

Media release

20 December 2017

Sustained profits from Europe, but further losses in electricity production in Switzerland

Axpo ended the 2016/17 financial year with a pleasing result for the period of CHF 310 million (previous year: CHF -1,252 million). In an environment that remains dominated by low electricity prices and influences that distort the market, the result was boosted by systematic implementation of its strategy, which is geared towards strengthening cash flow and increasing value. As income prospects from electricity sales from 2020 onwards have improved, no substantial impairments were required in contrast to previous years.

Particularly pleasing is the trend in the international business, from which Axpo generated a substantial, sustainable profit from activities not dependent on the electricity price. Income from Swiss electricity production remained unsatisfactory, however, due to the hedging of electricity prices and foreign currencies.

Axpo increased its total income in the 2016/17 financial year from CHF 5,416 million to CHF 5,567 million, thanks mainly to higher energy prices in Europe and income from energy trading. Earnings before interest and tax (EBIT) came to CHF 269 million (previous year CHF -1,226 million). Compensation from Swissgrid for taking over the extra-high-voltage grid (CHF 163 million) bolstered the result, as did the greatly improved financial result. The rigorous cost-cutting programme also made a significant contribution, with the target of CHF 200 million in recurring annual savings even being exceeded slightly.

With major projects (including the Limmern pumped-storage power plant) now complete, investments fell by around two thirds to CHF 294 million. The Group's total assets stood at CHF 19,023 million, up by CHF 435 million. Cash and cash equivalents increased by CHF 378 million to CHF 1,437 million, while net financial assets dropped marginally from CHF 93 million to CHF 56 million. The equity ratio rose by 0.8 of a percentage point to 25.7%.

Successes abroad and with new business in Switzerland

A particularly positive performance was delivered by operations elsewhere in Europe, which Axpo had chosen to expand in a targeted manner. A substantial source of revenue, these activities helped to counterbalance the weak earnings from the Swiss production fleet. Axpo subsidiary Volkswind connected six wind farms in France to the grid in



2016/17, making a total of 35 turbines. By way of comparison: Switzerland currently has 37 operational turbines. In total, Volkswind has already installed 60 wind farms with output of over 700 MW, with a further 3,000 MW in the pipeline.

The marketing and procurement of energy for corporate customers has also developed well: Axpo has a presence in 27 countries, operates on 39 markets and has once again been named Europe's best energy trader. With over 14,000 MW, it is the leading marketer of renewable energies in Europe. Axpo has established itself as Spain's biggest marketer of wind power, while in Italy it ranks fourth in electricity sales for private customers. The volume in international trade in liquefied natural gas (LNG) grew to 20 TWh.

The Axpo Group also enjoyed success on its domestic market. CKW achieved an operating result of CHF 78 million (previous year: CHF -81 million) and IT subsidiary Avectris gained several new customers in the shape of Swica, Generali, SwissphoneWireless, Stadtwerk Winterthur and Bystronic thanks to focusing squarely on the external market. Axpo has also expanded its service activities in the grid business and won large contracts from Swissgrid, SBB and ASTRA.

Pressure on income to continue until 2018/19 – recovery in sight

Rising wholesale prices for electricity in Europe and the strengthening of the euro against the Swiss franc suggest a positive outlook for income in electricity production in the medium term. In view of this trend and the operational progress made, Axpo announced back in September 2017 that it had abandoned its plan, first considered in 2016, to obtain investment capital. Axpo is readying itself to be able to obtain investment capital within a year if necessary.

Nevertheless, the generally pleasing annual result and the positive medium-term outlook must not be allowed to detract from the fact that income in Swiss electricity will remain under pressure in the short term. With the electricity price and euro exchange rate hedged up to three years in advance, the positive development in these two important external factors will not be reflected in the Group's results until the 2019/20 financial year. Unlike most Swiss electricity companies, Axpo (apart from CKW) does not have any committed customers against whom it can offset production costs, meaning that whatever it generates has to be sold on the market.

Safeguarding profitability, liquidity and access to the capital markets for the long term remains Axpo's primary strategic objective. The Group will therefore continue cutting costs, optimise its core business and increase added value from business areas that are not dependent on the electricity price. Given that the income situation will remain strained



over the next two years, the Board of Directors will once again recommend to the Annual General Meeting that a dividend should not be distributed this year.

Key figures for the Axpo Group, 2016/17 financial year (01.10.2016 – 30.09.2017):

	2016/17	2015/16
Total electricity and gas sales in TWh	78.4	101.1
Total assets in CHF million	19 023	18 588
Total income in CHF million	5 567	5 416
EBIT in CHF million	269	-1 226
EBIT as % of total income	4.8	-22.6
Result for the period in CHF million	310	-1 252
Cash flow from operating activities in CHF million	175	361
Net investment in non-current assets in CHF million	-294	-890
Free cash flow in CHF million	-119	-529
Equity in CHF million	4 884	4 634
Equity ratio (in %)	25.7	24.9
Net financial assets in CHF million	56	93
Number of employees (FTEs) on reporting date	4 222	4 294

Additional information can be found at: www.axpo.com/amc17

Further information

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About Axpo

The Axpo Group produces, trades and distributes energy reliably in Switzerland and in over 30 countries throughout Europe. Around 4500 employees combine the expertise from 100 years of climate-friendly power production with innovative strength for a sustainable energy future. Axpo is an international leader in energy trading and in the development of tailor-made energy solutions for its customers.