 31 December** | **143,929** | **146,543** |
| **Recognised pension liabilities** | | |
| Fair value of plan assets | 143,929 | 146,543 |
| Present value of pension obligation excluding plan assets | -165,549 | -177,447 |
| **Shortfall/surplus** | **-21,620** | **-30,904** |
| Present value of pension obligation excluding plan assets | -1,557 | -1,714 |
| Unrecognised actuarial gains/losses | 13,981 | 24,859 |
| **Recognised pension liabilities** | **-9,196** | **-7,759** |
| **Pension expense recognised under personnel expenses** | | |
| Service costs | 6,351 | 7,315 |
| Interest expenses | 5,406 | 5,215 |
| Expected return on plan assets | -6,583 | -6,243 |
| Recognised actuarial gains/losses (outside the corridor) | 17 | 16 |
| Plan reduction / plan payment gain (loss) | -176 | -818 |
| Employee contributions | -2,100 | -2,247 |
| **Pension costs for the period** | **2,915** | **3,238** |

| Change in defined benefit pension obligation | 2009 | 2010 |
|---|---|---|
| At 1 January | -9,974 | -9,196 |
| Translation differences from foreign plans | 4 | 259 |
| Pension costs for the period | -2,915 | -3,238 |
| Employer contributions paid | 3,689 | 4,416 |
| **Recognised plan liabilities on 31 December** | **-9,196** | **-7,759** |
| | | |
| Effective return on plan assets | -0.10% | 6.10% |
| Effective income from plan assets | -117 | 8,825 |
| | | |
| **Calculation principles:** | | |
| Discount rate | 3.25% | 2.65% |
| Expected return on separated assets | 4.50% | 4.00% |
| Expected rate of increase in future compensation levels | 2.50% | 2.00% |
| Expected rate of increase in future pension contribution | 0.25% | 0.25% |
| | | |
| **Breakdown of assets, other information** | | |
| Liquid assets | 5.30% | 6.10% |
| Time deposits | 29.00% | 28.10% |
| Investments | 40.60% | 39.80% |
| Real estate | 16.60% | 16.90% |
| Other | 8.50% | 9.10% |
| **Total** | **100.00%** | **100.00%** |

**Demographic factors**

The most important demographic assumptions concern the mortality rate. Mortality rates are applied which take into account the historic trend and expected changes such as an increasing life expectancy. The mortality tables used for the largest Group staff pension fund, which covers all employees in Switzerland, are based on the technical principles of the Federal Insurance Fund 2000.

Disclosures of current and prior periods:

| | 31.12.2006 | 31.12.2007 | 31.12.2008 | 31.12.2009 | 31.12.2010 |
|---|---|---|---|---|---|
| Present value of pension obligation | 163,455 | 164,255 | 166,871 | 167,106 | 179,161 |
| Fair value of plan assets | 150,050 | 167,905 | 147,083 | 143,929 | 146,543 |
| Plan surplus/deficit | -13,405 | 3,650 | -19,788 | -23,177 | -32,618 |
| Experience adjustments | | | | | |
| of pension obligation | 7,300 | 2,569 | 1,902 | -2,304 | 3,844 |
| of plan assets | 7,157 | 10,569 | -29 564 | -6,700 | -2,582 |
| Adjustment to pension fund obligation based on changed assumptions | | -7,376 | -3,727 | - | -10,859 |

Employer contributions for 2011 are estimated at TCHF 3,480 (previous year: TCHF 3,193).

# CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

## Notes to the consolidated financial statements

| 20 Provisions<br>CHF thousands | 2009 | 2010 | Contract risks | Reversion provisions | Pension provisions | Other provisions |
|---|---|---|---|---|---|---|
| **At 1 January** | **93,420** | **64,392** | **-** | **52,974** | **9,196** | **2,222** |
| Provisions recognised | 4,619 | 2,330 | 725 | - | 498 | 1,107 |
| Additions from changes in consolidation | - | 3,522 | - | - | - | 3,522 |
| Provisions used | -26,782 | -265 | - | - | - | -265 |
| Provisions reversed | -7,225 | -2,615 | -290 | - | -858 | -1,467 |
| Disposals from change in consolidation | - | -818 | - | - | -818 | - |
| Interest | 360 | 352 | - | 363 | - | -11 |
| Translation differences | - | -938 | -40 | - | -259 | -639 |
| **At 31 December** | **64,392** | **65,960** | **395** | **53,337** | **7,759** | **4,469** |
| Expected maturity up to 1 year | 614 | 37,801 | 387 | 37,162 | - | 252 |
| **Current provisions** | **614** | **37,801** | **387** | **37,162** | **-** | **252** |
| Expected maturity within 2–5 years | 40,027 | 3,231 | 8 | 1,792 | - | 1,431 |
| Expected maturity more than 5 years | 23,751 | 24,928 | - | 14,383 | 7,759 | 2,786 |
| **Non–current provisions** | **63,778** | **28,159** | **8** | **16,175** | **7,759** | **4,217** |

**Contract risks**

Provisions for contract risks cover obligations and risks identified on the balance sheet date and relating to the energy business.

**Reversion provisions**

In 2011 the second part of the reversion waiver compensation for the Prättigau power plants will be paid in the amount of MCHF 37 as a one-off payment. Other provisions exist for the extensive deliveries of free energy to the municipality of Poschiavo.

**Pension provisions**

Note 19 provides information on the measurement of the provision for pension fund obligations.

**Other provisions**

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

| 21 Other non–current liabilities<br>CHF thousands | 31.12.2009 | 31.12.2010 |
|---|---|---|
| Prepayment received for transport rights | 55,811 | 54,291 |
| Other non–current liabilities | 727 | 2,491 |
| | **56,538** | **56,782** |

The Bernina line was partly financed by revenue from transport rights. These transport rights were granted in return for rights of use for the Bernina line. This liability is amortised through the provision of energy transport services. Energy transport services will be provided on a pro rata basis throughout the line's useful life and the liabilities will be reduced accordingly over the same period.

| **22 Other current liabilities**<br>CHF thousands | **31.12.2009** | **31.12.2010** |
|---|---|---|
| Trade accounts payable | 313,891 | 309,841 |
| Other liabilities | 25,412 | 23,570 |
| **Total** | **339,303** | **333,411** |
| Other current liabilities are carried in the following currencies: | | |
| Swiss francs | 31,720 | 38,613 |
| Euros (translated) | 307,583 | 262,653 |
| Other currencies (translated) | - | 32,145 |

All positions fall into the category "Other liabilities" and are recognised at amortised cost. They are due within one year. The carrying amounts are assumed to be fair values.

Disclosure of netting error

In the course of the clarifications to correct the error relating to the energy profiles (Note 1), it was found that the conditions for the offsetting of trade account receivables and liabilities (Note 13) have been fulfilled. As these conditions were already fulfilled last year, the error was corrected in last year's figures.

The offset receivables and liabilities totalled CHF 233 million (previous year: CHF 141 million).

| **23 Current financial liabilities**<br>CHF thousands | **31.12.2009** | **31.12.2010** |
|---|---|---|
| Current financial liabilities | 62,557 | 61,187 |
| Negative replacement values | - | 4,933 |
| | **62,557** | **66,120** |

All current financial liabilities owed to third parties and related parties fall into the category "Other financial liabilities" and are recognised at amortised cost. Due to their short-term nature, the carrying amounts are assumed to be the fair values. In the year under review, the interest rate swaps in line with hedge accounting practice were relisted under non-current financial liabilities, as these were concluded, as mentioned, as security for the SET bank loans. The replacement values consist solely of open forward exchange transactions and correspond to the market value.

# CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

## Notes to the consolidated financial statements

| 24 Prepaid expenses, accruals and deferred income<br>CHF thousands | 31.12.2009 | 31.12.2010 |
|---|---|---|
| **Prepaid expenses and accrued income** | | |
| Change in accrued income (accrual) | 7,490 | 7,038 |
| Prepayment of energy and transport rights (prepayment) | 70 | 4,296 |
| Other prepayments (accrual) | 5,265 | 5,006 |
| **Total** | **12,825** | **16,340** |

All accrued positions fall into the category "Loans and receivables", are measured at amortised cost and are due within one year. The carrying amounts are assumed to be fair values.

| Deferred income and accrued expenses | 31.12.2009 | 31.12.2010 |
|---|---|---|
| Accrued interest | 3,625 | 4,600 |
| Accured annual leave and overtime | 6,757 | 5,667 |
| Accrued other personnel expenses | 2,650 | 6,235 |
| Accrued capital and other taxes, charges and levies | 6,550 | 7,633 |
| Other prepayments | 379 | 6,201 |
| **Total** | **19,961** | **30,336** |

All positions are accruals and fall into the category "Other financial liabilities". They are measured at amortised cost and are due within one year. The carrying amounts are assumed to be fair values.

| **25 Transactions with related parties** TCHF | Energy sales[2] | | Energy procurement[2] | | Receivables at 31 December[3] | | Current liabilities at 31 December[3] | | Other non–current liabilities at 31 December | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2009** | **2010** | **2009** | **2010** | **2009** | **2010** | **2009** | **2010** | **2009** | **2010** |
| Canton of Graubünden[1] | 280 | - | - | - | 60 | 79 | - | 86 | - | - |
| Alpiq Holding AG | 289,613 | 435,070 | 217,967 | 431,260 | 6,815 | 12,836 | 15,442 | 9,460 | 21,703 | 20,956 |
| EGL AG | 240,847 | 395,238 | 233,026 | 396,964 | 4,342 | 6,588 | 2,408 | 2,074 | 13,004 | 12,650 |
| **Main shareholders** | **530,740** | **830,308** | **450,993** | **828,224** | **11,217** | **19,503** | **17,850** | **11,620** | **34,707** | **33,606** |
| Kraftwerke Hinterrhein AG | 704 | 705 | 4,426 | 4,459 | 392 | 324 | 661 | 1,668 | - | - |
| Grischelectra AG | - | - | 42,199 | 32,178 | - | - | 6,221 | 5,909 | - | - |
| AKEB Aktiengesellschaft für Kernenergie–Beteiligungen | - | - | 17,021 | 16,948 | - | - | - | - | - | - |
| Rhiienergie AG, Tamins | - | - | 1 | - | - | - | - | - | - | - |
| EL.IT.E S.p.A. | - | - | 707 | 2,688 | 669 | 7,706 | - | - | - | - |
| SüdWestStrom StadtKraftWerk Brunsbüttel GmbH | - | - | - | - | - | 269 | - | - | - | - |
| Aerochetto S.r.l. | - | - | - | - | - | 256 | - | - | - | - |
| **Associates and partner plants** | **704** | **705** | **64,354** | **56,274** | **1,061** | **8,555** | **6,882** | **7,577** | **-** | **-** |

On 31 December 2010 the positive replacement values totalled TCHF 1,830 (previous year: TCHF 7,023) for the Alpiq Group and TCHF 4,062 (previous year: none) for the Axpo Group. On 31 December 2010 the negative replacement values totalled TCHF 12,851 (previous year: TCHF 10,436) for the Alpiq Group and TCHF 654 (previous year: TCHF 4,816) for the Axpo Group. Transactions with principal shareholders and associates are recorded at market prices. Energy transactions with partner plants are recorded at annual costs.

1) In its role as shareholder, the canton of Graubünden constitutes a related party. However, acts of jurisdiction (levying of taxes, licence fees, charges, etc.) are carried out on a legal basis and are therefore not recognised under transactions with related parties. Significant energy transactions with the canton of Graubünden are conducted via Grischelectra AG, which is listed above as a related party.
2) The energy sales and energy procurement stated are gross figures.
3) The receivables and liabilities have been partially offset (Notes 13 and 22).

**Members of the Board of Directors and Executive Board**
In 2010 the Board of Directors received compensation amounting to TCHF 709 (previous year: TCHF 738). TCHF 184 was paid to a member of the Board of Directors for additional services rendered (previous year: TCHF 50). On 1 January 2010 the size of the Executive Board was increased to include two additional two members. Thus, the Executive Board in the year under review for the first time consisted of six persons. Compensation paid to the Executive Board, including all social and supplementary benefits, amounted to TCHF 4,141 (previous year: TCHF 2,702). No loans, securities, advances or credits exist for members of the Board of Directors or the Executive Board. No severance payments were made. In the 2007 financial year, a profit-sharing model was introduced for members of the Executive Board. Between 2007 and 2009 this resulted in bonus payments of TCHF 239. Based on the accumulated results up to 31 December 2010, there are obligations of TCHF 134 (previous year: TCHF 239) arising from this profit-sharing model, which were accrued in the financial statements in the respective period. In 2010 TCHF 42 was paid to former Executive Board members in connection with their former activities. The compensation disclosure requirements of the Swiss Code of Obligations have been taken into consideration in the Notes to the Repower AG financial statements.

# CONSOLIDATED FINANCIAL STATEMENTS
# **REPOWER GROUP**

## Notes to the consolidated financial statements

### 26 Additional disclosures on financial instruments

CHF thousands

| Balance sheet position | Detailed position | Measurement category*) | Valuation**) | 31.12.2009 Carrying amount | 31.12.2009 Fair value | 31.12.2010 Carrying amount | 31.12.2010 Fair value |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Other financial assets | Prepaid green elect. certs. | FVTPL | FVPL | 10,402 | 10,402 | 5,768 | 5,768 |
| | Other non–current securities | AFS | AcC | 7,276 | 7,276 | 7,592 | 7,592 |
| Receivables | Trade accounts receivable | L&R | AC | 402,542 | 402,540 | 399,837 | 399,837 |
| | Other receivables towards third parties | L&R | AC | 68,703 | 68,703 | 78,887 | 78,887 |
| Securities and other financial instruments | Shares, bonds, other secs. | HFT | FVPL | 2,239 | 2,239 | 1,707 | 1,707 |
| | Derivative financial instruments | HFT | FVPL | - | - | 4,182 | 4,182 |
| Positive replacement values - held - for - trading positions | Derivative financial instruments | HFT | FVPL | 180,114 | 180,114 | 125,140 | 125,140 |
| Cash and cash equivalents | Sight funds and cash invested | L&R | AC | 334,382 | 334,382 | 349,975 | 349,975 |
| Prepaid expenses and accrued income | Accrued income | L&R | AC | 7,490 | 7,490 | 7,038 | 7,038 |
| **Liabilities** | | | | | | | |
| Non–current financial liabilities | Bank and mort. loans, other non–current financial liabilities | OL | AC | 527,963 | 615,776 | 595,849 | 666,496 |
| | Deriv. financial instruments | HA | FVs | 5,275 | 5,275 | 3,646 | 3,646 |
| Current financial liabilities | Current financial liabilities | OL | AC | 62,557 | 62,557 | 61,187 | 61,187 |
| | Deriv. financial instruments | HFT | FVPL | - | - | 4,933 | 4,933 |
| Negative replacement values - held - for - trading positions | Derivative financial instruments | HFT | FVPL | 160,821 | 160,821 | 99,361 | 99,361 |
| Other current liabilities | Trade accounts receivable | OL | AC | 313,891 | 313,891 | 309,841 | 309,841 |
| | Other liabilities | OL | AC | 25,412 | 25,412 | 23,570 | 23,570 |
| Deferred income and accrued expenses | Accrued expenses | OL | AC | 19,961 | 19,961 | 30,336 | 30,336 |

*) Measurement categories under IAS 39:
FVTPL: Fair value through profit or loss (designated)
HA: Hedge accounting
AFS: Available for sale
L&R: Loans and receivables
HFT: Held for trading
OL: Other financial liabilities
**) Valuations under IAS 39:
FVPL: Fair value through profit or loss
FVs: Fair value, other comprehensive income
AcC: Acquisition costs
AC: Amortised cost

**Hierarchy of financial instruments measured at the fair value**

| **Assets** | **2009** | **Level 1** | **Level 2** | **Level 3** | **2010** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|---|---|---|---|---|
| Fair value trough profit or loss | | | | | | | | |
| Prepaid green electricity certificates | 10,402 | - | 10,402 | - | 5,768 | - | 5,768 | - |
| Securities and other financial instruments | 2,239 | 2,034 | 205 | - | 5,889 | 1,502 | 4,387 | - |
| Positive replacement values held–for–trading positions | 180,114 | - | 180,114 | - | 125,140 | - | 125,140 | - |
| **At 31 December** | **192,755** | **2,034** | **190,721** | **-** | **136,797** | **1,502** | **135,295** | **-** |
| **Liabilities** | | | | | | | | |
| *Fair value through profit or loss* | | | | | | | | |
| Current financial liabilities<br>Negative replacement values | - | - | - | - | 4,933 | - | 4,933 | - |
| Negative replacement values held-for-trading positions | 160,821 | - | 160,821 | - | 99,361 | - | 99,361 | - |
| *In equity with no effect on profit and loss* | | | | | | | | |
| Interest swaps | 5,275 | - | 5,275 | - | 3,646 | - | 3,646 | - |
| **At 31 December** | **166,096** | **-** | **166,096** | **-** | **107,940** | **-** | **107,940** | **-** |

The 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 prices for the financial instrument concerned (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.

**27 Business combinations and disposals (IFRS 3)**

**2009 financial year**
No combinations or disposals took place in 2009.

**2010 financial year**
*Acquisition of wind farms in Germany*
On 7 May 2010 PROASEGO Windpark Prettin Drei GmbH & Co. KG was acquired in full for CHF 18 million and on 28 May 2010 the WKN Windkraftwerk Nord GmbH & Co. Windpark Lübbenau KG was acquired in full for CHF 44 million. Expansion of own wind-power generation capacity is one of the Repower Group's strategic targets. The wind farms have an installed capacity of 10 MW and 16 MW respectively, and both are located in Germany. Considered individually, these business combinations are insignificant. They are therefore described here in aggregate.

The revenue and income earned by the two wind farms since their acquisition by Repower totals TCHF 3,207 and TCHF -913 respectively. Third-party costs arising in connection with these transactions come to TCHF 268 and are recognised in other operating expenses.

# CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

## Notes to the consolidated financial statements

The acquisition costs and the fair value of the identifiable assets and liabilities on the date of acquisition are summarised below:

| CHF thousands | Fair value |
|---|---|
| Cash consideration | 61,762 |
| Deferred consideration | 440 |
| **Acquisition costs** | **62,202** |
| Acquired assets and liabilities: | |
| Fixed assets | 63,098 |
| Deferred tax assets | 48 |
| Receivables | 3,106 |
| Pre–paid expenses and accrued income | 1,215 |
| Liquid assets | 450 |
| **Identifiable assets** | **67,917** |
| Non–current provisions | 3,522 |
| Deferred tax liabilities | 644 |
| Current income tax liabilities | 143 |
| Other current liabilities | 2,034 |
| Deferred income and accrued expenses | 10 |
| **Identifiable liabilities** | **6,353** |
| Net assets acquired | 61,564 |
| Goodwill | 638 |
| **Acquisition costs** | **62,202** |
| **Cash flow interrelated to the aquisition** | |
| Aquired liquid assets | 450 |
| Cash consideration | -61,762 |
| **Net cash outflow related to the acquisitions** | **-61,312** |

The acquisition costs include a deferred purchase price balance of TCHF 440, which will be paid in the next two years subject to the vendor's adherence to guarantee commitments. An asset value for compensation payments of TCHF 440 was estimated for the right of retaining the deferred purchase price. The provisions position includes contingent liabilities with a fair value of TCHF 787 for contract risks. The goodwill of TCHF 638 is related to expected synergies from the integration of the wind farms into the Repower Group. It is allocated entirely to Repower Wind Prettin GmbH and Repower Wind Lübbenau GmbH as cash generating units for the purpose of reviewing them for impairments.

At year-end the deferred purchase price balance and the fair value of the contingent liability totalled TCHF 388 and TCHF 694 respectively. Goodwill decreased to TCHF 562 for currency reasons.

*Acquisition of Elcomex EN SRL, Romania*

On 19 November 2010 Repower AG acquired 80 % of the shares and thus control of Elcomex EN SRL, Bucharest. Based on a fixed price formula, the remaining shares in the company will be transferred on 30 June 2015. The commercial opportunities and risks associated with the remaining shares have already been transferred to Repower AG. Minority shares (non-controlling interests) are not to be recognised. The company will be fully incorporated into the consolidated financial statements. Romania, alongside Switzerland, Italy and Germany, ranks among Repower's defined key markets. Elcomex EN SRL mainly supplies electricity to small and medium-sized enterprises that have a yearly demand of 0.5 to 20 GWh of electricity. The company merger is illustrated below.

The revenue and income earned by Repower since the acquisition totals TCHF 18,839 and TCHF -37 respectively. Third-party costs arising in connection with this transaction come to TCHF 450 and are recognised in other operating expenses.

| CHF thousands | Fair value |
|---|---|
| Cash consideration | 21,006 |
| Deferred consideration | 14,888 |
| **Acquisition costs** | **35,894** |
| Acquired assets and liabilities: | |
| Intangible assets | 12,135 |
| Fixed assets | 152 |
| Financial asstes | 11 |
| Deferred tax assets | 92 |
| Inventories | 1 |
| Receivables | 14,761 |
| Pre–paid expenses and accrued income | 3,361 |
| Liquid assets | 6,775 |
| **Identifiable assets** | **37,288** |
| Deferred tax liabilities | 1,940 |
| Other current liabilities | 10,990 |
| Current financial liabilities | 7,957 |
| **Identifiable liabilities** | **20,887** |
| Net assets acquired | 16,401 |
| Goodwill | 19,493 |
| **Acquisition costs** | **35,894** |
| **Cash flow interrelated to the aquisition** | |
| | -7,957 |
| Aquired liquid assets | 6,775 |
| Cash consideration | -21,006 |
| **Net cash outflow related to the acquisitions** | **-22,188** |

# CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

## Notes to the consolidated financial statements

The acquisition costs include a deferred, contingent purchase price, determined using an EBITDA-multiple price formula for the years 2010 to 2014. The lower limit of the non-discounted payments is TCHF 0. There is no higher limit to the price formula. The fair value on the acquisition date is TCHF 14,888, and is based on the company's probability-weighted business plan values discounted at 7.5 %. The receivables valued at fair values of CHF 14,761 consist of the gross value of the contractually-due receivables (TCHF 15,330) and a del credere for items considered uncollectable bad debts (TCHF 569). Goodwill related to the acquisition mainly reflects the value of expected buyer-specific synergies and the workforce taken over. For the purpose of impairment testing it is assigned in full to Elcomex EN S.r.l. as a cash-generating unit. The valuation of the deferred contingent purchase price is unchanged apart from exchange rate fluctuations and on the reporting date totalled TCHF 13,791. Due to the depreciation of the EUR, capitalised goodwill amounted to TCHF 18,249 at year-end.

If the wind farm and the Romanian company had been acquired on 1 January of this financial year, Repower's consolidated net revenue in 2010 would have been TCHF 2,303,283 and its consolidated income including minority interests TCHF 82,286.

*Business disposals*

The disposal of all the shares in aurax electro ag and in TGK Skavica S.r.l. had the following effect on the assets and liabilities of the Repower Group.

| | **aurax electro ag** | **TGK Skavica S.r.l.** | **Total** |
|---|---|---|---|
| Property, plant and equipment | 500 | 3,700 | 4,200 |
| Deffered tax assets | 63 | 23 | 86 |
| Inventories | 335 | - | 335 |
| Receivables | 1,245 | 314 | 1,559 |
| Cash and equivalents | 1,484 | 44 | 1,528 |
| | | | |
| Cumulative translation adjustment | - | 243 | 243 |
| Minority interest | -59 | -1,079 | -1,138 |
| Non–current provisions | -818 | - | -818 |
| Deffered tax liabilities | - | -1,217 | -1,217 |
| Current income tax liabilities | -105 | - | -105 |
| Current financial liabilities | -45 | - | -45 |
| Other current liabilities | -508 | -25 | -533 |
| Deffered income and accrued expenses | -265 | - | -265 |
| Gain/loss | 2,499 | -2,003 | 496 |
| Selling price | 4,326 | | 4,326 |
| | | | |
| Cash consideration received | 4,326 | - | 4,326 |
| Outflow of cash and cash equivalents | -1,484 | -44 | -1,528 |
| **Net cash inflow related to the disposal** | **2,842** | **-44** | **2,798** |

The pre-tax gains and losses from the disposal of the two group companies are recognised in other operating income and other operating expenses.

In the current financial year, the office in Ljubljana was closed and the corresponding legal entity RE Energija d.o.o, Ljubljana dissolved.

*Purchases/sales of minority interests*

During the first half of 2010, the Group acquired the remaining 33 % of the shares in Energia Sud S.r.l for the total price of TCHF 428; at the time of the purchase, these minority interests were worth TCHF 651. The difference was written to retained earnings. Repower therefore now owns 100 % of Energia Sud S.r.l. In addition, a stake of around 1 % in SWIBI AG was sold.

## 28 Segment reporting – Group-wide information

### Information by product
The main revenue driver is energy. There is no differentiation by product group.

### Information by country
The information on income from third parties by country is broken down by the location of the billing entity. Non-current assets are assigned to the location of the accounting entity and contain no financial instruments or deferred tax assets (there are no assets related to pension obligations and rights arising from insurance policies).

### Net revenue from third parties

| CHF thousands | 2009 | 2010 |
|---|---|---|
| Switzerland | 626,229 | 760,617 |
| Italy | 1,177,665 | 1,378,760 |
| Other countries | 100,143 | 68,278 |
| **Total** | 1,904,037 | 2,207,655 |

### Customers with a share of revenue above 10 %
There are three customers each accounting for more than 10 % of revenue. Of the MCHF 5,578 in gross revenue (previous year MCHF 4,633), revenue from these Group customers over the financial year accounts for MCHF 1,084 (previous year MCHF 503).

### Non-current assets

| CHF thousands | 2009 | 2010 |
|---|---|---|
| Switzerland | 778,194 | 816,218 |
| Italy | 387,759 | 328,696 |
| Other countries | 11,950 | 94,548 |
| **Total** | 1,177,903 | 1,239,462 |

# CONSOLIDATED FINANCIAL STATEMENTS **REPOWER GROUP**

## Notes to the consolidated financial statements

### 29 Contingent liabilities and guarantee obligations

In 2010 the Group company Repower Vendita Italia S.p.A. (Dynameeting S.p.A) received definitive invoices amounting to EUR 5.4 million from Terna, a company owned by the Italian government. These invoices concern various previous years. Repower Vendita Italia S.p.A. has not yet received any revised invoices for 2010. Receipt of such revised invoices for 2010 is possible and the amount has been estimated as far as possible.

In several countries there are regulatory authorities overseeing the electricity sector. Their task is to review the legitimacy of prices. Regulators can initiate retroactive pricing adjustments after the end of the financial year. These should then be recognised in the income statement. If the regulators do not recognise the cost declarations, the result can be liabilities.

Repower is involved in various legal disputes arising from 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 made requisite provisions for them based on currently available information and estimates.

There are no other contingent liabilities, guarantee obligations or other obligations stemming from process risks.

### 30 Obligations related to operating leases

In the year under review, IT hardware was obtained under an operating lease as part of the move to outsource some standardised IT services. The relevant contracts have a term of three years with the option for the Repower Group to extend for a further three years. A purchase option applies in the event of premature contract termination. Future minimum lease payments for the residual contract term amount to CHF 3 million (previous year: CHF 2.4 million), of which CHF 1.6 million (previous year: CHF 1.2 million) falls due within one year.

### 31 Risk assessment

Risk management is an important component of Repower's business activities. Repower operates an established risk management process. The main risks relevant to the Group are regularly identified and assessed, and their probability of occurrence and impact is measured. The Board Committee or Executive Board evaluate and monitor the identified risks, and regularly brief the Board of Directors. The Board of Directors or Board Committee defines measures to avoid, mitigate, transfer or control these risks. The measures are then permanently monitored.

Further details on risk management and financial risk management are provided on pages 62 to 65 of the consolidated financial statements.

### 32 Events occurring after the balance sheet date

There were no significant events requiring disclosure after 31 December 2010.

# REPORT OF THE **AUDITORS**

PricewaterhouseCoopers AG
Gartenstrasse 3
Postfach
7001 Chur
Switzerland
Phone +41 58 792 66 00
Fax +41 58 792 66 10
www.pwc.ch

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 consolidated financial statements of Repower AG, which comprise the balance sheet, statement of comprehensive income, cash flow statement, statement of changes in equity and notes (pages 49 to 98), for the year ended 31 December 2010.

*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.

PRICEWATERHOUSECOOPERS

*Opinion*
In our opinion, the consolidated financial statements for the year ended 31 December 2010 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.

**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 | Roger Roth |
| Audit expert | Audit expert |
| Auditor in charge | |

Chur, 21 March 2011

# 2010 FINANCIAL STATEMENTS
# **REPOWER AG**

## Income statement

| CHF thousands | 2009 | 2010 |
|---|---|---|
| Net sales | 2,909,784 | 3,634,763 |
| Other operating income | 34,296 | 34,159 |
| **Total operating revenue** | **2,944,080** | **3,668,922** |
| Energy procurement | -2,743,453 | -3,501,912 |
| Material and third–party services | -7,847 | -6,436 |
| Personnel expenses | -40,706 | -42,235 |
| Concession fees | -6,055 | -7,206 |
| Depreciation and amortisation | -10,375 | -11,273 |
| Other operating expenses | -30,526 | -37,586 |
| **Operating expenses** | **-2,838,962** | **-3,606,648** |
| **Operating income before interest and taxes** | **105,118** | **62,274** |
| Financial income | 11,559 | 14,339 |
| Financial expense | -9,457 | -60,687 |
| Non–operating income | 75 | 89 |
| **Income before taxes** | **107,295** | **16,015** |
| Gains on the sale of assets | 5,426 | 3,331 |
| Amortisation of financial assets | - | - |
| Extraordinary income | 37 | 39,665 |
| Extraordinary expenses | -9,284 | -1,286 |
| **Profit before taxes** | **103,474** | **57,725** |
| Taxes | -18,363 | -3,371 |
| **Net income for the year** | **85,111** | **54,354** |

# 2010 FINANCIAL STATEMENTS
# REPOWER AG

## Balance sheet

| Assets<br>CHF thousands | Note | 31.12.2009 | 31.12.2010 |
|---|---|---|---|
| Property, plant and equipment | | 127,828 | 154,749 |
| Intangible assets | 1 | 19,757 | 22,791 |
| Financial assets | 2 | 420,944 | 536,315 |
| **Non - current assets** | | **568,529** | **713,855** |
| Inventories | | 722 | 5,130 |
| Trade accounts receivable | 3 | 264,803 | 367,242 |
| Other receivables | 3 | 205,725 | 141,120 |
| Prepaid expenses and accrued income | 4 | 5,035 | 5,589 |
| Capital assets in current assets | | 3,954 | 3,428 |
| Cash and cash equivalents | | 280,781 | 240,643 |
| **Current assets** | | **761,020** | **763,152** |
| **Total assets** | | **1,329,549** | **1,477,007** |

| Liabilities and shareholders' equity<br>CHF thousands | Note | 31.12.2009 | 31.12.2010 |
|---|---|---|---|
| Share capital | | 2,783 | 2,783 |
| Participation capital | | 625 | 625 |
| Reserves for treasury shares | | 3,494 | 4,664 |
| Other legal reserves | | 52,276 | 52,276 |
| Other reserves | | 383,468 | 432,298 |
| Unappropriated retained earnings | | 107,400 | 84,489 |
| **Equity** | 5 | **550,046** | **577,135** |
| **Provisions** | 6 | **95,316** | **75,962** |
| **Non-current liabilities** | 7 | **350,000** | **445,000** |
| Trade accounts payable | | 247,835 | 304,900 |
| Other current liabilities | | 56,549 | 47,929 |
| Deferred income and accrued expenses | | 29,803 | 26,081 |
| **Current liabilities** | 8 | **334,187** | **378,910** |
| **Liabilities** | | **779,503** | **899,872** |
| **Total liabilities and shareholders' equity** | | **1,329,549** | **1,477,007** |

# 2010 FINANCIAL STATEMENTS
# REPOWER AG

## Notes to the financial statements

## Notes

| 1 Intangible assets<br>CHF thousands | 31.12.2009 | 31.12.2010 |
|---|---|---|
| Reversion waiver compensation | 30,825 | 30,825 |
| Value adjustment waiver compensation | -13,871 | -15,412 |
| Software | 2,803 | 7,378 |
| **Total** | **19,757** | **22,791** |

| 2 Financial assets<br>CHF thousands | 31.12.2009 | 31.12.2010 |
|---|---|---|
| Investments | 276,068 | 347,256 |
| Long-term prepayments | 62,710 | 59,085 |
| Loans to Group companies | 56,790 | 104,413 |
| Other financial assets | 25,376 | 25,561 |
| **Total** | **420,944** | **536,315** |

| 3 Receivables<br>CHF thousands | 31.12.2009 | 31.12.2010 |
|---|---|---|
| Of which: | | |
| Related parties (shareholders) | 25,789 | 51,356 |
| Group companies | 270,366 | 190,436 |
| Other receivables | 174,373 | 266,570 |
| **Total** | **470,528** | **508,362** |

| 4 Prepaid expenses and accrued income<br>CHF thousands | 31.12.2009 | 31.12.2010 |
|---|---|---|
| Of which: | | |
| Group companies | 3,718 | 4,186 |
| Other | 1,317 | 1,403 |
| **Total** | **5,035** | **5,589** |

| 5 **Equity** CHF thousands | **31.12.2009** | **31.12.2010** |
|---|---|---|
| Share capital | | |
| 2,783,115 bearer shares at a par value of CHF 1 per share | 2,783 | 2,783 |
| Participation capital | | |
| 625,000 bearer shares at a par value of CHF 1 per share | 625 | 625 |
| **Share capital** | **3,408** | **3,408** |
| Reserves for treasury shares | 3,494 | 4,664 |
| Reserves from merger and contributions in kind | 40,276 | - |
| Capital reserves | - | 37,112 |
| Other legal reserves | 12,000 | 15,164 |
| Other reserves | 383,468 | 432,298 |
| **Reserves** | **439,238** | **489,238** |
| Retained earnings carried forward | 22,289 | 30,135 |
| Net income for the year | 85,111 | 54,354 |
| **Unappropriated retained earnings** | **107,400** | **84,489** |
| **Equity** | **550,046** | **577,135** |

## Share capital

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

| | |
|---|---|
| Canton of Graubünden | 46.0 % |
| Alpiq Holding AG, Olten | 24.6 % |
| EGL AG, Laufenburg | 21.4 % |

**Treasury shares**

In the year under review 2,867 bearer shares (previous year: none) and no participation certificates (previous year: none) were sold at market rates and 2,867 bearer shares (previous year: none) and 150 participation certificates (previous year: none) were acquired. At 31 December 2010 the number of treasury shares amounted to 12,156 bearer shares (previous year: 12,156) with a total par value of TCHF 12 and 4,107 participation certificates (previous year: 3,957) with a par value of TCHF 4.

# 2010 FINANCIAL STATEMENTS
# REPOWER AG

## Notes to the financial statements

| 6 Provisions<br>CHF thousands | 31.12.2009 | 31.12.2010 |
|---|---|---|
| For reversion | 25,375 | 25,375 |
| For reversion waiver compensation | 7,800 | 7,800 |
| For contract risks | 60,300 | 23,400 |
| Other risks | 1,841 | 5,390 |
| For remaining purchase price obligation | - | 13,997 |
| **Total** | **95,316** | 75,962 |

| 7 Non-current liabilities<br>CHF thousands | | | 31.12.2009 | 31.12.2010 |
|---|---|---|---|---|
| Debenture bond | 2.500% | 2009–2016 | 200,000 | 200,000 |
| Debenture bond | 2.375% | 2010–2022 | - | 115,000 |
| Loan | 2.500% | 2010–2030 | - | 20,000 |
| Note | 4.500% | 2001–2011 | 15,000 | - |
| 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 | 3.375% | 2008–2010 | 25,000 | - |
| Bank loan | 3.360% | 2006–2016 | 50,000 | 50,000 |
| Bank loan | 3.100% | 2005–2020 | 10,000 | 10,000 |
| **Total** | | | **350,000** | **445,000** |

| 8 Current liabilities<br>CHF thousands | 31.12.2009 | 31.12.2010 |
|---|---|---|
| Of which: | | |
| Related parties (shareholders) | 22,665 | 37,421 |
| Group companies | 78,814 | 46,666 |
| Deferred income and accrued expenses | 29,803 | 26,081 |
| Other obligations | 202,905 | 268,742 |
| **Current liabilities** | 334,187 | 378,910 |

There are no liabilities in respect of pension plans (previous year: TCHF 229).

Liabilities towards the canton of Graubünden which are not explicitly attributable to its status as a shareholder of Repower AG are not disclosed separately.

## Other information

### Non-current assets

The fire insurance value for property is CHF 51 million (previous year: CHF 53 million.).

An additional property insurance 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 1,050 million (previous year: CHF 1,050 million).

### Investments

The list on pages 68 and 70 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 with the effect on income.

### Net release of hidden reserves

In the year under review, hidden reserves decreased by CHF 50.6 million (before deferred taxes; previous year: CHF none).

### Sureties, guarantee obligations and pledges in favour of third parties

Joint liability for VAT Group taxation with Repower Klosters AG, Repower Immobilien AG, Repower Holding Surselva AG, aurax connecta ag, Ilanz, Repower consulta ag, Repower Ilanz AG, SWIBI AG, Vulcanus Projekt AG, Elbe Beteiligungs AG, Repower Transportnetz AG and Ovra electrica Ferrera SA.

Letters of intent and financing agreements amounting to EUR 256 million (CHF 320 million) were concluded (previous year: EUR 235 million, CHF 349 million).

No other sureties, guarantee obligations, pledge agreements or financial leasing obligations exist.

### Alteration of accounting principles/consistency of presentation

From 2010 onwards, receivables and liabilities relating to energy-business services provided but not yet paid will be included under receivables for goods and services or liabilities for goods and services, and no longer, as in previous years, under deferred income and accrued expenses or prepaid expenses and accrued income. These balance-sheet reclassifications have also been implemented for reasons of comparability with prior-year figures.

### 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 in the Group-wide risk management process, and are comprehensively managed, controlled and monitored.

# 2010 FINANCIAL STATEMENTS
# REPOWER AG

## Notes to the financial statements

## Other information

**Disclosures in accordance with Art. 663b$^{bis}$ of the Swiss Code of Obligations:**

| Board of Directors<br>CHF | | Total comp. 2009 | Total comp. 2010 | Compensation[1] | Compensation for additional services[2] |
|---|---|---|---|---|---|
| Luzi Bärtsch, Chairman | until 31.12.09 | 149,311 | - | - | - |
| Dr. Eduard Rikli, Chairman | from 01.01.10 | - | 123,018 | 123,018 | - |
| Dr. Reto Mengiardi, Vice Chairman | | 164,919 | 299,158 | 114,995 | 184,163 |
| Jörg Aeberhard[3] | until 10.05.10 | 48,800 | 22,317 | 22,317 | - |
| Kurt Baumgartner[3] | | 76,000 | 72,000 | 72,000 | - |
| Christoffel Brändli | | 38,020 | 38,020 | 38,020 | - |
| Dr Guy Bühler[3] | | 76,000 | 70,000 | 70,000 | - |
| Rudolf Hübscher | | 39,239 | 39,239 | 39,239 | - |
| Guido Lardi | | 38,020 | 38,020 | 38,020 | - |
| Rolf W. Mathis[3] | | 43,600 | 39,300 | 39,300 | - |
| Dr Martin Schmid[3] | | 44,600 | 51,316 | 51,316 | - |
| Dr Hans Schulz[3] | | 33,000 | 39,600 | 39,600 | - |
| Antonio Taormina[3] | | 37,000 | 44,600 | 44,600 | - |
| Michael Wider[3] | from 10.05.10 | - | 16,583 | 16,583 | - |
| **Total** | | **788,509** | **893,171** | **709,008** | **184,163** |

1) The compensation amount includes a Board of Directors fee and meeting expenses.
2) Compensation for legal assessment and advice provided in the 2010 financial year. These services were compensated at standard market rates.
3) In line with the instructions of the members of the Board of Directors concerned, the total compensation or Board of Directors fee is transferred to the member's employer.

**Disclosures in accordance with Art. 663b$^{bis}$ of the Swiss Code of Obligations:**

| Executive Board<br><br>CHF | Total comp. 2009 | Total comp. 2010 | Gross salaries (fixed) | Gross salaries (variable) | Retirement provision and other services |
|---|---|---|---|---|---|
| Kurt Bobst, CEO | 818,665 | 929,989 | 456,310 | 271,160 | 202,519 |
| Other Executive Board members | 1,883,818 | 3,211,355 | 1,601,056 | 696,998 | 913,301 |
| **Total** | **2,702,483** | **4,141,344** | **2,057,366** | **968,158** | **1,115,820** |

On 1 January 2010 the Executive Board was increased in size from 4 to 6 members due to the growth of the company. In the 2007 financial year, a profit-sharing model was introduced for members of the Executive Board. For the period 2007 to 2010 it resulted in bonus payments of TCHF 239. The model is explained in the Corporate Governance section of the Annual Report. At 31 December 2010 there are obligations of TCHF 134 (previous year: TCHF 239) arising from this renewed profit-sharing model, which were accrued in the financial statements in the respective period. In 2010 TCHF 42 was paid to former Executive Board members in connection with their former activities.

**No other compensation or loans exist in accordance with Art. 663bbis of the Code of Obligations.**

# 2010 FINANCIAL STATEMENTS
# **REPOWER AG**

## Notes to the financial statements

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

| Board of Directors | Shares 2009 | Shares 2010 | PC 2009 | PC 2010 |
|---|---|---|---|---|
| Luzi Bärtsch, Chairman of the BoD until 31.12.09 | 5 | - | - | - |
| Dr Reto Mengiardi, BoD Vice Chairman | 5 | 5 | - | - |
| Jörg Aeberhard, until 10.05.10 | 25 | - | - | - |
| Christoffel Brändli | 14 | 14 | - | - |
| Rudolf Hübscher | 5 | 5 | - | - |
| Guido Lardi | 53 | 53 | - | 40 |
| Rolf W. Mathis | 5 | 5 | - | - |

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

| Executive Board | Shares 2009 | Shares 2010 | PC 2009 | PC 2010 |
|---|---|---|---|---|
| Kurt Bobst, CEO | - | 10 | - | 100 |
| Felix Vontobel | 50 | 50 | 50 | 50 |
| Fabio Bocchiola, since 1.1.2010 | - | 5 | - | - |
| Rino Caduff, since 1.1.2010 | - | 7 | - | - |
| Martin Gredig | 5 | 5 | - | - |
| Giovanni Jochum | 25 | 25 | 190 | 240 |

**There are no other factors requiring disclosure under the terms of Arts. 663b and 633c of the Code of Obligations.**

# APPROPRIATION OF **RETAINED EARNINGS**

**The Board of Directors proposes the following appropriation of retained earnings to the Annual General Meeting:**

| | | |
|---|---|---|
| Profit for 2010 | CHF | 54,353,986 |
| Retained earnings carried forward | CHF | 30,135,367 |
| **Unappropriated retained earnings** | **CHF** | **84,489,353** |
| Dividend on share capital of CHF 2.8 million | CHF | -22,264,920 |
| Dividend on participation capital of CHF 0.6 million | CHF | -5,000,000 |
| Allocation to other reserves | CHF | -20,000,000 |
| **Balance carried forward** | **CHF** | **37,224,433** |

Subject to the approval of Annual General Meeting, the dividend of CHF 8.00 per share less 35 % withholding tax will be payable from 11 May 2011 on presentation of coupon No. 8 for a bearer share with a par value of CHF 1 or coupon No. 8 for a participation certificate with a par value of CHF 1.

Poschiavo, 18 March 2011

For the Board of Directors:

Dr Eduard Rikli
Chairman of the Board of Directors

# REPORT OF THE **AUDITORS**

PricewaterhouseCoopers AG
Gartenstrasse 3
Postfach
7001 Chur
Switzerland
Phone +41 58 792 66 00
Fax +41 58 792 66 10
www.pwc.ch

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 financial statements of Repower AG, which comprise the balance sheet, income statement and notes (pages 103 to 113), for the year ended 31 December 2010.

*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 2010 comply with Swiss law and the company's articles of incorporation.

PRICEWATERHOUSECOOPERS

**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 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 | Hans Martin Meuli |
| Audit expert | Audit expert |
| Auditor in charge | |

Chur, 21 March 2011

# ADDRESSES

## *Repower in Germany*

*Today there's plenty of scope for cultural and leisure activities in places that used to be dominated by miners. Repower's subsidiary in Dortmund brings it closer to its customers in the German economic centres.*

| | | |
|---|---|---|
| **HEAD OFFICE** | **Repower**<br>Via da Clalt 307<br>7742 Poschiavo<br>T +41 81 839 7111<br>F +41 81 839 7299 | www.repower.com<br>info@repower.com |
| **SWITZERLAND** | Josefstrasse 225<br>8005 Zürich<br>T +41 81 839 7000<br>F +41 81 839 7099 | Talstrasse 10<br>7250 Klosters<br>T +41 81 423 7777<br>F +41 81 423 7799 |
| | Glennerstrasse 22<br>7130 Ilanz<br>T +41 81 926 2626<br>F +41 81 926 2630 | |
| **ITALY** | Via Giulio Uberti 37<br>20129 Milano<br>T +39 02 764 5661<br>F +39 02 764 56630 | |

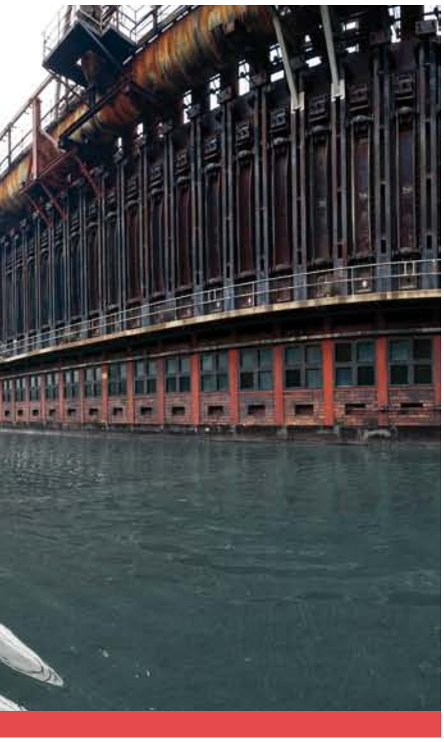

**Germany** Freistuhl 3
44137 Dortmund
T: +49 (0)231 206 4060
F: +49 (0)231 206 40696

**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 Anđela Zvizdovića 1,9 A
71000 Sarajevo
T +387 33 942 300

# KEY DATES



| | |
|---|---|
| 4 May 2011 | Annual General Meeting in Schiers |
| 18 August 2011 | First Half Year Results |
| 9 May 2012 | Annual General Meeting |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