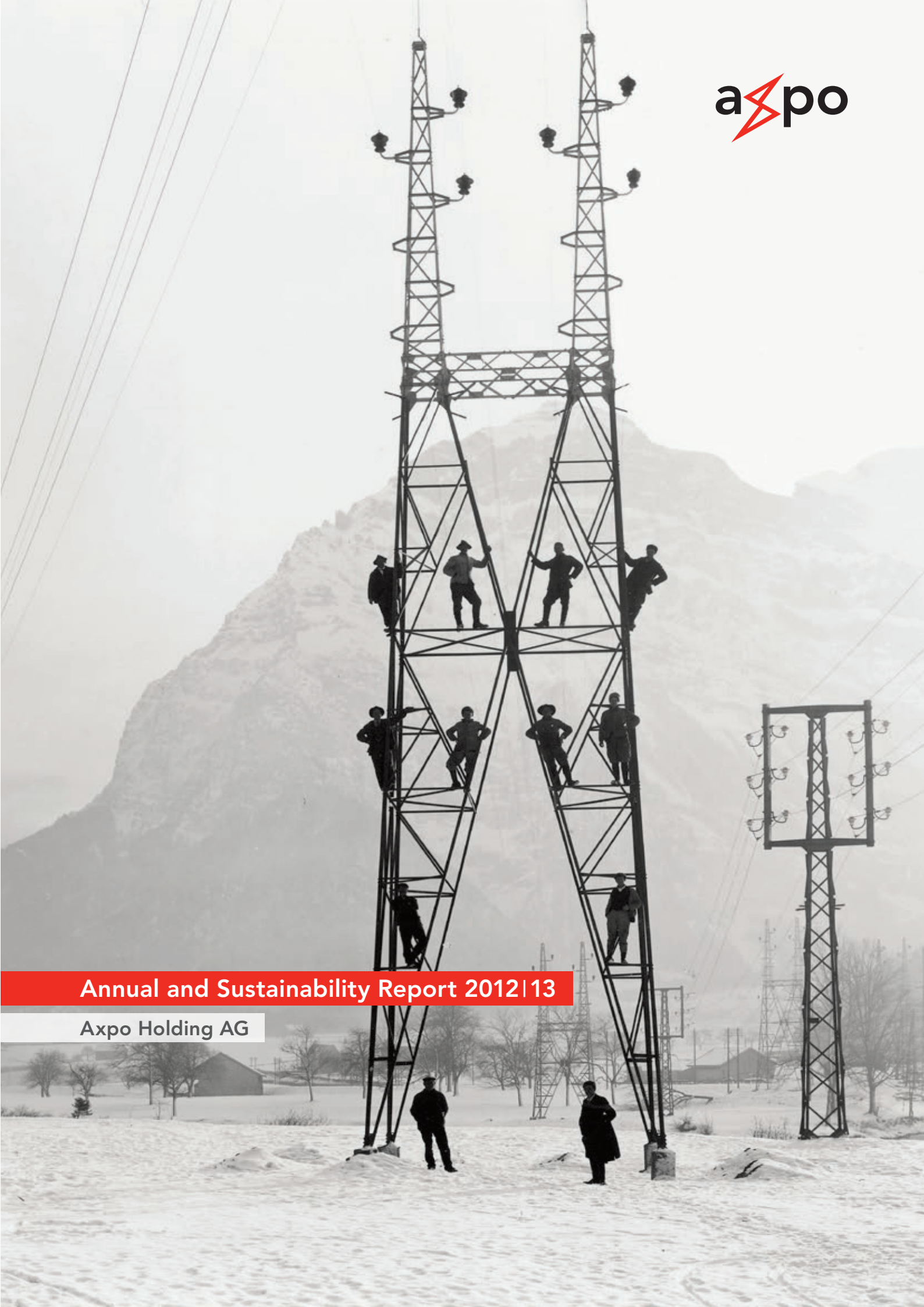


Annual and Sustainability Report 2012|13

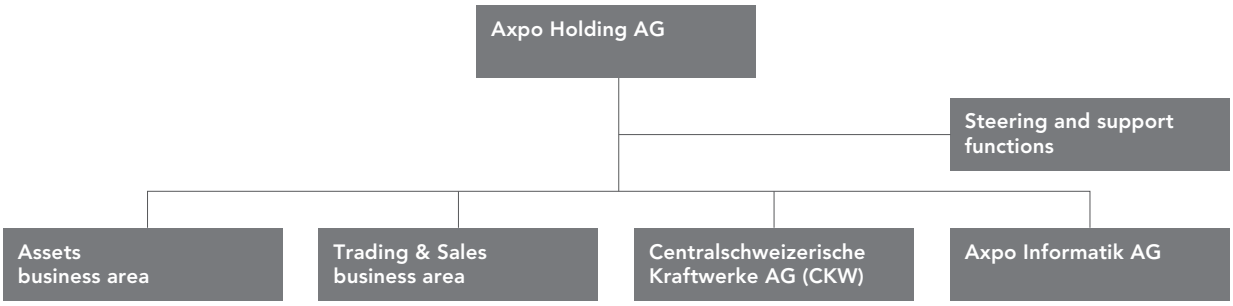
Axpo Holding AG

Axpo at a glance

Axpo is a leading Swiss energy company with strong local roots and a European presence. The company is wholly owned by the cantons of Northeastern Switzerland and their cantonal utilities. Axpo produces, distributes and sells electricity and is also involved in international energy trading. Axpo also offers innovative energy services to customers in Switzerland and Europe. Axpo employs around 4500 people and, together with its partners, supplies electricity to around three million people.

The Axpo Group comprises Axpo Holding AG, domiciled in Baden, and its subsidiaries Axpo Power AG, Axpo Trading AG, Centralschweizerische Kraftwerke AG (CKW), Axpo Services AG and Axpo Informatik AG. ‹

Axpo's management structure



GRI Report
Axpo reports transparently on its performance in all three sustainability dimensions. More information is provided in the GRI Report at www.axpo.com.

Key figures

Finances

	2012/13 in CHF million	2011/12 in CHF million	2010/11 in CHF million	2009/10 in CHF million	2008/09 in CHF million
Revenues					
Revenues	7 020	7 346	6 354	6 269	7 550
of which energy sales and grid usage	6 774	7 231	6 258	6 153	7 438
EBIT					
Operating profit	312	329	139	538	848
as % of revenues	4.4%	4.5%	2.2%	8.6%	11.2%
Profit for the period					
Profit for the period	213	282	45	409	568
as % of revenues	3.0%	3.8%	0.7%	6.5%	7.5%
Cash flow and investments					
Cash flow	750	749	862	685	901
Net investment in non-current assets (excl. loan receivables)	–415	–465	–770	–620	–510
Free cash flow	335	284	92	65	391
Balance sheet					
Total assets	18 926	18 684	17 742	17 728	17 587
Equity incl. non-controlling interests	8 381	7 970	7 600	8 164	8 164
Equity ratio in %	44.3%	42.7%	42.8%	46.1%	46.4%
Net financial assets	2 863	2 047	1 769	1 999	1 956
Employees (full-time equivalents)					
Average number of employees	4 355	4 368	4 415	4 386	4 092

Energy business

	Electricity in m kWh	Gas in m kWh	2012/13 in m kWh	Electricity in m kWh	Gas in m kWh	2011/12 in m kWh	Year-on-year change in %
Procurement							
Nuclear power plants	22 224		22 224	22 476		22 476	–1
Hydro power plants	8 541		8 541	9 183		9 183	–7
Conventional thermal power plants	2 500		2 500	5 390		5 390	–54
New energies (incl. other associates)	399		399	285		285	40
From third-party companies and trading	36 824	17 038	53 862	30 538	6 080	36 618	47
Total	70 488	17 038	**87 526**	67 872	6 080	**73 952**	18
Sales							
Supply area	19 212		19 212	21 098		21 098	–9
To third-party companies and trading	50 985	17 038	68 023	46 496	6 080	52 576	29
Losses/own use	226		226	233		233	–3
Direct sales from other associates	65		65	45		45	42
Total	70 488	17 038	**87 526**	67 872	6 080	**73 952**	18

Highlights of 2012/13

"Linthal 2015": Successful breakthrough – entire project on course
The cutting of the second pressure tunnel for the large-scale "Linthal 2015" project was completed in March 2013. This means that the future waterways between Lake Mutt and the generator gallery of the new Limmern pumped-storage power plant have been completely cut. The cut was made later than planned, as the traversing of a fault zone turned out to be more difficult than expected. Overall, the project is on course. Kraftwerke Linth-Limmern (KLL) is expanding the pumped-storage power plant for a total amount of CHF 2.1 billion. Axpo holds 85% of the share capital and the Canton of Glarus holds the remaining 15% share.

Large-scale new energies projects
In the "Global Tech I" offshore wind farm in the German North Sea, 70 out of 80 bases have been installed and construction of the wind power plants has begun. All plants are expected to be ready for operation in autumn 2014. Global Tech I will generate around 1.4 billion kilowatt hours of electricity per year. Axpo has a 24.1% stake in the project. Construction of the plant for the geothermal project in Taufkirchen, Germany, in which Axpo has a stake of 35%, will commence in January 2014. The facility is scheduled to come on stream in summer 2014.

KKW Leibstadt improves energy efficiency – existing nuclear power plants play a decisive role in the security of supply
At the end of October 2012, KKW Leibstadt, in which Axpo has a majority holding, completed the most comprehensive inspection in its history. The power plant now produces electricity for an additional 45 000 households per year. Axpo nuclear power plants meet the most stringent safety standards. In opposition to the stance of the Federal Council, there are calls from some political quarters to limit their service life. This would not enhance the safety of the plants. It would also represent a curtailment of the ownership rights of the operators, who would no longer be assured of amortising their investments and who would be forced to forego future profits. This would also destroy public assets, as Axpo is 100% owned by the cantons of Northeastern Switzerland – and therefore the public.

CKW completes the largest wind power plant in central Switzerland
In Entlebuch, Canton of Lucerne, central Switzerland's largest wind power plant has been producing electricity for around 600 households since autumn 2013. The hub of the CHF 5 million wind rotor is 80 metres above the ground and weighs 350 tons. The plant is another step towards increasing the proportion of electricity supplied by new energies in Lucerne.

The Trans Adriatic Pipeline is a great success for Axpo.

TAP strengthens Axpo's position
In June 2013, the Trans Adriatic Pipeline (TAP) was awarded a contract by the operators of the Shah Deniz II gas field in the Caspian Sea. This is a great success for Axpo, which initiated the TAP project ten years ago. At present, Axpo holds 5% of TAP (formerly 42.5%). The stake reinforces Axpo's position in the European natural gas business. Furthermore, it will be able to supply its own gas-fired combined cycle power plants in Italy as well as supplying Swiss industrial customers and municipal utilities. TAP contributes to the security of natural gas supplies to Europe and Switzerland. ‹

Contents

100 years of solidarity for a secure supply of electricity

In 1914, the Northeastern cantons of Switzerland established NOK, Axpo's predecessor, on the basis of solidarity. The objective was to provide a secure supply of electricity to promote industry and prosperity. 100 years later, we are again at a key turning point.

Dear Readers

Axpo was founded on an act of solidarity. The readiness of several cantons – an initial six, later joined by another three – to work together to tackle a major infrastructural issue such as electricity supply was as unusual then as it is now. It was not only an expression of solidarity, but also a courageous and far-sighted decision. Courage, vision and solidarity – these are qualities that we also need now more than ever as we approach the threshold of a still uncertain energy future.

The financial year 2012/13 generated a good operating profit despite a difficult economic environment. The Group's operating profit (EBIT) fell from CHF 329 million in the previous year to CHF 312 million, while net profit was down to CHF 213 million (previous year: CHF 282 million). Energy-trading activities, which were reorganised as a result of the Group's restructuring in 2012, and the successfully implemented cost-saving programme both made important contributions to the pleasing operating result. On the other hand, the further fall in electricity prices on the European markets continued to have a negative effect. And the outlook is not much better given the continued slump in the European economy, the low prices for CO_2 certificates and the growing supply of subsidised energy.

We have made a hesitant transition from a monopoly to a half-open market. At present, we are in a phase of state over-regulation.

Hydro power is no longer profitable, coal is booming

The fact is that, at present, renewable, domestic hydro power is no longer profitable. Due to the flood of subsidised electricity in Europe, prices are so low that Swiss energy producers are having to consider shutting down turbines in existing hydro power plants. For a long time, Axpo was able to supply its shareholder cantons with electricity at the "canton utility rate", which was lower than the rates offered on the free market. But this is no longer the case.

Another factor is that CO_2 emissions effectively no longer cost anything, and the price of coal has fallen. Never before in Europe has such great reliance been placed on coal. And there is a growing question mark over security of supply, i.e. the uninterrupted provision of electricity, due to fluctuations in production and grid bottlenecks.

Many onlookers are rubbing their eyes in disbelief. Was the idea behind it all to shut down domestic production of renewable energies. Have climate targets been consciously thrown overboard? Are we prepared to accept quality losses in electricity supply? The short answer is no.

More expensive, dirtier, less secure

As a German expert put it, this is precisely what the so-called Energiewende (changeover to renewable energies) has achieved to date in Germany and Switzerland: Energy supply has become more expensive due to the massive subsidies for end consumers, dirtier due to the increased use of fossil fuels and less reliable due to fluctuating production and grid bottlenecks.

We have made a hesitant transition from a monopoly to a half-open market. At present, we are in a phase of state over-regulation. It may make economic sense for electricity producers to demand the creation of capacity markets and thus subsidies for power plants that supply electricity when the sun isn't shining and the wind isn't blowing, but then there can be no more talk of an open market.

Axpo at the dawn of a new era

The priorities for Axpo remain unchanged in the coming financial years. We need an open market and a European electricity agreement. We need an appropriate and rational approach to promoting renewable energy sources, and we need energy from our tried and tested nuclear power plants for as long as they can be safely operated. Premature, politically motivated decommissioning would not enhance safety standards – something we categorically reject.

A new era is dawning in the management of Axpo. After eleven successful years, CEO Heinz Karrer has decided to leave Axpo. On 29 August 2013, he was elected as the new Chairman of Economiesuisse. The Board of Directors has appointed Andrew Walo, who has been the CEO of CKW and member of the Group Executive Board for ten years, as Karrer's successor. The handover of responsibility from Heinz Karrer to Andrew Walo is scheduled for 1 February 2014. The new CEO is also directing the process of new appointments in the Executive Board, from which Manfred Thumann and Hans Schulz are due to step down in autumn 2014.

The solid balance sheet, the confidence of our customers and shareholders as well as the commitment and quality of our staff are firm foundations on which the new management team can build. The task was not easy 100 years ago either. Our objective today is to ensure the reliable supply of electricity to our shareholder cantons, just as it was back then. And we will achieve this with solidarity, courage and vision. ‹

A new era is dawning in the management of Axpo. An established and successful team that has successfully steered Axpo over the long term.

Robert Lombardini
Chairman of the Board of Directors

"We should let the market operate freely. This will stimulate innovation, investment and efficiency"

The departing CEO Heinz Karrer speaking on the issue of low electricity prices, politically motivated market distortions and opportunities in a challenging environment.

Heinz Karrer, CEO of Axpo Holding AG

Mr Karrer, Axpo has achieved a good operating result in a difficult environment. Have we overcome the distortions on the market?
We must not allow ourselves to be dazzled by the good results for the financial year 2012/13. These results are based on the successful energy-trading business and the successfully implemented cost-saving programme, as well as some one-off effects and skilful hedging in previous years, meaning that we have been able to obtain higher sales prices for our electricity than would have been possible on the open market. Axpo will have to adjust even more to lower market prices in future. This is a great challenge for Axpo in three different dimensions. Firstly, costs must be trimmed even further. Secondly, investments must be carefully reviewed and downsized in comparison with the original plans. And thirdly, we must consistently tap into new earnings potential.

You are leaving Axpo at a difficult time to become Chairman of Economiesuisse. Do you have any doubts about Axpo mastering the new challenges?
Not in the slightest! The Group is very well positioned, the employees do an outstanding job and – as we again have just seen from an employee survey – are committed and enjoy working for Axpo. We have also revised our strategy in view of the turbulence on the European wholesale market and are already working on its implementation. Besides the expansion of renewable energies production, we are also increasing our presence in the service business. Axpo is one of the largest providers of services for onshore wind farms in Europe – a very encouraging development. For this reason, our investments focus heavily on profitable business with renewable energies and services.

The employees do an outstanding job and – as we again have just seen from an employee survey – are committed and enjoy working for Axpo.

Do you see a continued fall in electricity prices on the international markets?
There are no signs of a turnaround, at least for the next few years. The weakness of the economy, but above all the massive subsidisation of individual energy sources and the low CO_2 prices, have led to extreme distortions of the market. Due to the high subsidies for solar and wind power, conventional power plants have great difficulties in making any profits at all. The fact that the high feed-in of renewable energies has led to recurrent negative prices on the market – i.e. you make money from buying electricity – speaks volumes.

There is already talk of capacity markets, which would also mean the subsidisation of hydro and gas-fired power plants. What is the solution to the problem?
In my view, it is a spurious solution to attempt to combat the consequences of subsidisation by a new, additional type of subsidy. We should let the market operate freely. This will stimulate innovation, investment and efficiency. Today, we have the absurd situation in which an energy company only really makes a profit if it invests in subsidised sectors, whether at home or abroad. I understand the desire to give new energies such as solar or wind a head start. But has a sense of proportion really been retained? The producer of subsidised energy enjoys a level of profit that the market would never yield. As a result, it produces so much subsidised electricity that wholesale prices plummet and other production technologies such as hydro power are unable to compete. Therefore, while solar and wind power are offered on the market on the cheap, the end consumer pays again for the subsidy in the supply price. Private users, in particular, have to foot the bill, as industry is largely exempted from subsidy charges.

How is Axpo responding to this? Are you now building solar and wind power plants to maximise subsidies?
Axpo has a supply mandate that goes beyond an acceptable return. But yes, Axpo has invested for some time in renewable energies on a large scale. Thanks to subsidies, we can look forward to generating acceptable returns from the Global Tech I wind farm in the North Sea. Axpo has also been the largest producer of electricity from renewable energies in Switzerland for many years now. In addition to hydro power, in the past, we have concentrated on biomass. Solar power plants in the appropriate size and a number of wind farms are also a possibility for us. Axpo will continue to invest appropriately in renewable energies in future.

Axpo will continue to invest consistently in renewable energies in future.

The economic pressure is rising. Is Axpo's commitment to sustainable energy production suffering as a result?
The commitment to sustainability is and remains part of the Axpo strategy. Axpo has been able to achieve further successes in the area of energy efficiency with its investments and optimisations. In total, the Axpo Group has increased energy efficiency in these areas by 487 million kWh. This figure includes the Leibstadt and Gösgen nuclear power plants, in which Axpo holds a stake. And in relation to CO_2, we have launched further reduction measures in energy production and in office buildings. ‹

The commitment to sustainability is and remains part of the Axpo strategy.

A strong founding idea gains a lot of momentum

In 2014, Axpo can look back on 100 years of history. It is a story of pioneering spirit, responsibility and the major changes that confronted the energy sector at the start of the 20th century.

Strong partners laid the foundation 100 years ago for a secure and economical electricity supply for Northeastern Switzerland.

More on Axpo's history at www.axpo.com

It began with a group of strong partners. A hundred years ago, at a time when increasing demand for electricity called fo huge and risky investments, they laid the foundation for a secure and economical electricity supply for Northeastern Switzerland. With vision and common commitment, they made a major contribution to the stability and prosperity of the region – and made Swiss economic history.

The origins of Axpo lie in the cantons of Glarus and Aargau. Aargau has a long history of harnessing the power of water to generate electricity, and it is no coincidence that its coat of arms includes three stylised rivers. On the lower reach of the river Aare, the Beznau run-of-river power plant was built at the start of the 20th century on a private basis. Together with the regular storage power plant at Löntsch, in the Canton of Glarus, it formed Switzerland's first power plant network. Operation was carried out by Baden-based Kraftwerke Beznau-Löntsch AG, a subsidiary of Motor AG. The founder, Walter Boveri, who was also the co-founder of Brown Boveri & Cie, signalled in 1909 that he wished to sell the power plants.

Emil Keller invites the cantons to Baden

As a backbone for the electricity supply, the Beznau-Löntsch network played a decisive role in the future prosperity of the region. This prosperity was clear for all to see. It seemed the use of hydro power solely by private companies was being increasingly called into question. However, Aargau was not able to finance the takeover by itself. The output of the two plants far exceeded the demand for electricity generated by an individual canton. The solution was for the cantons to bear the burden together. In return, each canton would benefit from a secure and economical electricity supply. With this proposal up his sleeve, Emil Keller, then a member of the Parliament of the Canton of Aargau, invited the representatives of the cantons of Northeastern Switzerland to an intercantonal conference in Baden on 14 September 1910. However, it would take just under four years and 13 meetings until the contract was ready for signing.

On 22 April 1914, the representatives of the governments of the cantons of Aargau, Zurich, Schwyz, Glarus, Schaffhausen, St. Gallen, Thurgau, Appenzell Ausserrhoden and Zug agreed to the formation of Nordostschweizerische Kraftwerke AG, NOK, known today as Axpo. According to the agreement, NOK was to take over the Beznau-Löntsch power plants from Motor AG for CHF 24 840 000. Of the nine conference participants, six endorsed the founding agreement within the defined period by 15 July 1914. Although Schwyz

decided later to forgo participation, St. Gallen and Appenzell Ausserrhoden joined NOK in 1929. In 1951, Appenzell Innerrhoden joined, completing the current shareholder structure.

Thanks to NOK, costs could now be jointly managed and a balance created between cantons with plentiful hydro power resources and those without. The public sector adopted a cautious approach to the takeover of the Beznau-Löntsch power plants and limited itself to acquiring the shares. NOK was therefore, legally speaking, not a new start-up. The legal form of an Aktiengesellschaft (public limited company) was designed to ensure that the company was run on commercial principles.

Construction under way

NOK had to survive in a tough economic environment and was successful in doing so. In the first year of business, its 175 employees generated 100 gigawatt hours of energy. The share capital was CHF 18 million. Today, Axpo generates 87,526 million kWh of energy, employs nearly 4,500 people and has a share capital of CHF 370 million. This makes it Switzerland's leading producer of electricity.

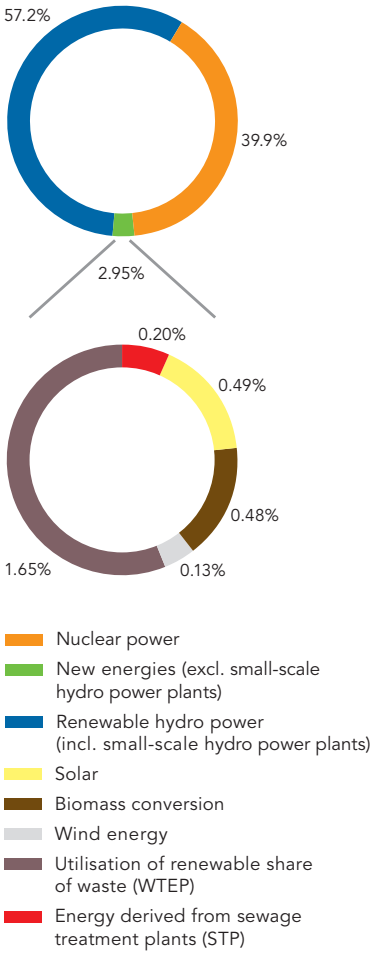
To this day, the company has constantly expanded its power plants in line with increasing demand. Between 1957 and 1968, the Linth-Limmern power plants (KLL) were built in the mountains of Glarus. Axpo owns 85% of KLL AG, while the Canton of Glarus owns the remaining 15%. A new underground pumped-storage power plant is expected to be completed by 2015 and will be used to pump water from Lake Limmern back up to Lake Mutt, which is 630 metres higher. When needed, it can then be used to generate electricity again. The 1000 megawatt (MW) facility will treble the output of the current KLL, from 480 to 1480 MW, and further improve the security of supply in Axpo's supply area.

Facing the energy future – together

With the commissioning of the Beznau I nuclear power plant in 1969, NOK succeeded in safely entering the nuclear energy sector – a pioneering achievement, as this was the first commercial nuclear power plant in Switzerland. From 1971, Beznau II also began supplying electricity using nuclear energy. Although Beznau is now the world's longest-serving nuclear power plant, thanks to consistent upgrades, it is also one of the world's safest, as revealed recently by the EU stress test.

In the past, nuclear and hydro power have provided Switzerland with reliable, economical and virtually CO_2-free electricity. With the exit from nuclear power planned for the long term, the energy sector is again faced with major challenges, just as it was 100 years ago. Axpo will be successful in overcoming these challenges. It is well positioned and has strong partners at its side: the cantons and cantonal utilities – and thus the people – of Northeastern Switzerland. Axpo is deeply rooted in Switzerland, while maintaining an international outlook. This allows it to generate the profitability needed to finance its huge upcoming investments. Axpo will continue to invest in the safety of its plants and expand its commitment to renewable energies. Secure energy supply needs strong partners who work together to find solutions. This is all the more reason for Axpo to act based on dialogue and partnership with the community. ‹

New energies in Switzerland's electricity mix today



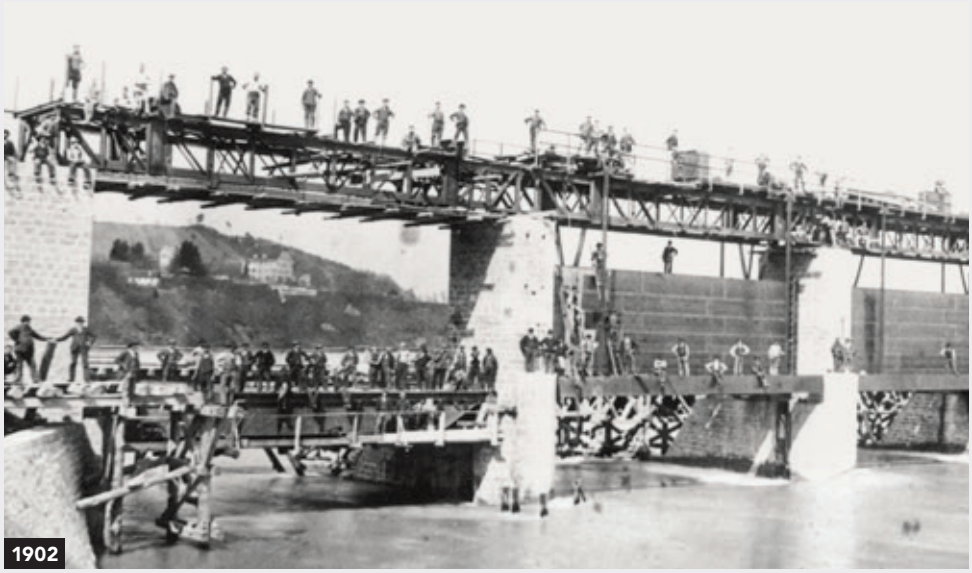
Source: Swiss Federal Office for Energy 2012

With the commissioning of the Beznau I nuclear power plant in 1969, NOK entered the nuclear energy sector – a pioneering achievement.

Foundation

The starting shot for the century of electricity was the world exhibition of 1900 in Paris. The origins of Axpo are even older: in 1895, Walter Boveri founded Motor AG in Baden. Motor AG built power plants such as the Beznau run-of-river power plant and the Lönstch pumped-storage power plant. Due to the fact that electricity production was largely in private hands and the competition for water rights attracted speculators, the cantons of Northeastern Switzerland reacted. In an exemplary act of solidarity and visionary thinking, they came together to form NOK and take over the shares in the Löntsch-Beznau electricity network from Motor AG. Thanks to this, the electricity required by the residents of the NOK cantons was made available at a low cost, and has remained so up to the present day. Only the name has changed: in 2008, NOK was renamed Axpo.

1895

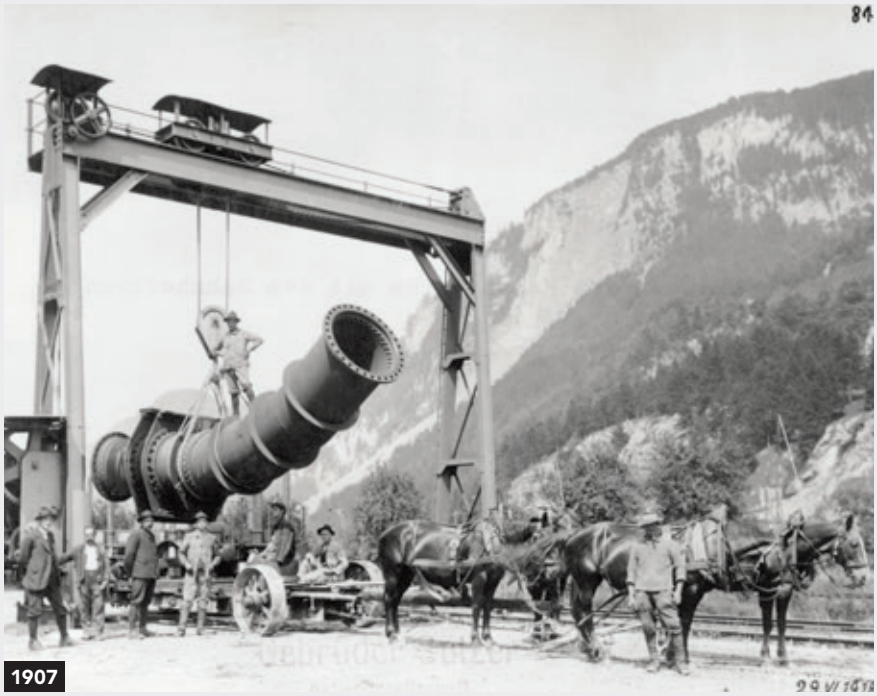


1902

1895: Co-founder of Brown, Boveri & Cie, Walter Boveri, also founds Motor AG für angewandte Elektrizität in Baden in November 1895. The company plans and finances hydro power plants.

1902: The Beznau run-of-river power plant on the river Aare at Döttingen/AG, a Motor AG project, comes into operation.

1907: With the start of construction of the Löntsch pumped-storage power plant in Netstal, Canton of Glarus, Motor AG establishes Kraftwerke Beznau-Löntsch AG.



1907

1908

1914

1910

1908: Motor AG connects the Löntsch and Beznau power plants by a 100-km-long 27-kV cable to create a power plant network. The photo shows the switching tower in Lenzburg. At that time, the buildings used to house electricity generators or transformers resembled stately homes, castles or large residential buildings.

1910: Emil Keller, a member of the Parliament of the Canton of Aargau, invites representatives of Switzerland's northeastern cantons to negotiate the establishment of a joint electricity distribution company. (photo approx. 1965)

1914: NOK sells all shares in Kraftwerke Beznau-Löntsch AG. The share capital is CHF 18 million and 25 people are employed at the company headquarters in Baden. The first electricity generated by NOK flows to the cantons of Aargau, Zurich, Glarus, Schaffhausen, Thurgau and Zug (St. Gallen and Appenzell Ausserrhoden joined in 1929, Appenzell Innerrhoden joined in 1951). Transmission network and distribution stations are taken over. In the very same year, NOK supplies electricity for the first time abroad to Constance, Germany.
In accordance with the agreement between NOK and the cantonal utilities, which comprises just 11 paragraphs, NOK produces the electricity and supplies it to the utilities, which in turn are subject to a purchase commitment and are responsible for distributing the electric power.

1914

Axpo capitalises on opportunities – for itself and its customers

In the course of its 100-year history, Axpo has overcome numerous challenges to provide Northeastern Switzerland with a reliable supply of electricity. Today, the company and the energy sector are once more confronted with fundamental changes.

The political decision not to replace nuclear power plants has fundamentally changed the rules in the energy sector. Wind and solar energy are being expanded on a massive scale with the help of subsidies, particularly in Germany, Spain and Italy. This has led to considerable market distortions, which are reflected in the falling wholesale prices for electrical energy, thus narrowing margins and stimulating misdirected investments. Another problem is the uncertain regulatory environment, which for energy companies means a lack of certainty for planning and investment.

Switzerland has not yet completely opened its electricity market. In contrast, the EU aims to create a free internal market within the EU for electricity and gas by 2014. If the Swiss electricity market is to be integrated with that of the EU, the two phases of market liberalisation must be achieved. The prerequisite for this is a revised Electricity Supply Act (StromVG). From a current perspective, it is likely to take a few more years, however, before this will take effect. Switzerland has long been closely integrated in the electricity grids of its neighbouring countries and plays an important role in transmission and trading of European electricity. In 2012, it exported 89 billion kWh of electricity and imported 86.8 billion kWh. Domestic consumption in that year was 63.4 billion kWh.

Chain of opportunities

The process of fundamental change in which the energy sector finds itself also opens up opportunities for Axpo. As a public sector enterprise, it will rely, as in the past, on partnership-based solutions which make technological and commercial sense and are as environmentally friendly as possible.

In its role as an energy supplier, Axpo operates along the entire value chain – in production, distribution and the sale of energy, as well as in trading. The trading company once again made a significant contribution to the Group's operating profit in the reporting year. The cutting of the Trans Adriatic Pipeline TAP project represented a strategically significant development. In June 2013, the Shah Deniz II operator consortium awarded the contract to TAP. This has also proven to be a massive success for Axpo, which initiated the project ten years ago, investing a great deal of commitment in the development. In order to reduce its financial risks, the Group significantly reduced

its share in TAP in July 2013, although it continues to hold a 5% stake (formerly 42.5%) and retains its ability to import gas volumes. TAP diversifies the import routes for natural gas, thereby increasing the security of gas supplies for Europe and Switzerland.

Axpo experts in the field

Axpo trades in electricity, gas and certificates, as well in energy-based financial products. In addition to standard products, it offers products which are developed specifically for the needs of individual customers, providing them from a single source. For example, Axpo buys electricity futures at a fixed price for an aluminium plant and hedges any additional consumption with options. Another example is that it manages the load-balancing energy for an investor in wind farms and purchases the energy for an internationally active company at the various locations, thus optimising its energy costs and reducing the time and effort put into purchasing. It also provides financing for investors in wind or solar power plants via long-term purchasing agreements and, at the same time, assumes responsibility for green electricity certificates. The range is as varied as its customers.

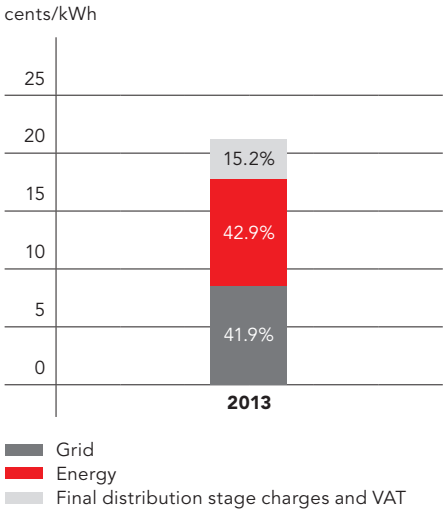
As the regulatory and statutory rules vary from one country to another, and as each market, whether for electricity or gas, is subject to its own conditions, local experts are required. For this reason, Axpo has its own offices all over Europe. This reinforces its position as the leading independent provider of customer-focused services. The trading business as a whole is set to be further strengthened. In January 2013, Axpo received a trading licence for the Slovakian gas market.

Wholesale prices determined abroad

The subsidy-driven glut of wind and solar energy has led to significantly lower wholesale prices on the European electricity markets. In the reporting year alone, prices have plummeted by a quarter. This narrows the margins of power plant operators. Sometimes, there are even negative prices, and large quantities of wind energy have to be prioritised and fed into the grid when demand is weak due to the feed-in measures. This means that the seller pays the buyer to take the electricity! This was the case during Christmas week 2012, when, for the first time, prices on the spot market were negative for an entire week.

Wholersale prices in the EU, especially in Switzerland's neighbouring countries, increasingly determine energy prices in Switzerland. The key factors are the economic performance of the EU, the supply structure of the power plant portfolio in neighbouring countries and the prices for gas and coal. The EU also sets the pace in climate policy. The framework conditions established by the EU influence the prices for CO_2 certificates just as its subsidisation of renewable energies affects electricity prices. Axpo supports the rapid signing of a slimmed-down electricity agreement with the EU to guarantee the security of supply into the future and so that it can trade in the internal European electricity market as an equal partner without facing discrimination. This also includes access to the trade in European CO_2 emission certificates, the prerequisite for the competitive operation of gas-fired combined-cycle power plants in Switzerland.

Components of electricity tariffs for a typical Swiss household



Source: VSE

Why we pay more

It may seem paradoxical that although wholesale prices for electricity have fallen consistently since 2008, prices for end customers have risen. A glance at the components of the electricity price show why. The actual cost of energy "only" accounts for around 43% of the total price for the customer. On top of this come the costs for grid use, which account for about 42%. The rest is due to government duties such as water charges, taxes and levies, for example, the cost-covering feed-in tariffs (KEV), and this proportion is increasing constantly.

In future, costs for grid use will continue to rise, as billions will have to be invested in the expansion and renovation of the power grids to account for the increasingly decentralised production. In addition, investments in intelligent grid management systems (smart grids) are required so that grids can be used more efficiently. Since 1 January 2013, the Swiss transmission system has belonged to the national grid operator Swissgrid, in which Axpo has a 38.3% holding. Following the transfer of the transmission system, Axpo is now concentrating on other business opportunities, especially on the planning, construction, maintenance and operation of substations and electricity supply lines in the lower voltage sector.

International expertise becomes key

Axpo offers the level of expertise that is needed to manage the complexity of determining energy prices and to make sense of the different energy markets. This makes the international trading business attractive. In turn, the trading business is required to secure electricity supplies in Switzerland, which long ago ceased to be an "island". Furthermore, these activities generate resources with which the Group can finance upcoming investments at home and abroad, as its internationally diversified power production plants require.

Axpo will invest billions in its power production plants. The Beznau nuclear power plant (KKB) is an important support on the way to the energy future. Axpo welcomes the Federal Council's decision not to prematurely take Swiss nuclear power plants off the grid. Our country is dependent on them to reconfigure the energy system with due care. Nuclear power still supplies around 40% of Swiss electricity. The key criterion for the operation of nuclear plants is safety. This is Axpo's overriding priority. Since its formation, the company has invested CHF 1.6 billion in KBB. The investments ongoing from 2008 to 2015 will add another CHF 700 million to this total.

At the same time, Axpo is expanding renewable energies. This expansion will only succeed if the projects are also supported by the public and the planning approval procedures are accelerated. Axpo relies on constant dialogue with all stakeholders. By 2030, the production of renewables is set to be significantly expanded. Abroad, the Group is focusing particularly on wind energy, both on- and offshore. The most ambitious project is the "Global Tech I" wind farm in the North Sea, in which Axpo has a 24.1% stake. In Switzerland, Axpo is already the largest producer of electricity from renewable energies. Axpo intends to consolidate this position. In future, geothermal power and large solar power plants may be used at suitable locations. In addition, the cantonal utilities in the Axpo network and CKW will make a major contribution to the production of electricity from new energies.

Conventional power plants: squeezed out but still needed

The subsidised expansion of wind and solar power – especially in Germany – impacts the profitability of energy suppliers' power production plants. While subsidies cover the capital costs of wind and solar power and the electricity is given priority for supplying the grid, conventional, unsubsidised plants are no longer able to make enough money to cover their capital costs on the free market. They are being squeezed out of the market.

Combined with irregular energy supply, power plants are needed that can be used in a flexible and complementary manner. Pumped-storage power plants can produce large quantities of electricity within a matter of minutes or temporarily store electricity oversupply for later use. For this reason, Kraftwerke Linth-Limmern (KLL) is investing CHF 2.1 billion in expanding its pumped-storage power plant. Axpo holds 85% of the share capital in KLL, and the Canton of Glarus holds the remaining 15%. Pumped-storage power plants pump water using low-cost energy and produce electricity at the highest possible prices when demand is high. Their use has, however, become more complex. Prices are now determined by the wind and the sun.

The flexible power plants that supply load-balancing energy are hydro power plants or the latest generation of coal and gas-turbine power plants, and gas-fired combined-cycle power plants. In Germany, coal-fired power plants are enjoying a renaissance, as they are relatively cheap – at the expense of the environment. In Switzerland, environmentally friendly gas-fired combined-cycle power plants could not be profitably operated due to the current statutory CO_2 provisions.

The market is and remains the best guide

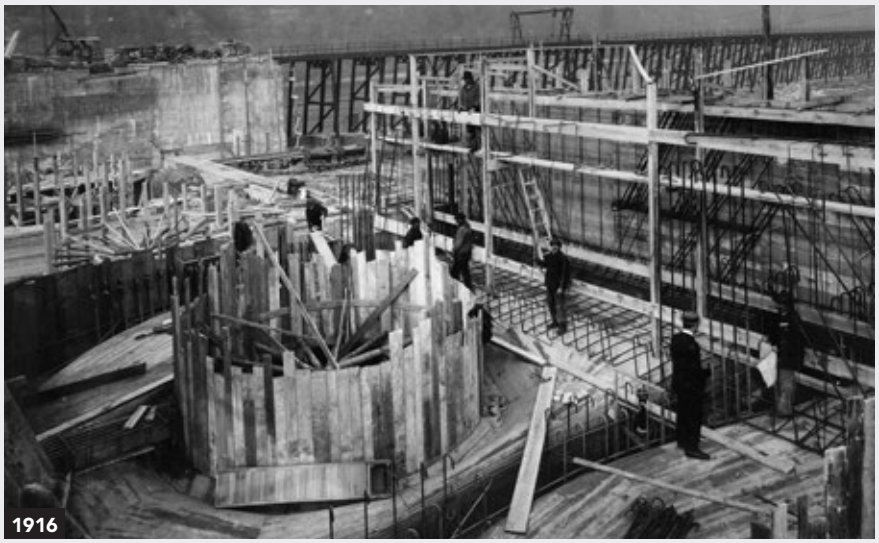
As the priority given to the feed-in of new energies and the associated squeezing out of unsubsidised power plants threaten grid stability and therefore the security of electricity supplies, the possibility of introducing "capacity payments" is being discussed. These payments would be the same as subsidising the supply of conventional power plants. From Axpo's viewpoint, this is the wrong approach. Countering the effects of subsidies with more subsidies is unlikely to result in success.

It would be better to let market mechanisms play out. Only flexible, market-based prices steer investments towards technologically and commercially viable projects and prevent or correct erroneous trends. Axpo, working in Switzerland's best interests, wants to avoid these trends as it approaches the energy future. ‹

Only flexible, market-based prices steer investments towards technologically and commercially viable projects.

Growth

Despite world wars and crises, demand for electricity constantly increases. NOK builds power plants, optimises grids and participates in projects to address impending gaps in supply. It creates jobs and even in winter, it produces enough electricity to meet demand. The appetite for energy during the post-war years stretches the capacity of hydro power to the limit. The first thermal power plants are built. For economic and environmental reasons, NOK decides in 1964 to turn to nuclear power. When the first man stands on the moon, the Beznau nuclear power plant comes on stream. The public celebrates.



1916

1926

1916: NOK builds its first power plant in Eglisau am Rhein. The first energy supply contract is signed with AEW and the NOK distribution systems are transferred to the newly founded Aargauische Elektrizitätswerk. Various substations and local distribution systems are transferred to other cantonal utilities.

1926: Commissioning of NOK's first partner power plant: KW Wägital, in collaboration with EWZ. For a long time, this had the world's highest dam wall and was one of the world's largest pumped-storage power plants.

1937: The Lake Sihl reservoir is created, the Etzel power plant, in which NOK has a 45% stake, is commissioned. Since the formation of NOK, more than CHF 300 million has been paid out to the shareholder cantons, the public sector, industry and commerce. The photograph shows the plain between Gross and Einsiedeln before it was flooded.

1937


1951

1948: During the war years, NOK's annual energy production exceeds the billion kWh mark, and in 1946, the second power plant on the Aare in Rupperswil-Auenstein comes on stream. Even so, hydro power is insufficient. In this year, NOK therefore produces thermal energy for the first time using gas-turbines in Döttingen, close to Beznau.

1951: The Rheinau power plant (NOK has a 50% stake) is built. The start of the construction work is delayed due to strong public opposition.

1965: The top dam level of the NOK Linth-Limmern hydro power plant is put into operation. One year later, the world's largest concrete gravity dam, the Grand Dixence, in which NOK has a 13% stake, is opened.

1969: On the Aare peninsula, where NOK already produces hydro and thermal power, Switzerland's first nuclear power plant is commissioned. It is followed by Beznau II two years later.


1965

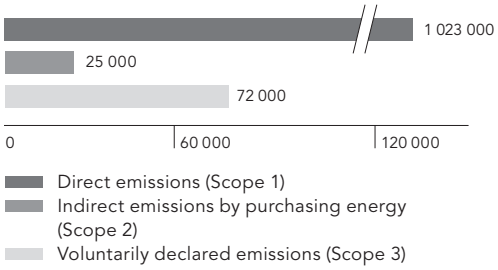

1969

Axpo invests in people and the environment

Solidarity, reconciling private and public interests, commercial thinking and commitment: this was the formula on which NOK and the present-day Axpo was founded 100 years ago – and it still applies today.

Greenhouse gas emissions Axpo Group 2012/13

in tons CO_2 equivalent



More information is available in the GRI Report at www.axpo.com

Today, Axpo supplies more than 3 million people in Switzerland with electricity. As a company owned by the cantons of Northeastern Switzerland, and therefore by the public, Axpo has a responsibility that goes beyond its own core business. Accordingly, its actions are focused on financial, environmental and social sustainability.

The secure and economical supply of electricity is key to our country's development. The region also benefits directly from Axpo's commercial success. In the reporting year, it paid CHF 188 million in taxes, contributions and charges as well as dividends of CHF 74 million.

Quality seal: safety

In relation to people and the environment, the safe operation of the production plants is of central importance. Swiss nuclear powers plants are designed to withstand extreme situations, such as earthquakes, floods and plane crashes , and remain intact. Axpo continuously modernises and improves its nuclear power plants. Since it was built, around CHF 1.6 billion has been invested in modernising the Beznau nuclear power plant (KKB). The investments ongoing from 2008 to 2015 will add CHF 700 million to this total. The KKB has always fulfilled all the requirements of the ENSI, and passed the EU stress test with top marks.

Axpo's hydro dams also meet the most stringent safety standards. They are constantly monitored and regularly tested. Dams of a certain category must be able to withstand earthquakes at a magnitude that is only observed every 10,000 years. They are subjected to supervision by the Federal Office of Energy (BFE). In 2003, the BFE instructed all operators to reassess these installations within a period of ten years for earthquake safety. By the end of 2013, Axpo had provided the required certification for each of its 30 installations in this category.

Waste heat put to use

The production and distribution of electricity are always linked with having an impact on nature. In order to reduce the effect of such events to a minimum, Axpo continuously optimises its production plants and increases their energy efficiency. One example of this is the renovation of the Rüchlig hydro power plant in Aarau at a cost of CHF 130 million. From 2015, the plant will produce 63 million kWh of electricity p.a. instead of the previous 55 million kWh. The partial renovation of the Stroppel small-scale-hydro power plant in Untersiggenthal, Canton of Aargau, costing CHF 4 million, will be completed in 2014. The plant will now produce 1 GWh more electricity.

Generating more electricity with the same resources is one thing, saving energy is another. This can be illustrated by way of example: Since the end of 2012, waste heat from Axpo's data centre in Baden has been used to heat buildings and produce warm water. This will save around 70 tons of CO_2 per year. Another example can be seen at CKW's Mettlen substation, where energy from the 380-kV Swissgrid grid is fed via two transformers into the 110-kV CKW grid. CKW has invested CHF 800 000 and installed six load inductors. The inductors, each weighing around 6.5 tons, optimise the power flow, which saves around 500 000 kWh of energy losses per year. At the same time, the security of supply is enhanced, as the load placed on transformers is reduced.

In the reporting year, Axpo emitted a total of around 1.1 million tons CO_2 equivalent. That is 50% down on the previous year. This is thanks to the reduced running times of the gas-fired combined-cycle power plants in Italy.

With understanding and commitment for people and nature

Axpo cares about protecting the environment. As the largest producer of hydro power in Switzerland, Axpo is right at home in the mountains. It works with national and regional partners such as the Swiss Alpine Club (SAC), the Four Headwaters Trail Foundation, Schweizer Wanderwege and Switzerland Tourism and Aargau Tourism to promote the respectful and environmentally friendly use of the Alps and is committed to a sustainable and attractive Switzerland.

In 2013, the second round of the Axpo Hüttenpreis took place. The competition organised by Axpo is very popular. Mountain lovers visit as many SAC huts as possible to collect points. The night trail along the Reuss river, organised in June 2013 by Axpo along with Schweizer Wanderwege, offered a special kind of shared experience. Axpo is also active in the area of sport. In Swiss football, its sponsorship activities focus primarily on regional projects and young talent – in addition to its longstanding sponsorship of the Axpo Super League. Axpo also supports the traditional Swiss sport of "Schwingen" (Swiss wrestling) – whether at mountain or cantonal Schwingen events.

GRI Rating Level "A+" achieved

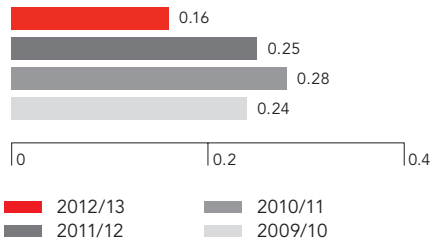
Behind every Axpo commitment are our employees. The company has a special responsibility for them, particularly with respect to safety. Employees are regularly informed and trained in this area. In the reporting year, the company achieved its target of less than 0.3 days off work per full-time employee due to occupational accidents, including trivial cases. Employees also have various opportunities to actively contribute, for example, via employee representatives. In the reporting year, the latter were contacted by around 90 employees. That is a good 50% more than in the previous year, which is primarily attributable to the reorganisation of the Group (MAX 2012). The fluctuation rate fell to 7.8%[1] (2011/12: 12.2%). The percentage of women was 18.7%[2] (2011/12: 19.4%).

Accepting responsibility also means providing transparent and comprehensive information. An example of how Axpo does this is the issuing of an annual and Sustainability Report on the basis of the Global Reporting Initiative (GRI) guidelines. As a result, Axpo is the first energy supplier in Switzerland to obtain the GRI Rating Level "A+". ‹

As the largest producer of hydro power in Switzerland, Axpo is right at home in the mountains.

Trend in occupational accidents

Days off work due to occupational accidents per full-time employee



[1] The fluctuation rate was higher last year, as provision was made for departures of employees with temporary contracts. Departures of employees with temporary contracts are now excluded from the calculation.

[2] Last year's percentage of women was adjusted due to the revision and Group-wide standardisation of the calculation basis.

Axpo invests in innovation

Pioneering spirit played a decisive role 100 years ago in the formation of NOK, known today as Axpo. This spirit is needed now more than ever, as new ways need to be found to secure energy supply for the future.

Axpo is concentrating on promoting specific pioneering projects.

More on Global Tech I at www.globaltechone.de

Commitment and new strategies at every level are needed if we are to succeed in securing energy supply over the long term. We must increase energy efficiency and exploit new energies using new technologies. Like nuclear power, these energies need to be environmentally friendly and reliable.

Axpo's focus is on promoting specific pioneering projects. Naturally, these are associated with risks, which need to be carefully considered. However, if we are unwilling to take on risk, we will be unable to make progress and will prevent ourselves from entering the new energy era. New technologies, in particular, such as geothermal energy are not spared from setbacks. At the same time, however, they have many favourable properties: Geothermal energy is virtually inexhaustible, produces hardly any CO_2 emissions and does not rely on the weather. And geothermal power supplies base-load energy. A great deal of research and development is required to exploit these advantages. Axpo is expanding its expertise with, for example, a 35% stake in the geothermal project in Taufkirchen, Germany, which is progressing well. The facility is scheduled to come on stream in summer 2014.

Giant on the high seas

Compared with geothermal energy, wind energy is at an advanced stage. Here too, however, a pioneering spirit is needed. The "Global Tech I" project in the German North Sea envisages the construction of 80 wind power plants over an area of 41 km^2. Their three-blade rotors measure 116 metres in diameter. The installations stand in 40 metres of water on a 900-ton tripod base. 70 out of 80 bases have been installed and construction of the wind power plants has begun. When completed, Global Tech I will have a total installed capacity of 400 megawatts and will generate around 1.4 billion kWh of electricity per year. Axpo has a 24.1% stake in this impressive project.

Also in Switzerland, Axpo and CKW are pressing ahead with wind power at selected locations. In Entlebuch, CKW has invested CHF 5 million in building the largest plant in central Switzerland. The wind rotor measures 80 metres in diameter and weighs 350 tons (excluding the base) and generates 2.5 million kWh of electricity per year. In view of the urgent problem of power storage, CKW has launched a pilot project on the decentralised storage of solar power at three locations (Meggen, Aesch and Sigigen). The project is set to run until autumn 2014 and will cost CHF 1.5 million. Another example of applied research is the "Smart Metering" project, in which CKW has invested CHF 3 million. Several hundred pilot customers tested whether and how elec-

tricity could be saved with smart metering. The test phase was completed at the end of September 2013. The first interim results are rather sobering: the technology offers certain savings potential, albeit only under certain conditions, and is expensive.

In the area of biogas, Axpo is the Swiss market leader. The country's first biogas plant to use organic rankine cycle systems (ORC) in order to efficiently use process heat has been erected in Klingnau. For around CHF 300000, the ORC plant supplements the Kompogas-Bioriko AG combined heat and power unit, in which Axpo has a 50% stake. With ORC, the power plant generates 5% more electricity from waste heat.

Axpo rewards innovative ideas

All progress is driven by innovation – new ideas from research and development (R&D). In the reporting year, Axpo invested CHF 12.6 million directly and indirectly in R&D. This amount includes investments in actual R&D, in pilot and demonstration plants as well as in the training and promotion of new talent across all areas of electricity.

Since 2013, Axpo has also offered an award for start-up companies in the energy sector in the areas of energy production, technology, transmission and storage as well as in electrical engineering. In addition to having an innovative approach, the winning project must also be marketable. The award comes with prize money of CHF 50000 which is available as seed capital for the new start-up. Other small projects in the start-up phase benefit from the Axpo Naturstrom Fund. For customers using Axpo Naturstrom, one cent per kilowatt hour is paid into the fund. Since 2000, more than CHF 8 million has been raised in this way.

More on the Axpo Energy Award at www.swiss-startups-awards.ch

Funds for research and universities

Axpo has also participated in the research projects of electricity industry associations such as Swissnuclear and Swisselectric Research. A decision was reached to discontinue the Swisselectric Research programme to allow the company to focus more on specific projects. However, ongoing projects will be completed as scheduled and co-financed within the predefined budget.

Around half of Axpo's R&D expenditure goes to university institutions such as the Paul Scherrer Institute. Support is also given to the Alps research project of the Geographical Institute of Zurich University. Along with the other partners of Swisselectric, Axpo contributes to financing five professorships at the ETH Zurich. These are the professorships for High-Power Electronics and Technology of Electrical Power Systems, Nuclear Power Technology, Energy Science and Technology, Reliability and Risk Analysis, High Voltage Engineering.

This support has succeeded in reinforcing the specialist areas of electrical engineering over the long term. The close cooperation with universities ensures that we have access to knowledge and experts. It goes without saying that the freedom of research is completely guaranteed. ‹

Renovation

Social changes mean that NOK has to remain agile. The state enterprise becomes a market player, NOK becomes Axpo. Foreign expansion, efficient energy production and far-reaching information campaigns are the new topics. Accidents in Russia and Japan reinforce public scepticism about nuclear power. The environment in which Axpo has to navigate becomes even more complex: The mission is to expand renewable energies and protect the environment while ensuring security of supply at economical prices. Unimaginable progress has been made possible – the search for solutions is, however, just as challenging today as it was for the pioneers who founded the company, and will continue to be in future.


2006

2006: Axpo wants to become the leading producer of electricity from renewable energies in Switzerland. It takes equity stakes in Kompogas AG and in Tegra Holz & Energie AG a year later.
By 2007, the Axpo Naturstrom Fund is already supporting 25 projects in research, development and pilot plants. In 2009, Axpo becomes the majority shareholder in Genesys Biogas AG, which processes biomass waste. At the same time, planning work starts on the biomass power plant in Bischofszell and other facilities in Europe, some of which will already come on stream in 2010.

2006: In October, Axporama in Böttstein AG is opened. The new exhibition "Life with Energy" shows the entire world of energy and electricity. Axporama replaces the information pavilion next to the island of Beznau, which was built in 1973 as Switzerland's first energy dialogue centre.

2008: Axpo and BKW submit framework approval applications for replacement nuclear power plants in Beznau and Mühleberg. Following the Fukushima accident, the Federal Council suspends the framework approval procedure in March 2011. On 25 May 2011, the Federal Council issues the decision to gradually withdraw from nuclear energy.

2010: Axpo continues to rely on hydro power and becomes the competence centre for small-scale hydro power plants. The Windisch, Au-Schönenberg and Bürglen small-scale hydro power plants are certified in accordance with naturemade star. In the coming years, additional small-scale hydro power plants will be commissioned or their construction will begin. In the centenary year, the small-scale hydro power plants are able to supply a total of 8000 households with power.


2006

2008

2013


2013


2013

2013: In June, Axpo is awarded the contract for the TAP project, developed by the Axpo subsidiary EGL over a period of ten years. In future, the Trans Adriatic Pipeline (TAP) will transport natural gas from Azerbaijan to Europe. In July, Axpo reduces its holding in TAP from 42.5% to 5%.

2013: Axpo with its subsidiaries is present in almost all European markets. The Global Tech I offshore wind farm off the North German coast, in which Axpo controls a quarter of the equity, is currently under construction and will come on stream in 2014.

2013: In 2005, Axpo starts planning the century project Linthal 2015. The expansion of the existing Linth-Limmern hydro power plant in the Canton of Glarus is expected to treble its output.
2015 – in the 101st year since its founding – Axpo commissions the expanded Limmern pumped-storage power plant.


2013

Corporate governance: Central component of the management culture

Axpo is committed to the principles of corporate governance. These are constantly monitored by the Board of Directors and adjusted if required. Axpo provides information in a transparent, active and honest manner. The Sustainability Report meets internationally acknowledged standards.

Group structure and shareholders

Group structure
The Axpo Group is administered via its management structure. The Group companies that comprise the legal structure represent legal entities in which business is transacted. The business of the Axpo Group is transacted legally via the individual subsidiaries of Axpo Holding AG (Axpo Power AG, Axpo Trading AG, Axpo Services, CKW AG and Axpo Informatik AG).

The subsidiaries:
- Axpo Power AG, Baden, 100%, CHF 360 million share capital
- Axpo Trading AG, Dietikon, 100%, CHF 132 million share capital
- Axpo Services AG, Baden, 100% , CHF 0.1 million share capital
- Centralschweizerische Kraftwerke AG (CKW), Lucerne, 81%, CHF 3 million share capital
- Axpo Informatik AG, Baden, 62.7%, CHF 0.1 million share capital

A complete list of the fully consolidated companies (listed and unlisted) as well as the equity consolidated partner power plants (unlisted) is provided on pages 106 to 110.

Subsidiaries listed on the stock exchange
The registered shares of the Lucerne-based Centralschweizerische Kraftwerke AG are listed on the SIX Swiss Exchange under security number 2060 347 (ISIN CH0020603475; trading symbol SIX CKWN). At a share price of CHF 301.25 on 30 September 2013, market capitalisation amounted to CHF 1789.5 million. Axpo Holding AG owns 81.0%.

The shareholders
The cantons and cantonal utilities of Northeastern Switzerland own 100% of the shares of Axpo Holding AG (see table).

Under the NOK foundation agreement of 1914, the founding shareholders of NOK (now Axpo Power AG) undertook to purchase the entire quanti-

ty of power needed by the cantonal electricity utilities from Axpo Power AG, so long as this was possible at cost-effective conditions. This purchase obligation is matched by the obligation of Axpo Power AG to supply the cantonal electricity utilities. These delivery and purchase obligations were cancelled in part by the entry into force of the Electricity Supply Act, but the shareholders have stated that they wish to continue to apply the foundation agreement as in the past.

Cross shareholdings

There are no cross shareholdings.

Capital structure

Share capital of Axpo Holding AG

The share capital of Axpo Holding AG amounts to CHF 370 million, divided into 37 000 000 registered shares with a par value of CHF 10 each. The shares are fully paid up. Axpo Holding AG has neither authorised nor contingent capital at its disposal. Each share entitles the holder to one vote at the Annual General Meeting of Shareholders and a pro-rata share of the dividends distributed.

Shares

Registered shares may only be transferred with the approval of the Board of Directors. This restriction also applies to the establishment of a beneficial interest. As long as the required agreement to transfer is not given, ownership of the shares and all rights attaching thereto remain with the seller, subject to Art. 685c para. 3 of the Swiss Code of Obligations. Reasons for denying consent are:

- the acquisition of shareholdings by a competitor;
- the economic autonomy of the company is jeopardised by the transaction;
- the objectives of the company are jeopardised by the transaction.

Changes in equity

The share capital of Axpo Holding AG has not changed since the establishement of the company in 2001. Details of other changes in equity can be found on page 49 for the consolidated annual financial statements of the Axpo Group and on page 119 for the annual financial statements of Axpo Holding AG.

Board of Directors and Executive Board

Election and term of office

The Board of Directors is elected by the Annual General Meeting of Shareholders. The shareholders make binding proposals regarding the members of the Board of Directors. The cantons are represented on the Board of Directors according to their shareholdings. The members of the Board of Directors are elected for a term of office of two years and re-election is possible (age restriction: age 70). The current term of office runs from the 2013 AGM to the 2015 AGM. The members do not hold any executive functions within the Axpo Group. The full Board of Directors met eight times in the reporting year and conducted a two-day workshop.

The shareholders of Axpo Holding AG

	in %	in CHF millions
Canton of Zurich	18.342	67.9
Electricity utilities of the Canton of Zurich	18.410	68.1
Canton of Aargau	13.975	51.7
AEW Energie AG	14.026	51.9
SAK Holding AG	12.501	46.3
EKT Holding AG	12.251	45.3
Canton of Schaffhausen	7.875	29.1
Canton of Glarus	1.747	6.5
Canton of Zug	0.873	3.2
Total share capital	100.000	370.0

Internal organisation

The Board of Directors constitutes itself and elects its Chairman and Vice-Chairman. In addition, the Board of Directors can appoint a secretary, who need not be a member of the Board of Directors.

The Board of Directors can set up committees and confer special duties and powers on these committees. There are currently four standing committees, which analyse in greater depth the business or personnel-related decisions made by the Executive Board. The committees report to the Board of Directors to allow it to prepare its resolutions and exercise its supervisory functions, and make recommendations regarding various business and personnel-related matters. Specifically, the committees have the following main functions:

Audit and Finance Committee:

- formulating independent assessments of the financial state of the Group, the share valuations, the quality of the internal and external auditing, the quality and appropriateness of the internal control systems, the annual financial statements, the interaction between internal and external auditing, the risk assessment and functioning of the risk management system, and compliance with the regulations within the Group;
- coordinating the audit plan with the internal and external auditors and assessing the financial statements;
- advising the Board of Directors on matters of financial management, transactions and investments and on corporate governance and compliance issues.

The Audit and Finance Committee met nine times in the reporting year. The Committee assessed the quarterly financial reports, the annual financial statements and the Group's financial planning. It also reviewed the (semi-annual and annual) compliance reports and the internal control system. It studied the half-yearly risk report to obtain an overview of the current risk situation of the Axpo Group. It also discussed the audit plan and reports submitted by the internal and external auditors. Management regularly updated the Committee as part of the review process on the progress made with the implementation of the measures proposed by the internal auditor. During the reporting year, the Committee also assessed various acquisitions, investments and divestments and submitted reports to the Board of Directors. The Board of Directors retains overall responsibility for the tasks delegated to the Audit and Finance Committee.

Remuneration and Human Resources Committee/Nominations Committee:
Since the 2013 Annual General Meeting of Shareholders, the Remuneration and Human Resources Committee and the Nominations Committee have been merged. The Comittee's functions are:

- formulating criteria for the selection and re-election of candidates to the Board of Directors in the form of a recommendation to the shareholders;
- discussing the selection of candidates with shareholders;
- preparing the nomination of the members of the Board of Directors and the Executive Board.

- preparing proposals for the remuneration and expenses regulations of the members of the Board of Directors; also taking the final decision on the remuneration of the members of the Executive Board in compliance with the salary system for senior management adopted by the Board of Directors;
- supporting the selection and assessment of candidates for the Executive Board;
- ensuring that the total remuneration packages are in line with the market and employee performance and that Axpo remains competitive on the labour market;
- advising the Board of Directors on all personnel issues and personnel management proposals by the CEO of Axpo Holding AG;
- formulating an opinion and recommendations on the Group's personnel policy and strategy as well as the pension plans.

The Board of Directors retains overall responsibility for the tasks delegated to the Committee except for the determination of the remuneration of the members of the Executive Board in compliance with the salary system for senior management adopted by the Board of Directors. The committee has only advisory powers.

The Remuneration and Nominations Committee met eight times in the reporting year.

In light of current events, it focused on appointing successors for the three Group Executive Board members and the remuneration of the members of the Board of Directors and Executive Board.

Strategy Committee:
- dealing with all strategic issues affecting the Group and subsequently submitting these to the Board of Directors.

The Strategy Committee met four times in the reporting year. The topics handled by the Committee included, among others, the Group strategy, the strategic energy business, the planning of future production plants, new energies and acquisitions. The Committee also discussed the issue of sustainability. The Board of Directors regularly reviews the company's performance in the area of sustainability.

Responsibilities and authority

The duties of the Board of Directors are based on the provisions of the Swiss Code of Obligations. The Board of Directors is responsible for defining the corporate strategy, the top-level management of the company and for supervising the Executive Board. In particular, it is responsible for establishing organisational structures, arranging the accounting system, financial controlling and financial planning, appointing the members of the Executive Board and determining their salaries, drafting the management report and preparing for the AGM and implementing its resolutions.

The Board of Directors represents the company vis-à-vis third parties and deals with all matters that have not been assigned to another governing body of the company by law, the articles of association or the organisational rules. In addition, the Board of Directors of Axpo Holding AG decides on

the strategic principles and planning of the major companies of the Group and also on measures in connection with corporate performance.

The powers and responsibilities of the Board of Directors and the Executive Board are set out in the organisational regulations of 1 March 2012 and in the management and organisation manual of the Axpo Group. The organisation regulations and the management and organisation manual describe the non-transferable duties of the Board of Directors. Responsibility for the overall management of the Axpo Group is delegated to the Chief Executive Officer, who is supported by the Executive Board. The CEO bears overall responsibility vis-à-vis the Board of Directors. The Executive Board, chaired by the CEO, coordinates and supervises the business operations of the Axpo Group. The responsibilities and powers of the CEO and of the Executive Board are also defined in both the organisational rules and the management and organisation manual and in the financial responsibilities statement of 1 October 2012.

The Board of Directors can only bind the company legally by way of joint signature with a minimum of two signatures.

Management information and monitoring tools

The CEO regularly updates the Board of Directors on business performance and important events. The Board has the following main tools at its disposal for monitoring and supervising the Executive Board and executive management:

- internal quarterly, semi-annual and annual reports;
- strategic planning (Group strategy and goals);
- long-term financial planning (planning horizon: ten years);
- annual budget (as well as "Budget plus" for two additional years);
- comprehensive auditors' report to the Board of Directors;
- semi-annual risk reports;
- annual corporate compliance reports (semi-annually to Audit and Finance Committee);
- Reports of the CEO.

The Board of Directors has appointed PricewaterhouseCoopers as internal auditor. Its activities are guided by the audit plan approved by the Chairman of the Board of Directors in agreement with the Audit and Finance Committee. The internal audit covers all Group companies.

In addition, the Board of Directors is represented on the Corporate Risk Council in the person of Dr. Ueli Betschart, member of the Audit and Finance Committee. The Corporate Risk Council met twice in the reporting year.

Remuneration, shareholdings and loans

The Remuneration and Human Resources Committee reviews the fees paid to the members of the Board of Directors and the committee's and submits requests for changes if required. The Board of Directors determines the fees to be paid to its members. The members of the Board of Directors receive a fixed fee which differs for the positions of Chairman, Vice-Chairman, Chairman of the Audit and Finance Committee, the members of the Audit and Finance Committee and the other members of the Board of Directors. Remuneration

for the Board of Directors mandate (fixed) comprises a fixed annual fee and an attendance fee (excl. Chairman). Axpo Holding AG does not make severance payments to members of the Board of Directors who have resigned.

The remuneration of the members of the Executive Board consists of a fixed basic salary, a variable salary component of up to 50% of the basic salary which depends on the degree of attainment of the financial (economic value added, RONOA) and operating objectives defined by the Board of Directors, as well as pension benefits and benefits in kind. There are no other payments.

To date, no external advisors have been involved in drawing up the remuneration principles for the members of the Board of Directors and the Executive Board. Remuneration, shareholdings and loans to members of the Board of Directors and the Executive Board are disclosed on pages 119 to 122 of this report. There are no long-term contractual ties with members of the Board of Directors or the Executive Board. No agreements have been made regarding severance pay.

Shareholders' rights of participation

The property and participation rights of the shareholders are regulated by law and by the company's articles of association. The articles do not contain any provisions that deviate from the law. Axpo Holding AG has issued only registered shares. The company maintains a share register. As far as the company is concerned, only those whose names are entered in the share register are deemed to be shareholders.

Shareholders holding at least 10% of the share capital can request that the Board of Directors convene an extraordinary general meeting. The request must be submitted in writing and contain the reasons for the meeting. The written notice must contain the agenda as well as the motions of the Board of Directors and the shareholders who requested the calling of the meeting or who exercised their right to add an item to the agenda.

The Annual General Meeting carries out its elections and passes its resolutions with the absolute majority of the votes present and represented, unless a qualified majority for ratifying resolutions is required by law (Art. 704 of the Swiss Code of Obligations). The articles of association do not stipulate any quorum for voting. The shareholders registered in the share register are entitled to vote at the Annual General Meeting. There are no restrictions on voting rights. A shareholder can be represented at the Annual General Meeting by a third party, who need not be a shareholder him/herself, bearing a written power of attorney. The company also maintains regular contact with the owners.

Risk management

It is the task of Axpo's risk management team to present the Group's risk situation in transparent terms, manage the Group-wide risk potential together with the management within the guidelines defined by the Board of Directors, and promote a risk culture within the Group. Axpo defines risk as deviations from the original plan that can be negative as well as positive. Based on its mission statement and vision, the Group not only assesses purely financial risks, but uses a holistic approach to assess the following four risk dimensions:

- EBIT@risk assesses the financial impact of risks that could cause deviation from the budgeted result;
- Supply reliability@risk assesses the impact of risks on the secure supply of electricity;
- Environment@risk analyses the impact of risks to people and the environment;
- Reputation@risk assesses the impact on the Group's reputation.

Systematic risk management process

Axpo's risk management process has been in place for many years. As part of this process, Axpo identifies the risks in the Group companies and at Group level every six months and assesses them according to probability of occurrence and impact. Basically, each Group company is responsible for its own risks according to the principle of causation and manages them under its own responsibility. Risks that affect all Group companies are captured together, and measures to manage these risks are coordinated at Group level. By aggregating the individual risks using Monte Carlo simulation, the risks can be presented on a consolidated basis at Group level.

The results of this Group-wide risk analysis are compiled every six months in a risk report and a catalogue with measures that are processed by the Corporate Risk Council. The Corporate Risk Council consists of the Executive Board, representatives of various Group functions and a representative of the Board of Directors of Axpo Holding AG. The risk report is subsequently discussed by the Audit and Finance Committee as well as the Board of Directors.

External auditing

KPMG AG, Zurich, is the statutory auditor of Axpo Holding AG. The audit mandate was given to KPMG for the first time for the 2003/04 financial year. The statutory auditor is elected for a period of one year by the Annual General Meeting of Shareholders. The current lead auditor has exercised his function since 2011. The Audit and Finance Committee of the Board of Directors periodically reviews compliance with the audit plan agreed with the statutory auditor.

External auditing fees
Axpo paid KPMG AG a total of around CHF 2.9 million in the 2012/13 reporting year (previous year: approx. CHF 3.0 million) for services related to the auditing of the annual financial statements of Axpo Holding AG, the Axpo Group and the subsidiaries audited by KPMG globally. KPMG AG was also paid CHF 0.7 million (previous year: around CHF 0.7 million) for other services provided globally.

Internal auditing fees
Axpo paid PricewaterhouseCoopers AG a total of approx. CHF 1.5 million in the 2012/13 reporting year (previous year: CHF 1.4 million) for services related to the internal auditing of Axpo Holding AG, the Axpo Group and the Group companies audited by it globally.

Information policy

Axpo actively, openly and honestly issues information on the Group, its objectives and specific events. Its dialogue with the public enhances the Group's credibility and promotes understanding of its business policies.

Axpo attaches importance to communication that meets the needs of the target groups. It provides its shareholders with information at the Annual General Meeting as well as through the shareholders' newsletter published in June. In 2012/13, around 120 media releases regarding current events at the Group and its subsidiaries were sent out to the media. Axpo also calls media conferences where it informs the media directly of important developments affecting the Group or the industry. ‹

Media releases and more information at www.axpo.com

Board of Directors

Robert Lombardini
Chairman
Born in 1949, Swiss

Robert Lombardini, dipl. El.-Ing. ETH (electrical engineer), has been a member and the Chairman of the Board of Directors since 2004, as well as a member of the Audit and Finance Committee, the Remuneration and Nominations Committee and the Strategy Committee. Until 2003, Robert Lombardini was a divisional head and CEO of Dätwyler Group. Prior to this, he worked in various managerial functions for Motor Columbus and Agie.

Other BoD mandates: Kistler Instrumente AG (chairman), Sécheron Hasler Holding SA (chairman) and SIG Combibloc Group AG (member).

Stephan Attiger (since 8 March 2013)
Born in 1967, Swiss

Stephan Attiger has been a member of the Board of Directors and a member of the Remuneration and Nominations Committee since March 2013. Since April 2013, he has been a member of the Government of the Canton of Aargau, where he is responsible for Public Works, Transport and the Environment. From 2006 to 2013, he was the City President of Baden.

Ueli Betschart
Born in 1950, Swiss

Ueli Betschart, dipl. El. Ing. ETHZ (electrical engineer) and Dr. sc. techn., has been a member of the Board of Directors since 2009. He is also a member of the Audit and Finance Committee as well as the Corporate Risk Council. From 2003 to 2012 he was Director of Electrosuisse. From 2000 to 2003 he was the CEO of Brugg Cables and from 1997 to 2000 he served as the CEO of Afag AG.

Other BoD mandates: Elektrizitätswerke des Kantons Zürich (chairman).

Peter C. Beyeler (until 8 March 2013)
Born in 1945, Swiss

Peter C. Beyeler, dip. Bauing. ETH (construction engineer), was a member of the Board of Directors and member of the Strategy Committee from March 2001 until March 2013. From July 2000 to March 2013 he was a member of the Government of the Canton of Aargau. From 1991 to 2000 he served as deputy director of NOK AG, Baden.

Other BoD mandates: Alp Transit Gotthard AG (ATG).

Jakob Brunnschweiler
Vice-Chairman
Born in 1950, Swiss

Jakob Brunnschweiler, dipl. Bauing. FH (construction engineer), has been a member of the Board of Directors since 2001 and Vice-Chairman since 12 March 2011. He has also served as the Chairman of the Strategy Committee since 2011. Until March 2013, he was also a member of the Nominations Committee. He has been a member of the Government of the Canton of Appenzell Ausserrhoden since 1998, where he serves as Director of Public Works and the Environment. From 1980 to 1998 Jakob Brunnschweiler was the managing director of an engineering company and a member of the executive board of a construction company.

Other BoD mandates: St. Gallisch-Appenzellische Kraftwerke AG (vice-chairman) and SEAG Aktiengesellschaft für schweizerisches Erdöl.

Reto Dubach
Born in 1956, Swiss

Reto Dubach, Dr.iur. (lawyer), has been a member of the Board of Directors and a member of the Remuneration Committee since 2008. Since 8 March 2013, he has been a member of the Remuneration and Nominations Committee. Reto Dubach has also been a member of the Government of the Canton of Schaffhausen since 2008, where he serves as the Director of Public Works and is also responsible for energy. From 1997 to 2007 he was State Chancellor of the Canton of Schaffhausen.

Other BoD mandates and functions: Elektrizitätswerk des Kantons Schaffhausen AG (chairman), Kraftwerk Schaffhausen AG, Schweizerische Schifffahrtgesellschaft Untersee und Rhein AG (chairman), Verein Agglomeration Schaffhausen (chairman).

Roland Eberle
Born in 1953, Swiss

Roland Eberle, Ing.Agr. ETH, (agricultural engineer), has been a member of the Board of Directors and a member of the Audit and Finance Committee since 2012. He has been the SVP representative of the Canton of Thurgau in the Council of States since 2011. From 2006 to 2011 he served as CEO of sia Abrasives Holding AG. From 2003 to 2007 he was chairman of the Federal Commission for Refugees. In 1994, he was elected to the Government of the Canton of Thurgau, prior to which he spent ten years as head of the Thurgauer Bauernverband.

Other BoD mandates and functions: De Martin AG Metallveredelung (chairman), Kibag Holding AG, Spital Thurgau AG, HRS Holding AG (chairman), Vereinigung Schweizer Futtermüller (chairman) and chairman of the Kartause Ittingen Foundation.

Andreas Frank
Born in 1954, Swiss

Andreas Frank, Ing. HTL (engineer), has been a member of the Board of Directors since 2010. Until March 2013, he was also a member of the Remuneration Committee. Since March 2013, Andreas Frank has been a member of the Audit and Finance Committee. Since 2000 he has been CEO of Greiner Packaging Holding AG, Diepoldsau as well as CEO of Rundpack AG, Diepoldsau.

Other BoD mandates: Greiner Packaging Ltd., Dungannon/Northern Ireland (chairman), Greiner Packaging Corporation, Delaware, USA (chairman),

Frimoba AG, Balgach (chairman) and St. Gallisch-Appenzellische Kraftwerke AG (SAK).

Ernst Frey (until 8 March 2013)
Born in 1949, Swiss

Ernst Frey, dip. Bauing. ETH/SIA (construction engineer), was a member of the Board of Directors from 2005 to March 2013 and has been Chairman of the Nominations Committee since 2010. From 1980 to 2003 he was CEO of Ernst Frey AG and he has been the chairman of the board of directors of Ernst Frey AG since 1987. Before that, he was a member of the executive board of Ernst Frey AG.

Other BoD mandates and functions: AEW Energie AG, BEC AG (chairman), Buebechilch AG (chairman), Belagswerk Rinau AG, Immobilien AEW AG, Immoka Immobilien AG (chairman), Kraftwerk Augst AG (chairman), Regio Wiederverwertungs AG and Walter Brogli AG (vice-chairman).

Martin Graf
Born in 1954, Swiss

Martin Graf, Ing. Agr. ETH, has been a member of the Board of Directors and from 8 March 2013, he has been a member of the Nominations Committee. Since 8 March 2013, he has been a member of the Remuneration and Nominations Committee. He is a member of the Government of the Canton of Zurich, where he serves as Director of Justice and Internal Affairs. From 1998 to 2011 he was the City President of Illnau-Effretikon, where he was a member of the City Council from 1994 to 1998, and also a member of the Municipal Council from 1990 to 1994.

Other BoD mandates: Opernhaus Zürich AG.

Rudolf Hug
Born in 1950, Swiss

Rudolf Hug has been a member of the Board of Directors since 2003 and has been Chairman of the Audit and Finance Committee since 2010. Rudolf Hug has been in business since 1983 and established a number of companies under the umbrella of HAT-Holding AG.

Other BoD mandates and functions: AEW Energie AG, AOS Technologies AG (chairman), Brugg Cables Industry AG, Brugg Contec AG, Brugg Drahtseil AG, Brugg Immobilien AG, Brugg Rohrsysteme AG, Brugg Kabel AG, Brugg Rohr AG Holding, Brugg Seiltechnik Holding AG, ELSOFT AG (chairman), Fatzer AG Drahtseilfabrik, Fortatech AG Seil- und Hebetechnik, Geobrugg AG, HINT AG, HT-Holding AG (chairman), Kabelwerke Brugg AG Holding, MPL AG Elektronik Unternehmen (chairman), MPI Distribution AG, MTEK AG (chairman), Rittmeyer AG.

Markus Kägi
Born in 1954, Swiss

Markus Kägi is a licensed notary in Zurich and has been a member of the Board of Directors and a member of the Strategy Committee since 2007. He is a member of the Government of the Canton of Zurich, where he serves as Director of Public Works. From 1996 to 2007 he was ombudsman for the Canton of Zurich and from 1991 to 1996 he was a member of the Parliament of the Canton of Zurich.

Other BoD mandates: Elektrizitätswerke des Kantons Zürich.

Peter Reinhard
Born in 1954, Swiss and Italian

Peter Reinhard, managing director of a building cooperative alongside his main job, has been a member of the Board of Directors since 2005. Up until 8 March 2013, he served as Chairman of the Remuneration Committee. Since 8 March 2013, he has been Chairman of the Remuneration and Nominations Committee. He is a member of the Parliament of the Canton of Zurich and has been chairman of the EVP parliamentary group since 1994.

Other BoD mandates and functions: Elektrizitätswerke des Kantons Zürich (member of the audit committee), the united staff associations of the Canton of Zurich (chairman) and Federation of the Cantonal Police Zurich (chairman).

Heinz Tännler
Born in 1960, Swiss

Heinz Tännler, who holds a law degree and has been admitted to the bar and commissioned as a notary public, has been a member of the Board of Directors since 2011. Up until 8 March 2013, he was a member of the Nominations Committee. Since 8 March 2013, he has been a member of the Strategy Committee. He has been a member of the Government and Director of Public Works of the Canton of Zug since 2007. From 2004 to 2007 he served as director in the legal department of FIFA and from 1991 to 2003 he practised as a lawyer and notary public in Zug. He was a member of the Parliament of the Canton of Zug from 1994 to 2003.

Other BoD mandates: Parkleitsystem Zug AG (chairman).

Ernst Werthmüller (since 8 March 2013)
Born in 1949, Swiss

Ernst Werthmüller, Ing. HTL, Executive Development IMD Lausanne, Marketing HSG St. Gallen, has been a member of the Board of Directors and member of the Strategy Committee since 2013. Prior to this, he was Vice-Chairman of Axpo AG. He is CEO and delegate of the Board of Directors of Ferrum AG and owner of WerthCG GmbH.

Other BoD mandates: AEW Energie AG (chairman), HKG Holding AG (chairman), AWAG Aarewerke AG (chairman), Kraftwerk Augst AG, Bachmann AG Transporte and Bachmann Logistik AG.

Executive Board

Heinz Karrer
Chief Executive Officer
Born in 1959, Swiss

Heinz Karrer, dipl. Kaufmann, has been the Chief Executive Officer (CEO) of Axpo Holding AG since 2002. From 1998 to 2002 Heinz Karrer was a member of the Management Board of Swisscom AG responsible for the marketing+sales division. Previously he was Chairman of the Management Board of Ringier Schweiz, member of the Management Board of Ringier AG and chairman of the management board and Board of Directors delegate of Intersport Holding AG.

Heinz Karrer is the Chairman of the Board of Directors of Centralschweizerische Kraftwerke AG. He also continues to serve as member of the Board of Directors of Kuoni Reisen Holding AG and of Notenstein Privatbank AG. In addition since 30 August 2013, he has been the Chairman of Economiesuisse and of Swisselectric.

Martin Schwab
Chief Financial Officer
Born in 1966, Swiss

Martin Schwab has been the Chief Financial Officer (CFO) of Axpo Holding AG since 1 February 2011. The business economist and expert in accounting and financial controlling has an MBA from the University of Rochester, N.Y. From 2005 to the end of 2010 he was CFO of the Selecta Group. Previously Martin Schwab was the Finance Director and Deputy Managing Director of the Compass Group (Switzerland) AG, after the post of Management Reporting Manager of the Compass Group took him to London. From 1999 to 2002 he was the CFO of Selecta AG and previously the commercial director at Dr. Siegrist AG.

Martin Schwab is a member of the supervisory committees of the following companies in the Axpo Group: Axpo Power AG (Chairman), Axpo Informatik AG (Chairman), Axpo Trading AG (Chairman) and Centralschweizerische Kraftwerke AG (CKW) (Vice-Chairman). He is also the Chairman of the Board of Trustees of the PKE-CPE Vorsorgestiftung Energie and member of the Committee of the Decommissioning and Disposal Fund for Nuclear Plants.

Hans Schulz
Head of Trading & Sales
Born in 1959, German

Hans Schulz, Dr. Ing./dip. industrial engineer, Chief Executive Officer (CEO) of EGL AG since 2007, now Head of the Trading & Sales business area and member of the Executive Board since 2006. From 2006 to September 2007, he was member of the Executive Board of Axpo AG (then NOK) and head of the Grids and Trading & Sales divisions. Previously, he worked for 18 years for the present OC Oerlikon, where he had various management roles in the Balzers division (surface coating). From 1999, he was a member of the extended management board of OC Oerlikon (formerly Unaxis).

Hans Schulz is a member of the Board of Directors in the following companies: Axpo Trading AG (Vice-Chairman), Repower AG (Vice-Chairman), Repower Klosters AG and Trans Adriatic Pipeline AG, VSE board member

Manfred Thumann
Head of Assets
Born in 1954, Swiss

Manfred Thumann, Dr.-Ing. in mechanical engineering, has been Head of the Assets business area since 2012 and member of the Executive Board since 2004. From 2007 to 2012 he was the Chief Executive Officer (CEO) of Axpo AG, and from 2003 to 2007 as a member of the Executive Board he was responsible for the Nuclear Energy division and managing director of the Kernkraftwerk Leibstadt AG. From 1997 to 2003 he was director of the gas turbine business at Alstom. Previously, he held various positions in the ABB Group and worked in research at the German national aeronautics and space research centre (DLR).

Manfred Thumann is a member of the following Board of Directors: Kernkraftwerk Leibstadt AG (Chairman), Axpo Grid AG (Chairman), Ersatz Kernkraftwerk Beznau AG (Chairman), Resun AG (Chairman), Axpo Power AG (Vice-Chairman), Kernkraftwerk Gösgen-Däniken AG (Vice-Chairman), Ersatz Kernkraftwerk Mühleberg AG (Vice-Chairman), Kernkraftwerk Niederamt AG (Vice-Chairman), Swissgrid AG, Repower AG. He is also a member of the Swisselectric board and member of the Swiss Federal Energy Research Commission CORE.

Andrew Walo
Chief Executive Officer CKW
Born in 1963, Swiss and British

Andrew Walo, Dr. oec. publ., has been the Chief Executive Officer (CEO) of Centralschweizerische Kraftwerke AG and member of the Executive Board since 2004. From 2001 to 2004 he was managing director of SN Energie AG and of Kraftwerke Zervreila AG in Vals. Previously he held managerial positions at Alstom and ABB.

Andrew Walo is a member of the following Board of Directors: CKW Conex AG (Chairman), CKW Fiber Services AG (Chairman), Elektrizitätswerk Altdorf AG (Chairman), Elektrizitätswerk Schwyz AG, Kraftwerk Göschenen AG. He is also a member of the board of the Verband Schweizerischer Elektrizitätsunternehmen (VSE) and of Swisselectric, of the Central Switzerland Chamber of Commerce and Industry and of the Swiss Employers' Association (SAV). In addition he is Chairman of the Board of Trustees of the CKW Pension Fund.

Executive bodies and Group officers of Axpo Holding AG

BOARD OF DIRECTORS

Chairman

Robert Lombardini, Hünenberg

Vice-Chairman

Jakob Brunnschweiler, Teufen

Members

Stefan Attiger, Baden (since 8.3.2013)
Dr. Ueli Betschart, Nürensdorf
Peter C. Beyeler, Rütihof (until 8.3.2013)
Dr. Reto Dubach, Schaffhausen
Roland Eberle, Weinfelden
Andreas Frank, Balgach
Ernst Frey, Kaiseraugst (until 8.3.2013)
Martin Graf, Effretikon
Rudolf Hug, Oberrohrdorf
Markus Kägi, Niederglatt
Peter Reinhard, Kloten
Heinz Tännler, Zug
Ernst Werthmüller, Holziken (since 8.3.2013)

EXECUTIVE BOARD

Heinz Karrer, CEO
Martin Schwab, CFO
Dr. Hans Schulz, Head of Trading & Sales
Dr. Manfred Thumann, Head of Assets
Dr. Andrew Walo, CEO CKW

GROUP FUNCTIONS

Dr. Christian Capello, Sustainability Management
Peter Enderli, Accounting
Thomas Erb, Insurance
Heinz Peter Ulrich Erkens, Financial Projects
Dr. Martin Everts, Energy Economics
Boris Flade, Financial Controlling
Christoph Huber, Corporate Human Resources
Dr. Clemens Mann, Risk Management
Rainer Meier, Corporate Communications
Hansueli Sallenbach, Corporate Legal
Martin Saxer, Corporate Public Affairs
Kurt Scherer, Corporate Information Management/CIO
Michael Schmid, Tax
Marcus Seiler, Treasury
Niklaus Zepf, Corporate Development

AUDITOR

KPMG AG, Zurich

Axpo in transition: The Sustainability Advisory Committee takes a critical look into the future and makes suggestions

In the Axpo Sustainability Advisory Committee, leading figures from the industry, the media and academia continually monitor Axpo's efforts to achieve credibility and sustainability. In its wide-ranging remit, the Advisory Committee addresses key challenges faced by Axpo.

Change in the business model
Economic and political change in the energy sector demands a rapid adjustment of Axpo's business model. From now on it will not only be a question of the production of and trading in electricity, but also of innovative services in energy management. This strategic realignment should be anchored in our employees as quickly and deeply as possible. It also means new challenges for the Axpo Board of Directors. This may no longer continue to largely select its members according to political criteria but must consciously seek individuals with a broadly-based specialist knowledge and experience with innovative energy strategies.

Social responsibility
In spite of repeated encouragement from the Advisory Committee, Axpo still does not do enough to fulfil its social responsibility as a publicly owned company. In particular, more efforts should be put into the conception and implementation of activities which increase awareness in society of the responsible use of energy. As a consequence of the politically initiated transition to renewable energies, Axpo should seek to embed this commitment more clearly in its business model than hitherto.

Renewable energies
Axpo should extend its involvement in research into novel and more efficient technologies for energy conversion and document this involvement more clearly and in more detail than previously. ‹


1


2


3


4


5


6

Kurt Aeschbacher (1)
Born in 1948, Swiss

Kurt Aeschbacher, lic. rer. pol., has worked since 1981 as an editor, producer and presenter at SRF (the Swiss German-language public service broadcaster), where among other things he has since 2001 hosted a weekly talk show, which he produces in his own studio with his own production company. Previously he was the Vice-Director of "Grün 80" and has held various posts in the private sector. Kurt Aeschbacher is a member of the Board of Directors of Casino Baden AG, is a Unicef ambassador and a columnist for various newspapers. He regularly hosts congresses and events at home and abroad and is the chairman of an animal welfare foundation.

David Bosshart (2)
Born in 1959, Swiss

David Bosshart has a doctorate in political philosophy and since 1999 has been the CEO of the Gottlieb Duttweiler Institute (GDI), one of the leading European think tanks for commerce and its social context. His fields of interest are the future of consumption and social change, management and culture, globalisation and political philosophy. As a bestselling author and multilingual speaker, he is in demand as a keynote speaker in Europe, America and Asia.

Ralph Eichler (3)
Born in 1947, Swiss

Ralph Eichler acquired his doctorate at ETH Zurich in physics and is Chancellor of the ETH Zurich, member of the ETH Senate and member of the Rectors' Conference of Rectors of Swiss Universities (CRUS). Previously he served as the Director of the Paul Scherrer Institute (PSI) from 2002. Since 1988, he has been a professor at the ETH Zurich. Ralph Eichler is also a member of the Board of Directors of Belenos Clean Power AG and Venture Incubator AG. He serves as Vice-Chairman of the ETH Zurich Foundation.

Ueli Mäder (4)
Born in 1951, Swiss

Ueli Mäder is Professor of Sociology at Basel University. He directs the postgraduate course in conflict analysis and conflict management. His special field of interest is social inequality. Ueli Mäder is also a professor at the University of Applied Sciences and Arts NW Switzerland (FHNW) and campaigns for the closure of nuclear power stations and more support for renewable emergies.

Hubertine Underberg-Ruder (5)
Born in 1962, German

Hubertine Underberg-Ruder has a doctorate in microbiology. After working at Tübingen University and at a research institute of the Netherlands Ministry of Agriculture, in 1991 she joined her parents' company at its headquarters in Dietlikon (Switzerland). Ms. Underberg-Ruder is now the chairwoman of the supervisory board of Schlumberger AG, Vienna (Austria), and of Zwack Unicum Nyrt, Budapest (Hungary), member of the advisory board of the German company Semper idem Underberg GmbH, Rheinberg, and chairwoman of the Board of Directors of its Swiss parent company Underberg AG, Dietlikon. She is married to Dr. Franz Ruder, and has four children.

Gottfried Schatz (6)
Chairman of the Sustainability Advisory Committee
born in 1936, Austrian

Gottfried Schatz is professor emeritus for biochemistry at Basel University. Before moving to Switzerland in 1974, he worked at Vienna University, at the City of New York Public Health Research Institute and as professor of biochemistry at Cornell University in Ithaca (New York). Following his retirement in the year 2000, he chaired the Swiss Science and Technology Council (SWTR), which advises the Federal Council on research and education issues, for four years. His academic specialism was energy production in living cells. He and his Danish wife have three children.

GRI classification: Level A+

The international guidelines of the Global Reporting Initiative (GRI) create transparency.

As in the previous financial year, the Axpo Management and Sustainability Report achieves the level A+.

A detailed GRI index is available in the GRI Report at www.axpo.com under Environment & Society

Axpo has drawn up this Management and Sustainability Report on the basis of Global Reporting Initiative (GRI) guidelines. The GRI pursues the objective of making corporate reporting worldwide more transparent and more comparable.

Test result: Level A+

GRI has established a system with levels A, B and C, where A is the highest level. The subdivision has been created to address the various needs of companies. This GRI classification does not represent an evaluation of the sustainability performance but indicates to what extent the GRI report framework is covered. An additional "+" means that the details of the report have been confirmed by an external audit (assurance). In this report Axpo presents its performance in all aspects of sustainability at A+, the highest level of transparency according to the GRI guidelines. This comprehensive reporting is an expression of Axpo's understanding of sustainability as a central issue in its business with a long-term strategy, and playing a key role in all business affairs.

A detailed GRI content index is available in the Axpo GRI Report 2012/13, which can be downloaded from the Axpo website at www.axpo.com under Environment & Society. This index makes it possible to find GRI-related information by page number in the Axpo Management and Sustainability Report 2012/13 and it also provides information on supplementary GRI indicators. This report along with the Assurance and the internet-published GRI index satisfies the requirements of the "A+" level of the GRI-G3 guidelines. This has been reviewed and confirmed by GRI.

The essential issues that determine the content have been tested

The contents of this report relate to the financial year 2012/13 (1 October 2012 to 30 September 2013). If the report relates to information outside this period, this is indicated. Unless otherwise stated, the report relates to fully consolidated Group companies. The key economic, environmental and social effects of Axpo's business activities are covered by this report without special limitations on the scope or on report parameters. In addition to this report, up-to-date information on sustainability issues can be found on the company website at www.axpo.com under Environment & Society and by clicking the links. The issues addressed in the report were determined in a comprehensive significance or "materiality" test. This process required by GRI carefully examines which sustainability issues from the GRI grid are relevant in two regards: from the viewpoint of Axpo itself and from the viewpoint of its external stakeholder groups. Important bases for this materiality test are the Axpo

sustainability strategy, which defines how the company wishes to implement its sustainability policy in the medium term and the results of the comprehensive dialogue with stakeholders. On the basis of this dialogue, Axpo has been monitoring the needs of its key external stakeholder groups for several years now.

GRI guidelines have been consistently applied

Insofar as data on the reported subjects was available, Axpo has implemented the reporting standard GRI-G3 at application level A+. In comparison to the previous reporting year, there were no major changes in relation to the Group's size or ownership structure. Also in relation to joint ventures, subsidiaries, leased plants and outsourced activities, there were no significant changes which would substantially affect the comparability of the reporting. Neither the reporting parameters nor measuring methods have significantly changed in comparison to the sustainability report 2011/12. All adjustments are indicated in each case. The Management and Sustainability Report 2012/13 appears as a printed version in German. It is available on our website www.axpo.com under Media & Investors in both German and English. Only the printed German version is binding. ‹

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **Axpo Holding AG** has presented its report "Annual Sustainability Report 2012/2013" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 26 November 2013

A+ GRI REPORT GRI CHECKED

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

The "+" has been added to this Application Level because Axpo Holding AG has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance

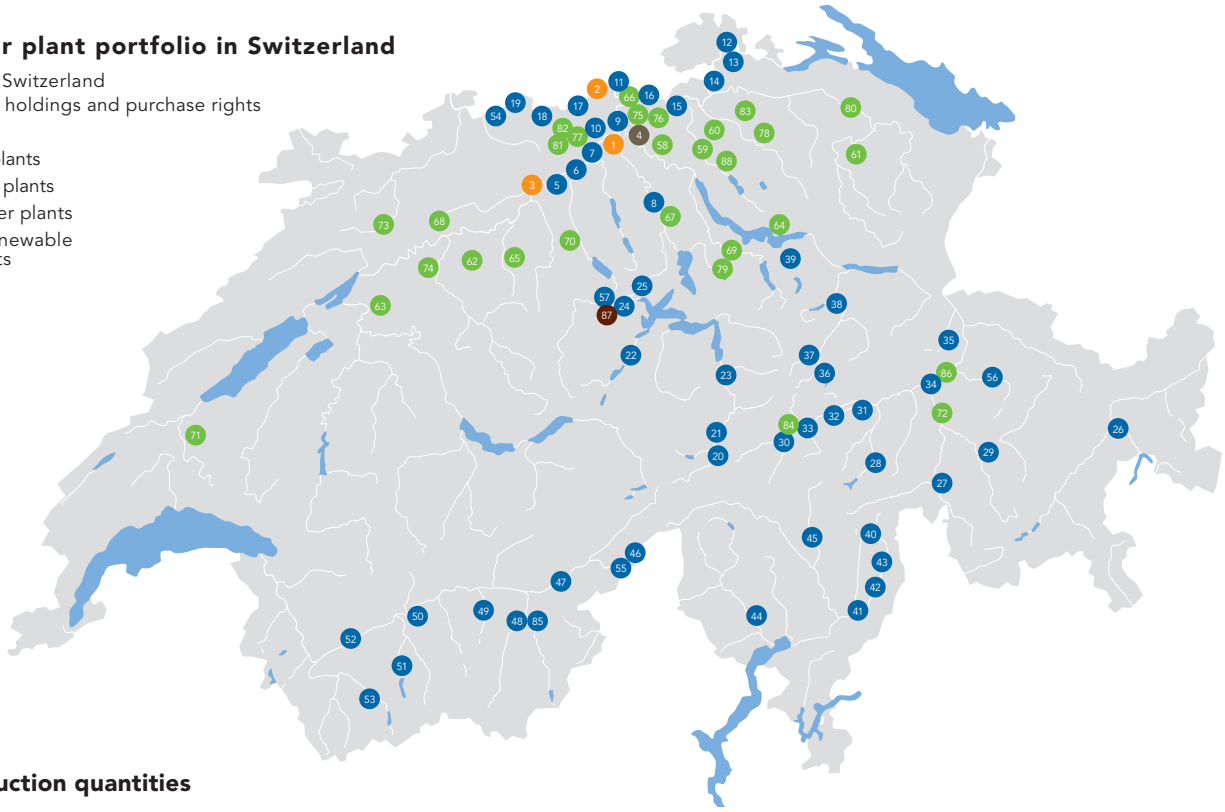
The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

***Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 25 November 2013. GRI explicitly excludes the statement being applied to any later changes to such material.*

Axpo power plant portfolio in Switzerland

Power plants in Switzerland
including equity holdings and purchase rights

- Hydro power plants
- Nuclear power plants
- Gas-fired power plants
- Small-scale renewable energies plants
- Wind farms



Annual production quantities

5 000 – 10 000 million kWh

		Capital holding in % [1]
1	Kernkraftwerk Beznau	100.0
2	Kernkraftwerk Leibstadt AG	34.6
3	Kernkraftwerk Gösgen-Däniken AG	30.0

1 000 – 5 000 million kWh

		Capital holding in % [1]
26	Engadiner Kraftwerke AG	30.0
27	Kraftwerke Hinterrhein AG	19.5
44	Officine Idroelettriche della Maggia SA	30.0
51	Grande Dixence SA	13.3
53	Forces Motrices de Mauvoisin SA	68.3

500 – 1 000 million kWh

		Capital holding in % [1]
4	Gasturbine Döttingen	100.0
17	Rheinkraftwerk Albbruck-Dogern AG	5.0
19	Kraftwerk Ryburg-Schwörstadt AG	13.5
28	Kraftwerke Zervreila AG	21.6
30	Kraftwerke Vorderrhein AG	81.5
36	Kraftwerke Linth-Limmern AG	85.0
45	Officine Idroelettriche di Blenio SA	17.0
47	Electra-Massa SA	13.8
48	Kraftwerke Mattmark AG	58.2
54	Kraftwerk Rheinfelden [2]	50.0

250 – 500 million kWh

		Capital holding in % [1]
7	Kraftwerk Wildegg-Brugg	100.0
15	Kraftwerk Eglisau-Glattfelden AG	100.0
18	Rheinkraftwerk Säckingen AG	25.0
20	Kraftwerk Göschenen AG	50.0
21	Kraftwerk Wassen AG	40.0
29	Albula-Landwasser Kraftwerke AG	75.0
31	Kraftwerke Ilanz AG	85.0
35	Kraftwerke Sarganserland AG	98.5
40	Officine Idroelettriche di Mesolcina SA	88.0

100 – 250 million kWh

		Capital holding in % [1]
6	Kraftwerk Rupperswil-Auenstein AG	45.0
8	Kraftwerk Bremgarten-Zufikon [3]	0.0
9	Hydraulisches Kraftwerk Beznau	100.0
11	Aarewerke AG	14.9
12	Kraftwerk Schaffhausen AG	30.0
14	Elektrizitätswerk Rheinau AG	50.0
16	Rheinkraftwerk Reckingen AG	20.0
23	Kraftwerke Elektrizitätswerk Altdorf AG	62.2
32	Axpo Hydro Surselva AG	100.0
34	Kraftwerke Reichenau AG	85.0
38	Kraftwerk am Löntsch	100
39	AG Kraftwerk Wägital	50.0
41	Calancasca AG	100.0
43	Elettricità Industriale SA	70.0
46	Kraftwerk Aegina AG [4]	50.0
50	Lienne SA [5]	0.0
52	Lizerne et Morge SA	50.0
85	Kraftwerk Ackersand I AG [6]	5.0
86	Axpo Tegra AG, Domat/Ems ****	100.0

50 – 100 million kWh

		Capital holding in % [1]
5	Kraftwerk Rüchlig	100.0
33	Kraftwerke Frisal AG	80.6
37	Fätschbachwerk	100.0
49	Argessa AG	35.0

10 – 50 million kWh

		Capital holding in % [1]
10	Wehrkraftwerk Beznau	100.0
13	Rheinkraftwerk Neuhausen AG	40.0
22	Kraftwerk Sarneraa	18.0
25	Kraftwerk Rathausen	100.0
56	Kraftwerk Sagenbach	60.0

1 – 10 million kWh

		Capital holding in % [1]
24	Kraftwerk Emmenweid	15.0
42	Tecnicama SA	15.0
55	Blinnenwerk AG	9.1
57	Kraftwerk Ettisbühl	15.0
58	Otelfingen *	100.0
60	Bachenbülach *	100.0
61	Uzwil *	100.0
63	Aarberg *	100.0
66	Kompogas Bioriko AG, Klingnau *	50.0
67	Ökopower AG, Ottenbach *	50.0
68	BV Kompostieranlage Oensingen AG, Oensingen *	50.0
70	Axpo Kompogas Wauwil AG, Wauwil *	88.57
71	Compostière de la Plaine de l'Orbe SA, Chavornay *	100.0
75	Stroppel **	100.0
77	Windisch **	100.0
78	Kollbrunn **	100.0
79	Au-Schönenberg **	100.0
80	Bürglen **	100.0
87	Lutersarni	100.0

0 – 1 million kWh

		Capital holding in % [1]
59	Rümlang *	100.0
62	Langenthal *	100.0
64	Jona *	100.0
65	Kompogas Utzensdorf AG, Utzensdorf *	59.3
69	Axpo Kompogas Samstagern AG, Samstagern *	75.0
72	Realta Biogas AG, Cazis *	41.7
73	Moutier **	100.0
74	Lotzwil **	100.0
76	Oederlin [7] **	0.0
81	Solar power plant Siggenthal ***	100.0
82	Solar power plant Windisch ***	100.0
83	Solar power plant Winterthur ***	100.0
84	Solar power plant Disentis ***	75.0
88	Volketswil [8] *	100.0

[1] Direct share of Axpo capital (including sub-participations).
[2] Power purchase right.
[3] AEW Energie recycling contract.
[4] The shares are held by Ofima.
[5] Power purchase option 25%.
[6] The shares are held by KWM.
[7] Axpo leases this plant. No capital stake but 100% power use.
[8] Axpo Kompogas Volketswil AG produces almost 100% gas, very little electricity.

* Axpo Kompogas AG (fermentation plants), 100%
** Axpo Kleinwasserkraft AG (small-scale hydro power plant), 100%
*** Axpo Kleinwasserkraft AG (solar power plants), 100%
**** Axpo Holz + Energie AG (wood-fired power plants), 100%

The Alp Findels solar power plant was dismantled from 30.9.2013.

Axpo power plants in Europe and the trading regions

- Locations

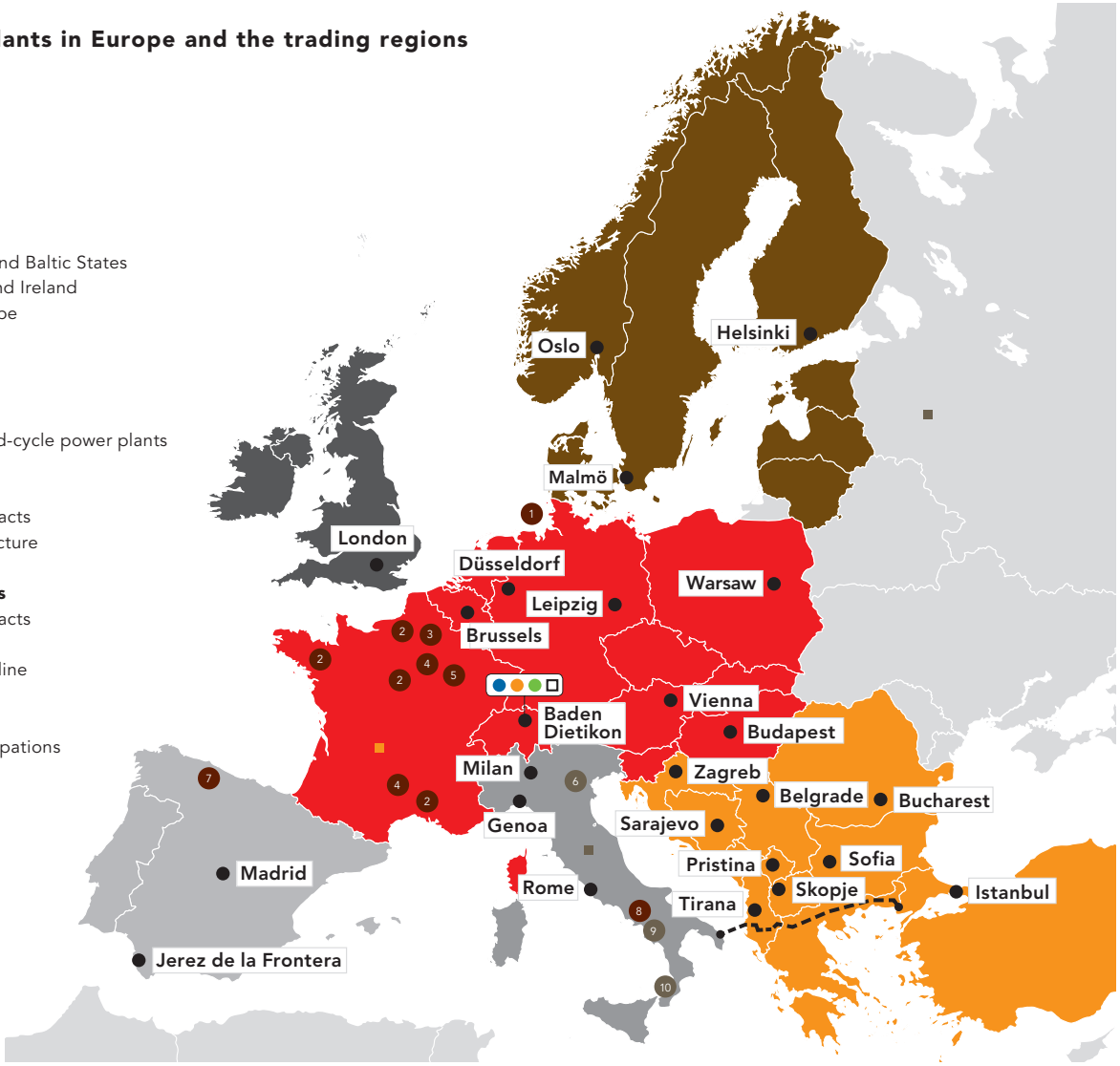
Trading regions
- Central Europe
- Italy
- Iberian peninsula
- Northern Europe and Baltic States
- United Kingdom and Ireland
- Southeastern Europe

Electricity assets*
- Hydro power
- Nuclear power
- Gas-fired combined-cycle power plants
- Wind farms
- New energies
- Procurement contracts
- Transport infrastructure

Natural gas assets
- Procurement contracts

- - - Trans Adriatic Pipeline

*including sub-participations



Annual production quantities

Assets in operation		in million kWh
8	Winbis	95.70
7	La Peñuca	42.55
5	Plain Dynamique	26.50
3	St. Riquier 2	28.80
3	Terravent	13.70
9	Calenia	1549.864
10	Rizziconi	949.684
6	Ferrara	1732.330

Planned assets		in million kWh
2	FADO project	113.68
4	Terravent	9.00

Assets in construction		in million kWh
1	Global Tech I	417.41

Glossary

Base-load energy
The energy that must be provided by electricity suppliers throughout the day (24 hours) in order to cover basic demand. The demand for base-load energy in Switzerland is around 6 000 megawatts (MW) in summer, and around 8 000 MW in winter.

Swiss Federal Electricity Commission (ElCom)
ElCom is the independent state regulatory authority for electricity. It monitors compliance with the electricity supply laws and energy laws.

Swiss Federal Nuclear Safety Inspectorate ENSI
The national supervisory authority responsible for nuclear safety and the security of Swiss nuclear facilities. It is an independent body constituted under public law.

Cost-covering remuneration for feed-in to the electricity grid
The cost-covering remuneration for feed-in to the electricity grid (known as "KEV" in German) is an instrument used by the Confederation to promote the production of electricity from renewable energies.

Energy efficiency
The ratio of energy utilization to energy input in a system. Increasing energy efficiency entails achieving the same performance with less energy.

Renewable energies
Energies that are not exhausted despite continuous use, but are constantly replenished. Conventional large-scale hydro power is an example.

High voltage grid
The Swiss high voltage grid, around 7 000 kilometres in length, connects the power plants on the Swiss plateau and in the Alps with the conurbations. It also connects Switzerland with Europe. Previously owned by the major electricity producers, it was transferred to Swissgrid on 1 January 2013.

Kilowatt hour (kWh)
The standard unit of electrical energy. A watt hour (Wh) is the energy that a machine with an output of one watt uses or produces in one hour. The watt is the unit of output:

1 000 Watt hours (Wh) = 1 kilowatt hour (kWh)
1 000 kWh = 1 megawatt-hour (MWh)
1 000 000 kWh = 1 gigawatt-hour (GWh)
1 000 000 000 kWh = 1 terawatt-hour (TWh)

New energies
This includes all new energies, with the exception of large-scale hydro power. In Switzerland, these include, for example, small-scale hydro power, firm biomass, biogas, geothermal energy, wind and solar power.

Origination
The origination business tailors products and services for wholesale customers on an individual basis to meet their needs.

Pumped-storage power plant
A hydro power plant with a reservoir at a higher altitude used for the production of peak-load energy. During periods when surplus electricity is produced, for example, during the night, water is pumped up to a reservoir at a higher altitude. When electricity demand increases, the water is released to drive the turbines.

Load balancing energy
Energy needed in the electricity delivery system to deal with unforeseen load fluctuations and power plant outages.

Residual water flows
If water is siphoned off from a watercourse for use by a run-of-river power plant, appropriate minimum amounts of water (residual flows) must be maintained in the streambed.

Peak-load energy (peak load)
The volume of energy that must be provided in addition to the base load to cover the daily peak consumption periods. Power plants that can be easily switched on and off, such as pumped-storage power plants, are particularly suited to this purpose.

Electricity Supply Act (StromVG)
This federal act governs the liberalization of the electricity market in Switzerland.

Swissgrid
Swissgrid is the national grid company responsible for the safe operation of the Swiss high-voltage grid. The shareholders of Swissgrid are the leading domestic electricity producers, including the companies of the Axpo Group.

System services
Additional services provided by grid operators to enable the reliable supply of electricity and ensure grid stability. This includes in particular load balancing energy. In Switzerland, Swissgrid is responsible for the procurement of system services. ‹

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

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

Building a better working world

To the Executive Board of
Axpo Holding AG, Baden

Zurich, 27 November 2013

Independent assurance report

Our engagement

You engaged us to perform a limited review of the following reported quantitative data and related text stated in the Annual and Sustainability Report 2012/13 (hereafter "report 2012/13") of Axpo Holding AG:

- Data in the chapter "Axpo cares for people and the environment" for the period from 1 October 2012 to 30 September 2013 (pages 16 to 17 of the report 2012/13)
- Data in the chapter "Axpo invests in innovation" for the period from 1 October 2012 to 30 September 2013 (pages 18 to 19 of the report 2012/13)

Our procedures were planned to obtain limited assurance as a basis for our conclusion. The scope of work to obtain evidence is reduced compared to the scope required to obtain reasonable assurance (e.g., in an audit of financial statements) such that a lower degree of audit assurance is obtained.

Limitations of the engagement

Our engagement was limited to a review of the information listed above. We have not assessed the following information disclosed in the report:

- All information contained in other sections of the report 2012/13.
- Data for the previous reporting periods were not reviewed for this engagement.
- Our engagement did not include a review of forward-looking statements.

Criteria

We reviewed the information in the report against the following criteria applicable in the reporting year 2012/13 (hereafter "criteria"):

- GRI Sustainability Reporting Guidelines (G3.0)

The guidelines can be accessed on the GRI Homepage (online at *https://www.globalreporting.org/resourcelibrary/G3-Guidelines-Incl-Technical-Protocol.pdf*). We believe that these criteria are a suitable basis for our review.

Responsibility of Axpo Holding AG's Executive Board

The Executive Board of Axpo Holding AG is responsible for the preparation of the report and the information contained therein in accordance with the aforementioned criteria. This responsibility includes developing, implementing and safeguarding internal controls of material importance for the preparation of a report that is free of material misstatement. In addition, the responsibility includes selecting and applying suitable reporting standards as well as measurement methods and estimates deemed suitable in view of the circumstances.

Our responsibility

Our responsibility is to express a conclusion on the information disclosed in the report 2012/13 based on our review to obtain limited assurance. We planned and performed our engagement in accordance with the International Federation of Accountants (IFAC) "International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE3000)" and the "Code of Ethics for Professional Accountants", which includes requirements in relation to our independence.

In accordance with the engagement agreement, our duty of care for this engagement only extends to the Executive Board of Axpo Holding AG.

Our approach

We performed all of the procedures needed to ensure a sufficient and suitable basis for our conclusion. Within the scope of our engagement, we obtained evidence on a sample basis considering materiality and assurance engagement risk to obtain limited assurance on the compliance of the report with the reporting principles and criteria. The nature and scope of our work, including appropriate samples, were based on our professional judgment used in forming our conclusion. The performance of our engagement included the following procedures:

- Assessment of the suitability of the underlying criteria and their consistent application.
- Interviews with employees regarding the sustainability strategy of Axpo Holding AG.
- Interviews with employees responsible for preparing the report to assess the process of preparing the report, the reporting system, the data capture and compilation methods as well as internal controls to the extent relevant for a review of the report.
- Interviews of employees in specialist departments responsible for the related topics.
- Review of the documentation of the systems and processes for compiling, analysing, and aggregating sustainability data and testing such documentation on a sample basis.
- Analytical considerations, interviews and review of documents on a sample basis with respect to the compilation and reporting of data during on-site visits to the sites in Baden, Glattbrugg, Lucerne and Rathausen.

Our conclusion

Based on our review, nothing has come to our attention that causes us to believe that the report does not comply in all material respects with the aforementioned criteria.

Ernst & Young Ltd

Alessandro Miolo
Partner

Mark Veser
Senior Manager

(Translation of the original report in German language)

Table of contents
Financial Report

Performance maintained in a difficult environment

The Axpo Group recorded a sound operating profit for the 2012/13 financial year despite what was a difficult market environment. The trend of eroding energy prices continued during the year under review. With the unabated rise in feed-ins of subsidised energy and declining demand due to the poor state of the economy in Europe, wholesale prices remained under pressure. In this demanding situation, the business area Trading & Sales recorded a very good result in international energy trading business. In the Swiss supply business, income was driven down by declining consumption levels, changes of suppliers and falling prices with the cantonal utility companies in the north-east of the country. The planned savings were achieved from the cost-cutting programme already in place. In June 2013 the Trans Adriatic Pipeline (TAP) was chosen as the transport route for natural gas from Azerbaijan to Europe. The subsequent reduction in Axpo's stake to 5% made a positive contribution to profit levels.

The Axpo Group's profit for the year was once again influenced by various exceptional factors during the 2012/13 financial year. In view of the decrease in energy prices, Axpo remeasured the bulk of its power plant portfolio and procurement contracts and recognised valuation changes, impairments and higher provisions totalling CHF 760 million for new renewable energies plants, large-scale hydro power plants and nuclear energy plants. Positive one-off effects worth CHF 187 million resulted from final judgements in regulatory court cases concerning the declaration of grid costs by CKW and the charging of system services costs to power plants in 2009 and 2010. In addition, a disposal gain of CHF 42 million was posted to the accounts following the transfer of the transmission grid systems to Swissgrid on 3 January 2013.

These developments combined to produce a consolidated profit for the period of CHF 213 million (previous year: CHF 282 million). Adjusted to take account of one-off factors, profit totalled CHF 592 million, corresponding to an increase of CHF 124 million over the previous year's figure. At CHF 750 million, operating cash flow remained virtually unchanged (previous year: CHF 749 million). As a result of restrictive investment activity and several disposal transactions, free cash flow increased by CHF 51 million to CHF 335 million.

Revenues down but a high level of international success

In the year under review, the Axpo Group generated total revenues of CHF 7,020 million, a decrease of CHF 326 million or 4% compared with the previous year. This reduction was partly due to a change in the way in which hedging transactions are posted to the accounts. Since the beginning of the 2012/13 financial year, any profit generated by these transactions has been recorded under sales on a net basis. In addition, energy sales in the supply regions of Northeastern and Central Switzerland were down by 1.9 TWh. Faced with lower market prices, customers are increasingly switching from basic supply based on production costs to the free market. The volume of sales in physical energy trading was up by 15 TWh, as unfavourable market conditions severely restricted the operating hours of gas-fired combined-cycle power plants, pushing more gas onto the market.

In terms of international energy trading, operating profit almost doubled to CHF 276 million (previous year: CHF 140 million). In the regions of Iberia, Italy, and northern and central Europe in particular, the trading result was significantly higher. Customised energy contracts were concluded with existing customers as well as numerous new customers across Europe, whilst the expansion of origination business was also driven forward despite dampened demand due to regulatory changes. This very good result confirmed the role of energy trading as a key revenue stream for the Axpo Group.

Operating expenses reduced

Costs related to energy procurement, grid usage and goods fell above-average compared with total revenues, dropping by CHF 303 million or 6% year-on-year to CHF 4,791 million. The volume of energy produced from the Group's own electricity supply resources fell by around 4TWh or 10%. This was primarily due to the negative clean spark spread prices in Italy, as a result of which the operating times of the gas-fired combined-cycle power plants more than halved. As part of the annual impairment test of production facilities and energy purchase rights, future electricity price trends and the costs of the electricity procurement portfolio were reassessed, resulting in negative valuation adjustments totalling CHF 760 million, of which CHF 198 million related to energy procurement costs.

Non-energy-related or grid-related operating expenses decreased by CHF 72 million. This reduction is primarily attributable to the one-off reduction of CHF 64 million in past service costs resulting from the measures introduced by the PKE pension fund to safeguard the fund's long-term financial stability. In addition there was an increase in the net allocation of provisions for bad debts, while the expenses incurred in the previous year for the implementation of efficiency-raising measures did not apply during the year under review. The average number of employees fell by 13 to 4,355 full-time equivalents (FTEs). While headcount in Switzerland was reduced by 62 positions, headcount abroad increased due to the expansion of trading and origination activities. Earnings before interest, tax, depreciation and amortisation (EBITDA) rose by CHF 51 million or 5% to end the year at CHF 1,102 million.

High impairments charged to depreciation and amortisation

Depreciation and amortisation rose by CHF 68 million compared with the previous year. While impairments during the previous year resulted in lower levels of ordinary depreciation, the above-mentioned adjustment in the value of production plants and energy procurement rights resulted in extraordinary depreciation of CHF 473 million. The impairments primarily concerned plants and procurement rights related to new renewable energies, large-scale hydro power plants and nuclear energy plants in Switzerland, Italy and France. Consequently, the Axpo Group's earnings before interest and tax (EBIT) totalled CHF 312 million, slightly below the previous year's figure of CHF 329 million.

Profit down on previous year

The financial result declined by CHF 89 million compared with the previous year. The securities measured at fair value in the decommissioning and waste disposal fund for Beznau nuclear power plant contributed a positive return of CHF 87 million, but this income was CHF 97 million lower than in the previous year. Falling rates for financial and equity investments resulted in costs of CHF 83 million. The sale of equity interests to the project company TAP realised a gain of CHF 35 million. The lower levels of profit resulted in lower figures for current and deferred income taxes. At CHF 213 million, profit for the year was CHF 69 million down on the previous year's figure of CHF 282 million.

Financial flexibility remains high

The total assets of the Axpo Group remained virtually unchanged from the previous year, standing at CHF 18.9 billion at 30 September 2013. Non-current assets increased by CHF 1.0 billion to CHF 11.3 billion, while current assets were CHF 0.7 billion lower at CHF 7.7 billion. In terms of the shift between current and non-current assets, CHF 0.5 billion related to the increase in the value of the shares in Swissgrid AG and to the long-term loans to the transferred grid companies. In the previous year these companies were included as current assets under "Assets held for sale". Cash and cash equivalents were slightly higher, rising by CHF 131 million to CHF 2.9 billion.

On the liabilities side, provisions increased by CHF 0.3 billion in connection with onerous energy procurement contracts and the scheduled interest on provisions for nuclear decommissioning and waste disposal. The CHF 0.4 billion rise in equity is attributable to the positive level of profit for the period and to increases in the value of hedging transactions. With an equity ratio of 44% and net financial assets up CHF 0.9 billion to CHF 2.9 billion, the Axpo Group has a high level of financial flexibility and remains on a solid financial footing.

Strict investment controls

Cash flow from operating activities totalled CHF 750 million (previous year: CHF 749 million). Although profit before tax was down by CHF 116 million, the Group's result, after adjustments for the financial result and for non-cash items, increased by CHF 193 million to CHF 1,220 million. CHF 237 million of net working capital was tied up, due in particular to the increase in inventories for CO_2 and green certificates and the expansion of gas inventories. The cash outflow for the use of provisions and paid income tax was slightly above the previous year's levels.

In the 2012/13 financial year investment projects were subjected to even greater scrutiny to determine their profitability, and reassessed against the backdrop of the uncertain regulatory environment. As a result of this review process and additional postponements, cash flow from investing activities was down from CHF 226 million in the previous year to CHF 182 million. During the year under review Axpo invested in such projects as the autonomous emergency power supply at Beznau nuclear power plant, the construction of a new hydro power plant at Rüchlig and the acquisition of an existing wind farm in France. At the same time, activities to maintain and expand the grid infrastructure were driven forward. At CHF 415 million, net investments in non-current assets were CHF 50 million lower than in the previous year and were financed from current cash flow. Free cash flow rose by CHF 51 million year-on-year to CHF 335 million.

Dividend unchanged

The Board of Directors will propose to the Annual General Meeting that an unchanged dividend of CHF 2.– per share with a par value of CHF 10.– be distributed, equating to a total payout of CHF 74 million.

Outlook

The ongoing availability of subsidies for specific forms of energy has resulted in an extremely distorted market, with no signs of this trend reversing over the coming years. At the same time, the medium-term outlook remains clouded by the weak economy and a subsidy-driven surplus in wind and solar energy. Added to this there is still major political and regulatory uncertainty. Consequently, Axpo intends to focus even more strongly in future on medium-term low market prices, carefully reviewing investments, consistently tapping into new potential sources of revenue, and reducing costs even further.

Due to application of the revised versions of IFRS 10 and 11 with effect from the 2013/14 financial year, six partner plants in which Axpo holds a majority interest will now be included in the group of fully consolidated companies. This change in accounting principles will result in an increase of around CHF 2.7 billion in the Axpo Group's total assets.

In August 2013 the Swiss Federal Council released for consultation the draft amendments to the Ordinance on the Decommissioning and Disposal Funds for Nuclear Installations. The proposed amendments include a cost increase of 1.5% (currently 3.0%), a nominal investment return of 3.5% (currently 5.0%) and an uncertainty allowance of 30% on the cost estimate. Leaving aside the fact that Axpo views the amendments to the ordinance as unnecessary, applying the proposed assumptions would mean an increase in yearly contributions from CHF 53 million today to around CHF 113 million. Should the proposed parameters also apply for the calculation of provisions, Axpo would be forced to increase its provisions by up to CHF 500 million, with the resultant major impact on the Group's result. Moreover, the costs for procuring electricity from the interests in Leibstadt and Gösgen nuclear power plants would rise by up to CHF 20 million.

Consolidated income statement

CHF m	Notes	2012/13	2011/12
Sales from energy and grid usage	10	6 774.4	7 230.7
Changes in inventories		–22.4	12.4
Capitalised production costs		90.8	71.7
Other operating income		177.5	30.8
Revenues		**7 020.3**	**7 345.6**
Energy procurement, grid usage and cost of goods	11	–4 790.5	–5 094.4
Materials and third-party supplies		–208.6	–224.9
Personnel expenses	12	–586.6	–623.0
Other operating expenses	13	–332.7	–352.5
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**1 101.9**	**1 050.8**
Depreciation, amortisation and impairments	14	–790.0	–721.6
Earnings before interest and tax (EBIT)		**311.9**	**329.2**
Share of profit of associates	19	53.4	63.6
Financial income	15	227.0	260.9
Financial expense	15	–339.7	–284.4
Earnings before tax (EBT)		**252.6**	**369.3**
Income tax expense	16	–39.9	–87.1
Profit for the period		**212.7**	**282.2**
attributable to:			
Axpo Holding shareholders		**180.1**	**258.5**
Non-controlling interests		**32.6**	**23.7**

	2012/13	2011/12
Earnings per share		
Total average registered shares issued at a par value of CHF 10.–	37 000 000	37 000 000
Profit for the period in CHF millions	180.1	258.5
Earnings per share in CHF	**4.9**	**7.0**

There are no circumstances that would lead to a dilution in earnings per share.

Consolidated statement of comprehensive income

CHF m	Notes	2012/13	2011/12
Profit for the period		**212.7**	**282.2**
Cash flow hedge:			
Fair value adjustments		341.8	85.0
Profit transferred to the income statement		–51.7	8.5
Financial assets available-for-sale			
Fair value adjustments		26.6	106.0
Profit transferred to the income statement		15.2	2.7
Foreign exchange differences			
Exchange differences for the year		11.3	–3.1
Deferred taxes on other income	16		
Income taxes on fair value adjustments on cash flow hedges		–61.5	–15.0
Income taxes on fair value adjustments on financial assets available-for-sale		–3.3	–8.1
Items that are or may be reclassified subsequently to the income statement, net of tax		**278.4**	**176.0**
Total comprehensive income		**491.1**	**458.2**
Attributable to:			
Axpo Holding shareholders		**452.1**	**435.0**
Non-controlling interests		**39.0**	**23.2**

Consolidated balance sheet

CHF m	Notes	30.9.2013	30.9.2012
Assets			
Property, plant and equipment	17	3 468.9	3 710.9
Intangible assets	18	1 119.4	1 316.6
Ownership interests in associates and partner plants	19	2 059.5	1 764.4
Positive replacement values	7	557.5	208.1
Other financial assets	20	2 005.6	1 585.6
Investment properties	21	29.6	43.5
Other receivables	25	1 977.4	1 635.0
Deferred tax assets	16	52.9	41.8
Total non-current assets		**11 270.8**	**10 305.9**
Assets held for sale	22	0.0	729.3
Inventories	23	549.0	303.2
Trade receivables	24	600.8	721.4
Financial receivables		309.9	284.6
Current tax assets		30.2	33.9
Positive replacement values	7	1 192.2	1 138.6
Other receivables	25	2 048.4	2 374.1
Other financial assets	20	0.5	0.5
Cash and cash equivalents	26	2 923.8	2 792.7
Total current assets		**7 654.8**	**8 378.3**
Total assets		**18 925.6**	**18 684.2**
Equity and liabilities			
Share capital		370.0	370.0
Retained earnings		7 653.8	7 276.9
Total equity attributable to Axpo shareholders		**8 023.8**	**7 646.9**
Non-controlling interests		357.2	322.9
Total equity including non-controlling interests		**8 381.0**	**7 969.8**
Financial liabilities	28	1 916.6	1 922.1
Negative replacement values	7	168.0	110.1
Other liabilities	29	277.5	201.8
Deferred tax liabilities	16	501.4	501.1
Provisions	30	3 310.9	3 048.6
Total non-current liabilities		**6 174.4**	**5 783.7**
Liabilities held for sale	22	0.0	70.8
Trade payables		463.4	514.2
Financial liabilities		447.0	684.6
Current tax liabilities		67.4	76.1
Negative replacement values	7	980.0	938.4
Other liabilities	31	2 247.7	2 512.4
Provisions	30	164.7	134.2
Total current liabilities		**4 370.2**	**4 930.7**
Total liabilities		**10 544.6**	**10 714.4**
Total equity and liabilities		**18 925.6**	**18 684.2**

Consolidated statement of changes in equity

CHF m	Share capital	Reserves from hedge accounting[1]	Unrealised gains and losses[1]	Foreign exchange differences	Other retained earnings	Total retained earnings[2]	Total equity excluding non-controlling interests	Non-controlling interests	Total equity including non-controlling interests
Equity at 30.9.2011	**370.0**	**–42.3**	**19.4**	**–299.2**	**7 246.3**	**6 924.2**	**7 294.2**	**306.1**	**7 600.3**
Change in financial assets and liabilities available-for-sale			108.7			**108.7**	**108.7**	0.0	**108.7**
Change in cash flow hedges		94.1				**94.1**	**94.1**	–0.6	**93.5**
Foreign currency translation				–3.0		**–3.0**	**–3.0**	–0.1	**–3.1**
Deferred taxes on other comprehensive income		–15.2	–8.1			**–23.3**	**–23.3**	0.2	**–23.1**
Total other income after income tax		**78.9**	**100.6**	**–3.0**		**176.5**	**176.5**	**–0.5**	**176.0**
Profit for the period					258.5	**258.5**	**258.5**	23.7	**282.2**
Total comprehensive income		**78.9**	**100.6**	**–3.0**	**258.5**	**435.0**	**435.0**	**23.2**	**458.2**
Dividend					–81.4	**–81.4**	**–81.4**	–6.3	**–87.7**
Change in consolidation scope					–0.9	**–0.9**	**–0.9**	–0.1	**–1.0**
Equity at 30.9.2012	**370.0**	**36.6**	**120.0**	**–302.2**	**7 422.5**	**7 276.9**	**7 646.9**	**322.9**	**7 969.8**
Change in financial assets and liabilities available-for-sale			41.8			**41.8**	**41.8**	0.0	**41.8**
Change in cash flow hedges		283.4				**283.4**	**283.4**	6.7	**290.1**
Foreign currency translation				10.4		**10.4**	**10.4**	0.9	**11.3**
Deferred taxes on other comprehensive income		–60.3	–3.3			**–63.6**	**–63.6**	–1.2	**–64.8**
Total other income after income tax		**223.1**	**38.5**	**10.4**		**272.0**	**272.0**	**6.4**	**278.4**
Profit for the period					180.1	**180.1**	**180.1**	32.6	**212.7**
Total comprehensive income		**223.1**	**38.5**	**10.4**	**180.1**	**452.1**	**452.1**	**39.0**	**491.1**
Dividend					–74.0	**–74.0**	**–74.0**	–6.3	**–80.3**
Increase in capital of non-controlling interests								1.3	**1.3**
Change in consolidation scope					–1.2	**–1.2**	**–1.2**	0.3	**–0.9**
Equity at 30.9.2013	**370.0**	**259.7**	**158.5**	**–291.8**	**7 527.4**	**7 653.8**	**8 023.8**	**357.2**	**8 381.0**

1) The change in unrealised gains and losses is explained in Note 27 "Equity - Changes in value of financial instruments recognised in equity according to IAS 39".
2) The statutory financial statements of Axpo Holding AG are the basis for measuring the maximum distributable portion of retained earnings.

The share capital is divided into 37 000 000 registred shares with a par value of CHF 10.– each.

Consolidated cash flow statement

CHF m	Notes	2012/13	2011/12
Profit before tax		252.6	369.3
Interest, other financial income/expenses, dividends		180.6	37.2
(Gains)/losses on disposal of non-current assets		–108.7[1)]	–4.0
Adjustment of non-cash expenses and income:			
Depreciation and amortisation	14	790.0	721.6
Share of profit of associates	19	–53.4	–63.6
Allocation and release of provisions (excluding interest, net)	30	252.3	–3.2
Unrealised gain on derivatives		–55.9	–41.7
Other non-cash items		–36.0	17.3
Change in inventories		–220.1	–33.1
Change in trade receivables		120.5	245.9
Change in other receivables		169.3	–706.7
Change in trade payables		–33.2	–277.8
Change in other liabilities (current)		–290.0	698.6
Changen in replacement values		16.3	5.2
Use of provisions	30	–110.8	–94.7
Income taxes paid		–123.5	–121.0
Cash flow from operating activities		**750.0**	**749.3**
Property, plant and equipment:			
Investments net of capitalised borrowing costs	17	–308.0	–384.9
Disposals and cost contributions		10.9	5.6
Intangible assets:			
Investments (excluding goodwill)	18	–15.9	–38.4
Disposals		0.7	11.6
Investments in subsidiaries (net of cash acquired)	8	–14.7	0.0
Disposals of subsidiaries (net of cash transferred)		–0.2	0.2
Cash flow from non-current assets held for sale		46.8	0.0
Ownership interest in associates:			
Investments	19	–120.7[2)]	–23.7
Disposals and capital repayments		17.0	3.1
Other financial assets:			
Investments		–314.1	–135.4
Disposals and repayments		172.3	79.4
Investment properties:			
Disposals		25.8	8.9
Income and expenses from investment properties		1.7	3.0
Financial receivables (current)		228.1	150.9
Dividends received		50.0	54.3
Interest received		38.1	39.0
Cash flow from investing activities		**–182.2**	**–226.4**

CHF m	Notes	2012/13	2011/12
Financial liabilities (non-current):			
Proceeds		9.0	2.5
Repayment		–4.2	–3.3
Other liabilities (non-current):			
Proceeds		13.9	29.5
Repayment		–3.0	–9.8
Financial liabilities (current):			
Proceeds		298.4	411.6
Repayment		–590.5	–410.8
Acquisition of non-controlling interests		1.9	0.0
Dividend payments (incl. non-controlling interests)		–80.3	–87.7
Interest paid		–84.0	–84.3
Cash flow from financing activities		**–438.8**	**–152.3**
Currency translation effect		2.1	0.6
Change in cash and cash equivalents		**131.1**	**371.2**
Cash and cash equivalents at the beginning of the reporting period		**2 792.7**	**2 421.5**
Cash and cash equivalents at the end of the reporting period	26	**2 923.8**	**2 792.7**

1) The gains on disposal of non-current assets primarily relate to the gain from the sale of Nordostschweizerische Kraftwerke Grid AG, EGL Grid AG and CKW Grid AG totalling CHF 42.0 million, the gain of CHF 35.4 million from the sale of interests in Trans Adriatic Pipeline AG, and the gain of CHF 12.7 million from the disposal of investment properties. These gains are included under "Other operating income".
2) During the reporting year, the value of the shares held in Swissgrid AG increased by CHF 219.6 million (see Note 19, "Ownership interests in associates and partner plants"). Since this increase in value had no direct impact on cash flows, the cash outflow from investments in associates cannot be reconciled with the additions in the table in Note 19 "Ownership interests in associates and partner plants".

Notes to the consolidated financial statements

1 | General information

Axpo Holding AG is a public limited company incorporated under Swiss law, and was established on 16 March 2001 with its registered office in Baden. Axpo Holding and its subsidiaries constitute the Axpo Group. An overview of the Group's principal ownership interests is provided in Note 38 "Investments". The Axpo Group owns and operates power-generating assets as well as medium- and low-voltage power lines and guarantees a reliable supply of electricity in the markets it supplies. The company also engages in international energy trading. The Axpo Group employed 4431 staff as at 30 September 2013.

2 | Accounting principles

The consolidated financial statements for the 2012/13 financial year provide a true and fair view of the assets, financial position and results of operations of the Axpo Group in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law. The consolidated financial statements were approved by the Board of Directors of Axpo Holding AG on 13 December 2013 and are still to be approved by the Annual General Meeting on 14 March 2014.

Measurement bases

The consolidated financial statements are based on the historic cost principle, with the exception of the following assets and liabilities which have been recorded in the balance sheet at fair value: positive and negative replacement values, available-for-sale financial assets held for trading purposes. Non-current assets and groups of assets held for sale are valued at the lower of their carrying amount or fair value less anticipated costs to sell.

Significant changes in the accounting and measurement principles

All standards and interpretations in force at the end of the reporting period were applied when preparing the consolidated financial statements.

The Axpo Group adopted the following new and revised standards and interpretations for the first time for the 2012/13 financial year:

- IAS 1 (amended) Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income (1 July 2012)
- IAS 12 (amended) Income Taxes – Deferred Tax accounting for Investments Properties (1 January 2012)

The adoption of these new and revised standards and interpretations had no significant impact on the Group's financial position, results of operations and cash flows.

The Axpo Group is currently reviewing the potential impact of the following new and revised standards and interpretations that have already been approved but whose adoption in the Axpo Group accounts is not yet mandatory. They will be adopted by the Axpo Group no later than the financial year beginning on or after the date specified in brackets.

- IAS 19 (amended) Employee Benefits (1 January 2013)
- IAS 27 (revised) Separate Financial Statements (1 January 2013)
- IAS 28 (revised) Investments in Associates and Joint Ventures (1 January 2013)
- IAS 32 (amended) Offsetting Financial Assets and Financial Liabilities (1 January 2014)
- IAS 36 (amended) Recoverable Amount Disclosures for Non-Financial Assets (1 January 2014)
- IAS 39 (amended) Novation of Derivatives and Continuation of Hedge Accounting (1 January 2014)
- IFRS 7 (amended) Disclosures – Offsetting Financial Assets and Financial Liabilities (1 January 2013)
- IFRS 9 Financial Instruments (1 January 2015)
- IFRS 10 Consolidated Financial Statements (1 January 2013)
- IFRS 11 Joint Arrangements (1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (1 January 2013)
- IFRS 13 Fair Value Measurement (1 January 2013)
- IFRS 10, IFRS 12, IAS 27 (amended) Investment Entities (1 January 2014)
- IFRS 10, IFRS 11, IFRS 12 (amended) Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (1 January 2013)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (1 January 2013)
- IFRIC 21 Levies (1 January 2014)
- Amendments to IFRSs 2012 (1 January 2013)

On 16 June 2011 the IASB (International Accounting Standards Board) published the revised standard IAS 19 Employee Benefits. The new standard must be adopted for reporting periods beginning on or after 1 January 2013 and necessitates an adjustment to prior-year disclosures. Early adoption is permitted. The Axpo Group will apply IAS 19 (revised) as of the 2013/14 financial year. Based on current analyses of the standard, the Axpo Group expects the following impact on its consolidated financial statements:

Until now, the Axpo Group has recognised actuarial gains and losses arising from periodic recalculations in profit or loss on a straight-line basis for the average remaining years of service, provided they exceed 10% of assets or pension fund liabilities, whichever is higher ("corridor approach"). The abolition of the corridor approach with effect from 1 January 2013 means that actuarial gains and losses will be recognised directly in equity without affecting profit or loss, and included under other comprehensive income. Since actuarial losses as at 30 September 2013 amount to CHF 144.6 million, pension fund assets/liabilities and consolidated equity are expected to exhibit higher volatility. The revised IAS 19 also provides for a net interest component. This is calculated by multiplying the net pension liability by the discount rate. Since the net pension liability comprises plan assets as well as plan liabilities, this approach implicitly offsets interest expense and income (which replaces the hitherto expected return on plan assets). At the same time, the expected return on plan assets is reduced to the interest income measured on the basis of the discount rate. To date, the return on plan assets has been estimated based on market expectations of returns on the investment portfolio. The net pension cost for the 2012/13 financial year amounts to CHF -3.8 million. Under the revised IAS 19, this cost for the same financial year would have amounted to CHF 3.2 million. The increase of CHF 7.0 million can be explained by two key effects. The abolition of amortisation for unrecognised actuarial losses reduces net pension costs under the revised IAS 19 by around CHF 15.7 million. Replacing the expected return on plan assets (under the previous IAS 19) with interest income (revised IAS 19) leads to an increase of around CHF 21.8 million in net pension costs. Additionally, the new rules on employee contributions would reduce pension liabilities by CHF 33.8 million as at 30 September 2013 and increase past service costs for the 2012/13 financial year by CHF 0.6 million.

In May 2011 the International Accounting Standards Board (IASB) published the following standards which must be applied for the financial years beginning on or after 1 January 2013: IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosures of Interests in Other Entities. IFRS 10 introduces a new definition of the concept of control. Control over an investment entity is deemed to exist when the investor is exposed, or has rights, to fluctuating returns through its involvement with the investment entity and has the ability to affect those returns through its power over the investment entity. The rights which give rise to the power of control must be substantial. This means that the holder of these rights must be in a position to exercise them in practice. IFRS 11 sets out the accounting rules for joint arrangements where two or more parties exercise joint control. In contrast to IAS 31, IFRS 11 no longer defines the type of joint arrangement solely on the basis of its legal form, but also takes into account actual rights to equity/rights to the assets and obligations for the liabilities. These rights and obligations are accounted for according to the type of joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, and exists only when decisions about the relevant activities require the unanimous consent of the partner companies sharing control.

The Axpo Group will apply IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and the resulting amendments to IAS 28 Investments in Associates and Joint Ventures for the first time for the 2013/14 financial year, with retrospective adjustment of the 2012/13 financial year. The effects of IFRS 10 and IFRS 11 relate primarily to partner plants. Partner plants are companies that design, construct, maintain or operate power plants, grids or nuclear storage facilities, or companies that administer energy procurement rights. Investments in partner plants are investments that the Axpo Group holds with one or more partners. These investments may be majority or minority holdings. The shareholders have undertaken to purchase the energy pro-rata and to pay the pro-rata annual costs. Until the introduction of IFRS 10 and IFRS 11, these investments will be recognised as joint ventures in accordance with IAS 31. The option of applying the equity method in accordance with IAS 28 will be utilised.

Axpo is currently in the process of analysing its investments in partner plants and other associates from the perspective of the new IFRS 10 rules and the concept of control. Based on its analysis to date, Axpo has concluded that it exercises control as defined under IFRS 10 in the case of six partner plants in which it holds a majority interest. These partner plants will therefore be included in the group of consolidated companies as at 1 October 2013, with retroactive application to 1 October 2012. As a result of this change, the total assets of the Axpo Group will increase by approximately CHF 2.7 billion with effect from 1 October 2013.

In the case of some partner plants in which the Axpo Group is the majority shareholder, it was found that Axpo did not exercise control. The Group operates these partner plants together with other commercial energy companies in the Swiss market, which also have stakes in other partner plants in which Axpo does not hold a majority interest. Given these mutual dependencies/interests and the conditions governing the Swiss energy market, Axpo has concluded that the voting rights it holds in these cases do not represent substantial rights and that it therefore does not possess the relevant power of control. These partner plants are classified as associates and will continue to be accounted for using the equity method, since the Group exercises significant influence but does not control them. Partner plants in which Axpo does not hold a majority interest or exercise control were examined to determine whether they are subject to joint control as defined in IFRS 11. This is not the case, as it would require contractually agreed unanimous consent. These partner plants are classified as associates and continue to be accounted for using the equity method. The adoption of IFRS 12 will have an impact only on the disclosure of investments in subsidiaries, joint arrangements and associates.

The impact on the consolidated financial statements of some other standards and interpretations, including IFRS 9 Financial Instruments and IFRS 13 Fair Value Measurement, has not yet been determined on a sufficiently reliable basis. Based on current analyses, the Axpo Group does not anticipate any material impact on the Group's financial position and results of operations. However, more extensive reporting will be required in some areas.

3 | Consolidation principles

Scope of consolidation

The consolidated financial statements are based on the audited separate financial statements of consolidated subsidiaries. Subsidiaries are included in the consolidated financial statements from the date of acquisition, and deconsolidated as from the date of their disposal. The date of acquisition is defined as the date on which control over the net assets and operating activities of the acquired company effectively passes to the Axpo Group.

Besides Axpo Holding AG, the consolidated financial statements include all those companies over which the Axpo Group exercises direct or indirect control via subsidiaries and can therefore exert an influence over their financial and business policy.

Accounting for acquisitions

Acquisitions are accounted for on the date of acquisition using the acquisition method. The purchase price for an acquisition must be calculated from the sum of the fair value of the assets transferred, the liabilities incurred or assumed and the equity instruments issued by the Group. Transaction costs incurred in connection with an acquisition are recognised in profit or loss. The goodwill arising from an acquisition is recorded as an asset. It corresponds to the excess of the sum of the purchase price, the contribution of non-controlling interests in the acquired company and the fair value of the previously held equity share over the balance of the assets, liabilities and contingent liabilities measured at fair value. There is an option for measuring non-controlling interests in each transaction. They can either be valued at fair value or at the share of the non-controlling interests in the fair value of the net assets acquired. Where the costs of acquisition are lower than fair value, the remaining surplus is immediately recognised in profit or loss after reassessing the fair value of the net assets acquired. Goodwill is tested for impairment at least annually, or earlier if there is any indication for impairment.

Non-controlling interests are reported separately from the equity of the Group. Changes to the proportion of ownership interest that do not result in a loss of control are treated as equity transactions with owners. Any difference between the purchase price paid or the consideration received and the amount by which the non-controlling interest is changed is recognised directly in equity.

Ownership interests in associates and partner plants

An associate is a company over which the Group has a substantial influence but which it does not control. This is assumed if Axpo Holding AG owns, directly or indirectly via subsidiaries, between 20% and 50% of the voting rights. Associates are accounted for using the equity method. As of the date of acquisition, the fair value of the proportional net assets is calculated and, together with any goodwill, recognised in the balance sheet under investments in associates. In subsequent reporting periods, this value is adjusted for any change in the Axpo Group's share of the capital and income earned as well as any dividends.

Ownership interests in partner plants are investments which the Axpo Group controls jointly by means of contractual arrangements with one or more partners (joint ventures). The partner plants are companies which design, construct, maintain or operate power plants, grids or nuclear storage facilities, or companies which administer energy procurement rights. The shareholders have undertaken to purchase the pro-rata energy and to pay the pro-rata annual costs. Partner plants are consolidated using the equity method, regardless of the proportion of ownership interest. This also includes companies where the ownership interest is more than 50%.

Intragroup transactions

Electricity produced by partner plants is invoiced to the shareholders at annual production cost on the basis of existing partnership agreements and regardless of market prices. Market prices generally apply for the invoicing of other goods and services between Group companies and related parties. Intercompany profits and transactions within the Axpo Group are eliminated in the consolidated financial statements.

Reporting currency

The reporting currency, which is also the company's functional currency, is the Swiss franc. Transactions in foreign currencies are translated at the exchange rate prevailing on the date of the transaction or at an exchange rate which corresponds closely to the transaction rate. At the end of the reporting period, receivables and liabilities in foreign currencies are translated at the exchange rates prevailing at the end of the period. Any translation differences which arise are recognised in profit or loss.

Assets and liabilities of subsidiaries and of associates accounted for using the equity method whose functional currency is not Swiss francs are translated on consolidation into Swiss francs at the exchange rate prevailing at the end of the reporting period. Goodwill and fair value adjustments relating to acquisitions of foreign companies are recognised in the balance sheet as assets of the acquired entity. The income statement, cash flow statement and other movement positions are translated at the average exchange rate for the reporting period. Exchange differences arising from the translation of the financial statements of foreign subsidiaries and of associates accounted for using the equity method are recognised directly in consolidated equity and reported separately as accumulated foreign currency translation differences. On the date of disposal of foreign subsidiaries or associates, the corresponding foreign currency translation differences are recognised in the income statement. Non-current receivables or loans to a foreign operation for which repayment is neither planned nor likely to occur in the foreseeable future are, in substance, a part of the Group's net investment in that foreign operation. Foreign exchange differences resulting from such non-current receivables or loans are recognised and accumulated in a separate component of equity and recognised in profit or loss on liquidation or disposal of the foreign operation.

Foreign currency exchange rates

The following rates were applied for the translation of income statement and balance sheet figures into CHF:

		Year-end rates in balance sheet		Average rates in income statement	
Currency	**Unit**	**30.9.2013**	**30.9.2012**	**2012/13**	**2011/12**
ALL	100	0.8700	0.8450	0.8600	0.8700
BAM	1	0.6247	0.6182	0.6262	0.6190
BGN	100	62.5060	61.8600	62.5500	61.9021
CZK	100	4.7510	4.8100	4.7800	4.8100
EUR	1	1.2225	1.2099	1.2250	1.2107
GBP	1	1.4622	1.5161	1.4577	1.4703
HRK	1	0.1602	0.1624	0.1619	0.1612
HUF	100	0.4100	0.4200	0.4200	0.4100
NOK	100	15.0670	16.4200	16.1500	15.9800
MKD	100	1.9820	1.9560	1.9700	1.9700
PLN	100	28.9090	29.4800	29.2900	28.4300
RON	100	27.3980	26.6600	27.5900	27.4700
RSD	100	1.0700	1.0500	1.0800	1.1000
SEK	100	14.1210	14.3200	14.2500	13.7300
TRY	100	44.4380	52.1400	50.6200	51.5100
USD	1	0.9052	0.9357	0.9338	0.9329

4 | Accounting and valuation principles

Revenue recognition

Revenue from energy business and grid usage are regarded as realised and are recognised as revenue upon delivery of the goods. Deliveries to end customers are largely based on individual meter readings at the end of the financial year. If the meters cannot be read at this time, the revenue is estimated and recorded on the basis of statistical values.

In the case of standardised forward contracts that are processed and invoiced in the same way as traditional energy contracts, the focus is often on managing a trading position rather than on the final physical delivery of energy. Standardised forward contracts entered into mainly for trading purposes are measured at fair value, with the underlying sales revenue and procurement costs being offset against each other.

In the installation business, a significant portion of the revenues derives from short-term small and medium-sized orders. Revenue for these categories is reported on the date on which the benefits and risks pass to the customer. Income earned under construction contracts is calculated according to the stage of completion as at the date of calculation, and recognised provided the contract is significant and the income provided by a construction contract can be estimated reliably. Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

In general, sales are reported net after deduction of value added tax and trade discounts.

Distinction between energy trading and other trading business

Recognition of revenue in the energy trading business is based on the allocation of all trading transactions to one of the two categories: "energy trading" and "other trading business". Transactions entered into with a view to generating short-term profits are allocated to the energy trading origination book (the expression "book" stands for the smallest unit whose risk, profit and sales amount is recorded and managed). The other transactions, which all involve physical contractual fulfilment, are assigned to "other trading business" and allocated to sales books.

In the case of transactions in energy trading, large volumes of energy are traded in quick succession with professional counterparties for the purpose of building up and managing positions (the transactions are in derivatives such as options and swaps or have a derivative character as defined in IAS 39, similar to traded standard forward contracts). Transactions in energy trading are therefore financial in nature.

Amounts invoiced in energy trading during the period are not included in net sales. Only the net gains or losses from energy trading are recognised as revenue. Net gains or losses from energy trading consist of two components. Firstly, the effectively realised gains or losses from completed transactions are recognised in profit or loss. Secondly, unrealised valuation gains or losses on the future cash flows of open contracts resulting from remeasurement to fair value are recognised in profit or loss.

Other trading business involves the large-scale supply and procurement of energy. The sum of all invoiced supplies from these transactions flows entirely into net sales from energy business for the reporting period.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs directly related to the long-term acquisition or construction of a facility are capitalised. The capitalised interest is calculated for the period from the commencement of the acquisition or construction work until completion of the asset.

Property, plant and equipment

Property, plant and equipment (including nuclear fuel rods) are carried at purchase or manufacturing cost and are subject to regular straight-line depreciation over the estimated useful life of each asset category or over the period to the date of the reversion of power plants. Unscheduled depreciation is an exception and is only recognised in the case of damage or impairment, as described under "Impairment of assets" below. The purchase or manufacturing costs of property, plant and equipment comprise the purchase price, including import duties and any non-recoverable purchase taxes, and all directly allocable costs incurred to make the asset ready for operational use. Further components are the estimated costs of decommissioning and clearance of the asset and the restoration of the site to the extent recognised under IAS 37 and IAS 16 – see also "Nuclear provisions" (Note 30 "Provisions"). In the case of long-term investment projects, borrowing costs are capitalised during the construction phase.

The estimated useful lives for the individual asset categories are reviewed annually and are within the following ranges:

Land and assets under construction	Only in case of impairment
Buildings	50 years
Nuclear, conventional thermal and hydraulic power plants	25–80 years
Transmission and distribution systems	15–60 years
Operating systems and other grid elements	10–30 years
Fixtures and fittings	3–15 years

The rates of depreciation are based on the normal useful lives of the assets. If key components of the assets have a different useful life, they are depreciated separately (component approach).

Repairs, maintenance and the ordinary upkeep of buildings and operating facilities are accounted for directly as expenses.

Investments in refurbishments, improvements of facilities or replacement investments are capitalised if they will bring economic benefits to the Axpo Group in the future.

Assets under construction are assets which are unfinished or not yet ready for operation. Assets in this sense refer to all items of property, plant and equipment. Depreciation of these assets begins upon completion or when they are ready for operational use.

Intangible assets

Intangible assets are recognised in the balance sheet at acquisition cost less accumulated amortisation and impairment. Intangible assets are amortised using the straight-line method over the estimated useful life of the asset, unless the useful life is indefinite. Goodwill and intangible assets with an indefinite useful life are not amortised, but undergo an annual impairment test.

The useful lives are reviewed at the end of each financial year. The individual contractual useful lives are applied in all cases. Energy procurement rights comprise advance payments for rights to long-term supply of electricity including capitalised interest. These rights are amortised using the straight-line method over the contract term.

The rights to use third-party facilities entail contractually agreed, one-time payments to a contracting party as compensation for the use of that party's transmission and distribution facilities. These rights are amortised using the straight-line method over the contract term.

Investment properties

Land and buildings held for rental purposes and/or for capital appreciation rather than for use in the production or supply of energy, for the provision of services, for administrative purposes or for sale in the ordinary course of business, are shown as investment properties pursuant to IAS 40. They are measured at purchase or construction cost less any accumulated depreciation and accumulated impairment losses. Buildings are depreciated using the straight-line method over 20 to 60 years, depending on the particular part of the building involved. Land is depreciated only in the case of impairment.

The information on fair values supplied in the Notes is based primarily on external appraisals. In the absence of these, internal calculations are made using the discounted cash flow method and these are taken as the basis for disclosure of the fair value of the properties.

Inventories

Inventories mainly comprise fuel for generating electricity (uranium, oil, gas, etc., used to run thermal plants), stocks of materials for providing operating services, stocks purchased for resale in the near term with a view to generating a profit from fluctuations in the price or trading margins, emission and green certificates for own use and trading.

Fuel for electricity generation, green certificates and emission certificates for own use are initially recognised at cost of purchase or production. Fuels are measured at weighted average cost. If the net realisable value is below the purchase or production cost, an impairment loss is recognised in profit or loss. Emission certificates provided by the government free of charge are initially recognised at their nominal value (zero). Emission certificates which are purchased for own production purposes are initially recognised as inventories and carried at purchase cost. A provision is created when CO_2 production exceeds the amount of the emission allowances originally provided free of charge by the government. Such provisions are recognised for the amount of acquired emission allowances at their relevant purchase cost. The provision for CO_2 emissions in excess of the CO_2 emission certificates already allocated is measured at fair value at the end of the reporting period. When the company settles its CO_2 emissions with the responsible authority, the capitalised emission allowances are reduced by the amount of the provision created. Any excess emission certificates no longer required for own use are reclassified within inventories and measured at fair value.

Inventories of materials and supplies required for providing operating services are reported in the balance sheet at the lower of purchase/production cost (calculated using the average cost method) or net realisable value.

Inventories that have been purchased for resale in the short-term with a view to generating a profit from fluctuations in the price or trading margins are measured at fair value less costs to sell. Changes in value are recognised net in profit or loss. This mainly concerns trading in emission certificates, green certificates and gas.

Non-current assets held for sale and discontinued operations

A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition and the sale must be highly probable within 12 months. Before being reclassified as held for sale, the asset or disposal group is measured in accordance with the prevailing accounting principles. Following reclassification, the asset is measured at the lower of its carrying amount or fair value less costs to sell. Any impairment losses are recognised in profit or loss.

Provisions

Provisions are created for all existing liabilities and risks from past business transactions or events which are likely to arise and whose due date and amount can be reliably determined at the end of the reporting period.

Long-term provisions are recognised at the present value of the expected cash outflow at the end of the reporting period where the effect is significant. With regard to long-term energy procurement obligations arising from onerous contracts, identifiable losses are covered by provisions, taking into account market price trends and future procurement costs.

The acquisition of an interest in a partner plant may result in a provision for an onerous energy procurement contract instead of an asset for the energy purchase right.

Due to the obligation to produce energy, provisions are also established for the company's own power plants wherever an impairment test on a plant reveals a negative present value of future estimated cash flows. In accordance with IAS 36, the capitalised carrying amount of the power plant is adjusted and the amount is then included in the provision for onerous energy procurement contracts.

As operator of the Beznau nuclear power plant and in compliance with legal provisions, Axpo is required to decommission the plant at the end of its operational life and to dispose of the radioactive waste. The associated costs are periodically reviewed. The present value of the estimated costs is allocated to provisions and the interest on these provisions compounded over the asset's useful life of 50 years. The same amount is capitalised together with the acquisition and manufacturing costs of the plant and depreciated over the useful life using the straight-line method. Disposal costs arising from operation of the nuclear power plant are also capitalised annually during the operational phase and corresponding provisions made. Inflation is factored in at an average of 3% and the interest rate used is 5%. Changes in the estimated timing or amount of outgoing payments, or a change in the interest rate, are recognised pursuant to IFRIC 1 in the provisions for nuclear waste disposal and also with the same amount in the related value of the assets. If a reduction in the estimated future obligation would result in a negative carrying amount of the asset, it is taken directly to profit or loss.

A provision is also created when CO_2 production exceeds the amount of the emission allowances originally provided for free by the government. If CO_2 emission certificates have already been purchased, a provision equivalent to the purchase cost of the certificates is recognised. The provision for CO_2 emissions in excess of the CO_2 emission certificates already allocated is measured at fair value at the end of the reporting period. The provision for excess production (where actual emissions exceed the emission allowances provided and purchased) has to be measured at fair value on each balance sheet date. The changes in provisions are recognised in profit or loss.

Provisions are also recognised for the decommissioning and dismantling of conventional thermal gas-fired combined-cycle power plants.

Assigned rights of use

Usage rights which have been assigned, i.e. payments received from third parties in consideration for rights to use facilities and procure energy, are recognised under other non-current liabilities. Payments received are recognised in profit or loss on a straightline basis over the life of the relevant usage rights.

Grid cost contributions (connection fees) are also recognised in this item and carried at the nominal value of the cash received less any amounts unwound and recognised in profit or loss. Liabilities are unwound on a straight-line basis over the term of the connection agreement, or the expected useful life of the connection where there is an open-ended right to be connected

Rights to use third parties' systems	40–60 years
Other rights of use	50 years
Energy procurement rights assigned to third parties	50 years

Usage rights are reviewed at the end of each financial year. The individual contractual useful lives are applied in all cases. Assigned rights of use and grid cost contributions are reported as other non-current liabilities.

Leasing

Assets and liabilities from lease contracts are recorded in the balance sheet as finance leases if all opportunities and risks associated with the property are largely transferred to the Axpo Group when the contract is signed. The measurement is at the lower of either fair value or present value of the minimum lease payments less accumulated depreciation and any impairments. The lease instalments are divided into interest costs and repayment amounts under the annuity method.

The leased objects are amortised over the shorter of their estimated useful lives and lease duration. Payments for operating leases are recognised in profit or loss over the duration of the lease.

Employee benefits

The Axpo Group operates pension plans in accordance with national legislation in each country. Most companies belong to PKE-CPE Vorsorgestiftung Energie. This is a legally independent pension fund which qualifies as a defined benefit plan under IAS 19. There are also defined contribution plans. All the plans are generally funded by employee and employer contributions.

Employer contributions paid or owed for pension funds with defined contribution plans are recognised in profit or loss. The proportional defined benefit-based pension liability of PKE is calculated annually by independent actuaries using the projected unit credit method. The discount interest rate used for the calculation is based on the interest rate for first-class corporate bonds with virtually the same maturities as the liabilities. This accrued benefit/years of service method takes into account the net present values not only of the known pension and other entitlements on the balance sheet date, but also of anticipated increases in salary and future pension. The fair value of plan assets, actuarial gains and losses not yet recognised and past service cost not yet recognised are deducted or added.

Pension costs associated with work performed in the reporting period are recognised in profit or loss. Pension costs relating to work performed in previous periods caused by new or altered pension benefits are recognised as employee benefit costs on a straight-line basis until the time when entitlement to the benefits arises. Actuarial gains and losses arising from periodic recalculations are recognised in profit or loss on a straight-line basis for the average remaining years of service if they exceed 10% of assets or pension fund liabilities, whichever is higher. Provisions for deficits arising from these computations are made using the same mechanism. Pension fund surpluses are only capitalised up to an amount not exceeding the sum of past service cost not yet recognised, unrecognised actuarial losses and the benefits from future contribution refunds or reductions.

Income taxes

Income taxes include current and deferred income taxes. Income taxes are normally recognised in profit or loss unless they are linked to a position which is recognised in other income or directly in equity. In this case, income taxes are also recognised in other income or directly in equity.

Current income taxes are calculated on the taxable results and accrued for the relevant period. The deferred tax liabilities shown in the consolidated financial statements are calculated using the balance sheet liability method, where deferred taxes are recognised for all temporary differences. Timing differences arise from deviations between the carrying amount of an asset or liability and its relevant tax value, which will even out in one or more future periods. Temporary differences resulting from the initial recognition of goodwill, from the initial recognition of assets or liabilities in connection with a transaction which neither impact the taxable results nor the profit for the year, and from investments in subsidiaries are not recognised if it is likely that the temporary difference will not be reversed in the foreseeable future. Company-specific tax rates are used for calculatingdeferred taxes. Tax credits and debits are offset if they involve the same tax subject and the same tax jurisdiction. Deferred tax assets or liabilities are recognised as non-current assets or liabilities. Deferred tax assets arising from losses carried forward and deductible temporary differences are capitalised only if it is likely that they can be realised in the future.

Contingent liabilities

Contingent liabilities are obligations where an outflow of funds is considered possible but unlikely, and possible obligations whose existence is not yet confirmed. They are not recognised in the balance sheet unless they were acquired as part of a corporate acquisition. In contrast, the amount of a possible obligation on the balance sheet date is disclosed as a contingent liability in the Notes to the consolidated financial statements.

Impairments of non-financial assets

At least once a year, an assessment is made as to whether there is any indication that tangible and intangible assets may be impaired. If indications of a sustainable and material impairment exist, the recoverable amount of the asset or, if this is not possible, the recoverable amount of the cash-generating unit to which the asset belongs is estimated and compared with the carrying amount (impairment test). If the carrying amount exceeds the estimated recoverable amount, an impairment is made in the amount of the difference. The recoverable amount is equivalent to the higher of the value in use and fair value less costs to sell. When calculating the value in use, the estimated future cash flows are discounted using a pre-tax interest rate. This pre-tax interest rate takes account of the current market estimate of the time value of money on the one hand and the inherent risk of the asset on the other, insofar as these have not already been included in the estimate of the cash flows. Once impaired, the carrying amount of assets is adjusted annually in profit or loss to the amount determined using the discounted cash flow method. However, in the case of a reversal, the carrying amount is increased to no more than the systematically amortised cost amount. The exception is reversals of impairments in respect of goodwill. Goodwill is allocated as of the acquisition date to the cash-generating units that are expected to benefit from the synergies of the business combination. Regardless of indicators, goodwill is tested for impairment annually.

Financial assets

Financial assets are initially recognised at fair value and, in the case of financial instruments which are not classified as "measured at fair value through profit or loss", include transaction costs. Purchases and sales are recognised in the balance sheet on the trade date.

The subsequent measurement is based on the category to which the financial assets are assigned. The Axpo Group classifies its financial assets as follows:

– financial assets at fair value through profit or loss,
– loans and receivables,
– available-for-sale financial assets.

Financial assets are classified as at fair value through profit or loss if they are either held for trading or have been designated as at fair value through profit or loss on initial recognition. Financial assets held for trading also include all derivative financial instruments which are not used for hedge accounting. Financial assets at fair value through profit or loss are measured at fair value on initial recognition and subsequently. Changes in fair value are recognised in profit or loss.

Loans and receivables issued by the Axpo Group are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. They are recorded in the balance sheet after initial recognition at amortised cost using the effective interest method less any impairments. An impairment is calculated as the difference between the carrying amount and the present value of expected future cash flows discounted using the original effective interest rate.

Available-for-sale assets are remeasured to fair value subsequent to initial recognition in the balance sheet, and the difference is recognised in other income outside profit or loss, taking into account deferred taxes. At the time a gain or loss is realised, it is recognised in profit or loss. Permanent impairments are recognised in profit or loss after an analysis of the individual securities (individual valuation). An impairment exists in particular if the fair value of a share either remains below the purchase price for an extended period or is significantly below the purchase price. Debt instruments such as bonds are regarded as impaired if there is an objective indication such as insolvency, default of payment or other significant financial difficulties of the issuer. In contrast to debt instruments, reversals of impairment losses on equity instruments are not recognised in profit or loss.

Other financial assets (current and non-current)

All ownership interests in which the Axpo Group has no significant or controlling influence but which are held on a long-term basis are classified as non-consolidated ownership interests. They are classified as available for sale.

Available-for-sale financial assets include marketable shares and bonds. These are classified as available for sale as they were not acquired to generate profits from short-term price fluctuations.

Securities that are deposited short-term as collateral for energy trading transactions on European energy exchanges are classified as at fair value through profit or loss.

Loans include long-term loans to third parties as well as to associates. They are assigned to the category loans and receivables. If, when the loan is paid out, the agreed interest rate equals the market interest rate and both disbursement and repayment are made at the nominal value, the amortised cost is equivalent to the nominal value of the loan.

Other receivables (non-current)

This position comprises almost exclusively receivables from state funds. Nuclear power plant operators are obliged by law to make annual payments into government-controlled funds (the Decommissioning Fund and the Waste Disposal Fund for Nuclear Installations). Future costs for disposal and decommissioning are paid from these funds. The funds ensure the availability of liquidity when payments are due and invest the fund assets. Market and estimation risks are borne by the plant operators. The Axpo Group's share of the funds is capitalised pursuant to the provisions of IFRIC 5 as a reimbursement right in accordance with IAS 37. These receivables are recognised at the lower of the carrying amount of the provision and the fair value of the pro rata net fund assets. Changes in fund values are recognised in financial income/expenses for the period in question.

Trade receivables and other receivables

Trade receivables and other receivables also belong in the loans and receivables category and are recognised at amortised cost, which is usually equivalent to the nominal value, less impairments. In principle, bad debt provisions are recognised individually for specifically identified risks to receivables. However, in addition to individual bad debt provisions, general provisions are also made for as yet unknown losses based on statistical calculations of default risk.

Cash and cash equivalents

Cash and cash equivalents comprise petty cash, credit balances with bank and postal giro accounts, sight deposits and deposits with a term of not more than 90 days at the time of acquisition.

Non-derivative financial liabilities

Non-derivative financial liabilities include trade liabilities, accrued expenses and deferred income as well as current and non-current financial liabilities. Accrued expenses and deferred income are reported under other current liabilities. Non-current financial liabilities consist of bonds and loans from third parties and pension plans.

Non-derivative financial liabilities are valued at fair value less transaction costs on initial recognition and subsequently at amortised cost. The amortisation or impairment reversal of the difference between the fair value of the consideration received minus transaction costs and the repayment value of non-current financial liabilities is calculated using the effective interest rate method and recognised in profit or loss over the duration of the finance term.

Other non-current liabilities

This item comprises long-term investments such as loans or long-term time deposits that a pension fund has made in the entity. Also recognised in other non-current liabilities are all other liabilities that will become due more than twelve months after the reporting date and which cannot be assigned to any other position under non-current liabilities. These also include liabilities from assigned rights of use and grid cost contributions.

Positive and negative replacement values

Forward transactions (forwards, futures, swaps) and options with energy as the underlying are measured at the end of the reporting period using prices that are close to fair value. Income from energy trading therefore comprises realised gains from completed transactions and unrealised changes in the value of transactions outstanding at the end of the reporting period. Positive and negative replacement values are recognised separately in assets or liabilities. The replacement values are shown in a table in the Notes.

In order to hedge interest rate and currency fluctuations, derivative financial instruments are used as and when required. This is done in accordance with existing guidelines governing the hedging and credit risk policy. The instruments are measured at fair value. Realised and unrealised changes in the value of financial instruments used to hedge exchange and interest rate risks in current business operations are recognised generally as financial income (or expense) in profit or loss. The positive and negative replacement values are recognised under assets or liabilities.

In isolated cases, cash flow hedge accounting in accordance with IAS 39 is applied. The effective part of the fair value change in the hedging instrument is recognised in equity (hedge accounting reserve) without affecting profit or loss, taking into account deferred taxes, and reported in the statement of comprehensive income. The part which is ineffective for hedge accounting purposes is recognised in profit or loss at the end of the reporting period. As soon as the hedged transaction is recognised in profit or loss, the accumulated changes in fair value of the derivative recognised in equity are transferred to profit or loss.

Derivatives which have a term of more than 12 months and are not used for speculative purposes are classified as non-current. All transactions of a speculative nature which are primarily held for trading and thus with the intention of realising short-term gains are classified as current, irrespective of their term to maturity.

If a framework agreement with netting clauses exists for a counterparty and if there is a legal right to offset and the intention to settle on a net basis, the positive and negative replacement values which fall due simultaneously are offset.

5 | Estimation uncertainties

Key assumptions and sources of estimation uncertainty

In the process of preparing the consolidated financial statements in accordance with IFRS, Axpo Group management made estimations and assumptions which have an effect on the applicable accounting principles and the amounts recognised under assets, liabilities, income and expenses as well as their presentation. The estimations and assumptions are based on existing knowledge and various other factors which are regarded as relevant under the given circumstances. These serve as a basis for recognition in the balance sheet of assets and liabilities which cannot be measured directly on the basis of any other source. The actual values may deviate from these estimations.

The estimations and assumptions are regularly reviewed. Where necessary, adjustments are made to estimations if the circumstances on which they were based have changed or if new information and additional facts become known. Such adjustments are recorded in the period in which the estimation was adjusted.

The key assumptions concerning the future and other key sources of estimation uncertainty which could necessitate material adjustments to the recognised assets and liabilities are listed below.

Property, plant and equipment and intangible assets (energy procurement and plant usage rights)

The Axpo Group has property, plant and equipment with a carrying amount of CHF 3468.9 million (see Note 17 "Property, plant and equipment") and holds energy procurement and plant usage rights as well as concessions totalling CHF 737.5 million (see Note 18 "Intangible assets"). These are subjected to annual impairment tests. To determine whether there is an indication of impairment, these asset values are assessed based on the expected future cash flows from the use of these assets. The actual cash flows may differ significantly from the discounted future cash flows based on these assessments. Material parameters such as useful life, energy price movements and the discount rate are by their nature subject to major uncertainties. The estimation as regards the development of energy prices is based as in previous years on the expected price development in the supply and trading market. In the 2012/13 reporting year, changes in assumptions relating to the described parameters resulted in a net impairment of CHF 509.5 million (see Note 14 "Depreciation, amortisation and impairments", Note 17 "Property, plant and equipment" and Note 18 "Intangible assets").

Transmission facilities

The Swiss Electricity Supply Act (StromVG) entered into force on 1 January 2008. The legislation requires all transmission systems to be transferred to the national grid operator Swissgrid AG within five years, and by 1 January 2013 at the latest. On 3 January 2013 and on the basis of the non-cash contribution agreements, the transmission system owners EGL Grid AG, Nordostschweizerische Kraftwerke Grid AG and CKW Grid AG were transferred to Swissgrid AG by the respective parent companies Axpo Power AG, Axpo Trading AG and Centralschweizerische Kraftwerke AG. The provisional transfer value of the transmission system was taken as the investment values according to the Federal Electricity Commission (ElCom) tariff ruling of 2012, which were amortised as of 31 December 2012 (see also Note 22 "Assets held for sale"). The final valuation of the transmission system will be made as part of a further valuation adjustment, with all former transmission system owners being treat-

ed in accordance with the principle of equality. This requires legally binding decisions on all the tariff proceedings still pending for the years 2009 to 2012, the currently suspended proceedings concerning cover differences in 2011 and 2012, and the proceedings for determining the material value of the transmission system. Depending on the outcome of these pending proceedings, the definitive transfer values of the transmission systems from valuation adjustment 2 may in some cases differ significantly from the transfer value as of 3 January 2013. At present the duration and outcome of the proceedings are still uncertain. However, the management remains confident that the final transfer value will be higher than the provisional transfer value. The Federal Administrative Court's decision of 11 November 2013 regarding the valuation method to be used for the transferred transmission system companies supports this view.

Proceedings of the Federal Electricity Commission

In May 2009 the Federal Electricity Commission (ElCom) initiated proceedings against CKW AG with a view to verifying the correctness of grid usage and electricity tariffs. With regard to the grid usage tariffs, ElCom issued a partial ruling on 7 July 2011 to the effect that it did not fully recognise the grid costs declared by CKW AG. In response, CKG AG lodged an appeal against this partial ruling with the Federal Administrative Court. This appeal was upheld by the Court in a ruling handed down on 29 January 2013. On the basis of the Court's final ruling and the related fundamental confirmation that the declaration of grid costs complied with the law and was correct, the relevant provision made in earlier years was reversed during the 2012/13 reporting period (see Note 30 "Provisions").

With regard to electricity tariffs, ElCom issued a partial ruling on 15 April 2013 to the effect that it did not fully recognise the production costs declared by the CKW Group in conjunction with the development and expansion of production capacity and administration and selling costs. It is the view of the CKW Group that these costs may be taken into account and that the related calculation of the tariffs was carried out correctly. Due to the far-reaching nature of the decision, CKW filed an appeal against this partial ruling with the Federal Administrative Court. The CKW Group recorded a provision in the 2011/12 financial year which was adjusted in the 2012/13 financial year (see Note 30 "Provisions"). Depending on how proceedings progress, the estimate can be modified in the following year and the amount of the provision adjusted accordingly.

Goodwill

The net carrying value of goodwill from business combinations was CHF 331.6 million as at 30 September 2013. The value of the goodwill is tested for impairment in the fourth quarter of each year or earlier if there are indications of impairment. The value of goodwill is largely determined by the expected future cash flows, the discount factor, and long-term growth rates. The key assumptions are explained in Note 18 "Intangible assets". A change in the assumptions in future periods can result in an impairment loss being recognised.

Receivables from state funds

Operators of nuclear power plants are required by law to contribute to state-administered funds for decommissioning and the disposal of nuclear waste. Payments to the funds administered by the Swiss federal government are shown as receivables (refund entitlements). These are recognised at the lower of the carrying amount of the provision or the fair value of the share of net fund assets. As at 30 September 2013 they amounted to CHF 1710.9 million (see Note 25 "Other receivables"). Under the terms of the Ordinance on Government Funds, nuclear power plant operators are required to make further contributions to cover any future sustained shortfalls and by the same token are entitled to any future sustained surpluses. The occurrence of such shortfalls or surpluses can only be identified in the future. As at 30 September 2013 the unfunded status totalled CHF 337.1 million (see Note 25 "Other receivables").

Employee benefits

The majority of the employees of the Axpo Group are members of the PKE-CPE Vorsorgestiftung Energie, a pension fund which meets the criteria of a defined benefits plan. The carrying value of the assets and liabilities of this pension fund are calculated using statistical and actuarial methods. In particular, the fair value of the pension liabilities is dependent on assumptions such as the discount rate, future wage and salary increases, and the expected increase in pension benefits. Additional assumptions include statistical data such as the probability of employees leaving the company and the life expectancy of the insured members. The assumptions may deviate substantially from actual results due to changes in market conditions and the economy, a higher or lower leaving rate, longer or shorter life expectancy of members and other estimated factors. These deviations may have an impact on the carrying value of pension fund assets and liabilities in future reporting periods. The key assumptions are explained in Note 32 "Employee benefits".

Provisions for nuclear waste disposal

As operator of the Beznau nuclear power plant and in compliance with legal provisions, the Axpo Group is required to decommission the plant at the end of its operational life and to dispose of the radioactive waste. The carrying value of the provisions for "Nuclear waste disposal" is significant for the assessment of the Axpo Group's balance sheet. Changes in complex cost calculations and changes in regulatory requirements governing the decommissioning of nuclear power plants and disposal of nuclear waste can have a significant impact on the results of Group operations. The cost estimates for decommissioning and dismantling nuclear power plants are regularly reviewed by third parties, as reviews must be conducted every five years in accordance with the Ordinance on the Decommissioning and Waste Disposal for Nuclear Plants. In 2011 new provisional cost estimates were drawn up for the post-operational period, decommissioning, dismantling and disposal. The formal acknowledgement and de facto approval took place in November 2012.

In the year under review, the carrying amount of the provisions for nuclear waste disposal totalled CHF 2770.3 million at the balance sheet date (see Note 30 "Provisions"). Inflation is factored in at an average of 3% and a discount rate of 5% is used. The operating life of the Beznau nuclear power plant is assumed to be 50 years (remaining life: 7 years).

Provision for onerous energy procurement contracts

The provision of CHF 577.2 million for onerous energy procurement contracts (see Note 30 "Provisions") covers identifiable losses from the procurement of energy from power generation plants and long-term supply contracts. This is calculated using discounted cash flow methodology. The discount rate is based on a weighted average cost of capital (WACC) determined according to the capital asset pricing model (CAPM). The applicable parameters were defined with due consideration to the risk profile of the cash-generating unit in question. The period taken into account covers the entire term of the concession and operation of the power plant (up to 80 years) or the term of the supply contracts. Significant parameters include the expected development of market prices, which by their nature are subject to major uncertainty, the budgeted figures for pro rata procurement costs, and the interest rate situation.

A net amount of CHF 262.3 million was allocated to the provision for onerous energy procurement contracts in the 2012/13 reporting year. A provision of CHF 301.2 million was set aside mainly to take account of expected future energy prices.

Projects

Part of the Axpo Group's corporate strategy is based on investing in various different asset projects. The various projects are at different stages of development; the earlier the development phase, the more difficult it is to assess whether a project will be realised. The feasibility of projects and their subsequent profit-generating operation or possible sale are dependent on various factors such as the legal framework and future market trends. Consequently, the balance sheet value of assets under construction and of project companies in which the Axpo Group has an interest and which are accounted for using the equity method may deviate from the future recoverable amount.

As at the balance sheet date, the project companies with the largest investment volume are Trans Adriatic Pipeline AG (TAP) and Global Tech I Offshore Windpark GmbH. During the reporting year, the Shah Deniz consortium decided in favour of the TAP project and the Shah Deniz partners BP, Socar and Total subsequently exercised the option granted to them in the previous year of acquiring a 50% stake in the project. Fluxys, the independent operator of the natural gas transmission system in Belgium, also acquired 16% of the shares in TAP. Consequently, the Axpo Group, as announced, reduced its commitment during the reporting year by selling a portion of the shares. This disposal is recognised in the profit or loss. As at the reporting date, the Axpo Group holds shares accounting for a 5% stake in TAP, equivalent to an investment volume of EUR 13.0 million. Good progress has been made in the negotiations to secure the necessary approvals. The provisional construction decision for the TAP is expected at the end of the year.

EUR 169.1 million had been invested in Global Tech I Offshore Windpark GmbH by the reporting date of 30 September 2013. This corresponds to the Axpo Group's 24.1% stake in the company. Offshore installation of the foundations, turbines and transformer platform began during the current reporting year. So far, 60 tripods and two turbines have already been successfully installed. The wind farm's own internal cabling is proceeding according to plan. During the reporting period, grid operator TenneT announced that there would be a considerable delay in construction of the BorWin2 converter station. Global Tech I consequently amended the overall construction work schedule. It expects the loss arising from the delayed connection to the BorWin2 converter station to be largely offset by using an interim connection to the existing BorWin1 converter station and by compensation payments due under the Damage Mitigation Act. The management expects the project to be completed in 2014.

6 | Financial risk management

General principles

The financial risk management is defined in the principles laid down by the Board of Directors with regard to the hedging of exchange rate, interest rate, market and credit risks, as well as directives governing the management of liquidity and other financial assets as well as short- and long-term financing. The units responsible at the Axpo Group manage their financial risks within the framework of the risk policy predefined for their division. The aim is to reduce financial risks while giving due consideration to hedging costs and the risks to be entered into. If appropriate, derivative financial instruments are used to hedge physical underlying transactions. In order to minimise counterparty risk, transactions are only entered into with selected counterparties and individual limits are defined to prevent risk concentrations with counterparties. For more details on how the Board of Directors conducts its risk assessment, please refer to the Notes to the financial statements of Axpo Holding AG.

Capital management

Capital management within the Axpo Group is based on the Group's overarching financial strategy. Compliance with the strategy was monitored in the reporting year using gearing as key performance indicator. Gearing is an indicator of a company's debt and reflects the ratio between the company's net debt and equity. The gearing of the Axpo Group amounts to –34% (previous year: –26%). This indicator is negative because the calculation of the gearing for the Axpo Group resulted in net assets.

The Axpo Group pursues a results-oriented dividend policy and generally distributes 15% to 25% of consolidated profit for the year (adjusted for special items) to owners. The dividend proposed for the 2012/13 financial year is CHF 74.0 million (CHF 2.00 per share). The dividend paid out during the reporting year was CHF 74.0 million (CHF 2.00 per share).

7 | Financial instruments

The following table shows the carrying amounts and fair values of the financial instruments held by the Axpo Group, broken down according to the categories defined in IAS 39:

Carrying amounts and fair values of financial assets and liabilities

CHF m	Notes	Carrying amount 30.9.2013	Fair value 30.9.2013	Carrying amount 30.9.2012	Fair value 30.9.2012
Financial assets at fair value through profit or loss (held for trading)		**1 338.2**	**1 338.2**	**1 206.8**	**1 206.8**
Derivatives with positive replacement values		1 338.2	1 338.2	1 206.8	1 206.8
Energy derivatives		1 224.5	1 224.5	1 140.4	1 140.4
Forward currency contracts		60.5	60.5	12.3	12.3
Other derivative financial instruments		53.2	53.2	54.1	54.1
Financial assets at fair value through profit or loss (hedge accounting)		**411.5**	**411.5**	**139.9**	**139.9**
Derivatives with positive replacement values		411.5	411.5	139.9	139.9
Energy derivatives		411.5	411.5	139.9	139.9
Loans and receivables		**6 408.9**	**6 426.8**	**6 253.2**	**6 279.1**
Cash and cash equivalents	26	2 923.8	2 923.8	2 792.7	2 792.7
Trade receivables	24	600.8	600.8	721.4	721.4
Other financial assets (non-current)	20	773.5	791.0	424.6	450.4
Financial receivables (current)		309.9	310.3	284.6	284.7
Revenues not yet invoiced	25	1 524.8	1 524.8	1 785.3	1 785.3
Other receivables (current and non-current)	25	276.1	276.1	244.6	244.6
Available-for-sale financial assets		**1 232.6**	**1 232.6**	**1 161.4**	**1 161.4**
Other financial assets (current and non-current)	20	1 232.6	1 232.6	1 161.4	1 161.4
Total financial assets		**9 391.2**	**9 409.1**	**8 761.3**	**8 787.2**
Financial liabilities at fair value through profit or loss (held for trading)		**1 049.5**	**1 049.5**	**921.5**	**921.5**
Derivatives with negative replacement values		1 049.5	1 049.5	921.5	921.5
Energy derivatives		990.4	990.4	912.6	912.6
Forward currency contracts		58.5	58.5	2.2	2.2
Other derivative financial instruments		0.6	0.6	6.7	6.7
Financial liabilities at fair value through profit or loss (hedge accounting)		**98.5**	**98.5**	**127.0**	**127.0**
Derivatives with negative replacement values		98.5	98.5	127.0	127.0
Energy derivatives		34.9	34.9	45.0	45.0
Other derivative financial instruments		63.6	63.6	82.0	82.0
Financial liabilities measured at amortised cost		**4 700.1**	**4 796.8**	**5 184.1**	**5 304.6**
Trade payables		463.4	463.4	514.2	514.2
Financial liabilities (current and non-current)		2 363.6	2 460.3	2 606.7	2 727.2
Other liabilities (current and non-current)	29, 31	129.5	129.5	90.4	90.4
Operating expenses not yet invoiced	31	1 743.6	1 743.6	1 972.8	1 972.8
Total financial liabilities		**5 848.1**	**5 944.8**	**6 232.6**	**6 353.1**

The fair value of "Other financial assets (non-current)", "Financial receivables (current)" and "Financial liabilities (current and non-current)" are equivalent to the net present value of the payments associated with these assets and liabilities, calculated using the interest rates which apply to the loans, or the current bond price of bond issues without including the interest accrued. The carrying amounts of "Trade receivables", "Other receivables (current and non-current)" and "Other liabilities (current and non-current)" correspond to the fair value due to their short-term to maturity.

The funds included in other financial assets invest some money in listed assets and some in assets which are traded periodically through financial institutions. The fair value is equivalent to the net asset value of the funds in accordance with the investment report produced on a regular basis by the fund manager.

Fair value measurement

Axpo trades in forward contracts in the form of forwards, futures and swaps as well as options with energy as the underlying asset, on behalf of customers and for its own account. A distinction is made between products with physical settlement and purely financial trading products and, in terms of maturity, between short- and long-term markets. Transactions which have a term to maturity of more than twelve months and are not speculative in nature are classified as non-current. All transactions of a speculative nature which are primarily held for trading and thus with the intention of realising short-term gains are classified as current, irrespective of their term to maturity.

The fair value of derivative financial instruments is dependent on the development of the underlying market factors. The relevant fair values are calculated and monitored at regular intervals. The fair value calculated for all derivative financial instruments is the price at which one party would take over the rights and/or obligations of another party. The fair values of the derivative financial instruments are calculated using measurement methods customary in the markets, taking into account the market data available at the date of measurement.

The methods and assumptions on which the measurement of the derivative financial instruments used is based are as follows:

– Electricity, gas, oil, coal, emissions and currency forwards contracts are measured based on the forward rates as at the balance sheet date. These rates are taken from the respective exchanges or provided by various brokers. If no published prices are available, internal measurement models are used.
– Futures are not measured since due to the exchange listing they are offset daily via a margin account.

The following overview represents the key parameters on which the measurement of financial assets and liabilities at fair value is based. The individual levels are defined in accordance with IFRS 7 as follows:

Level 1

Financial assets/liabilities measured using quoted and market prices in active markets (without adjustments or change in composition).

Level 2

Financial assets/liabilities measured using inputs based on observable market data that flow either directly or indirectly (i.e. derived from prices) into the valuation models.

Level 3

Financial assets/liabilities where the value is determined using valuation methods where significant input parameters are not based on observable market data.

Three-level-hierarchy at 30.9.2013

CHF m	Level 1	Level 2	Level 3	Carrying amount
Financial assets at fair value				
Financial assets at fair value through profit or loss (held for trading)				
Energy derivatives	98.2	1 934.2	141.7	2 174.1
Forward currency contracts	0.0	60.5	0.0	60.5
Other derivative financial instruments	0.0	53.2	0.0	53.2
Financial assets at fair value through profit or loss (hedge accounting)				
Energy derivatives	0.0	438.9	0.0	438.9
Available-for-sale financial assets	631.4	570.7	30.5	1 232.6
Financial liabilities at fair value				
Financial liabilities at fair value through profit or loss (held for trading)				
Energy derivatives	65.0	1 753.4	121.8	1 940.2
Forward currency contracts	0.0	58.5	0.0	58.5
Other derivative financial instruments	0.0	0.6	0.0	0.6
Financial liabilities at fair value through profit or loss (hedge accounting)				
Energy derivatives	0.0	62.1	0.0	62.1
Other derivative financial instruments	0.0	63.6	0.0	63.6

Three-level-hierarchy at 30.9.2012

CHF m	Level 1	Level 2	Level 3	Carrying amount
Financial assets at fair value				
Financial assets at fair value through profit or loss (held for trading)				
Energy derivatives	21.8	1 866.8	71.9	1 960.5
Forward currency contracts	12.0	0.3	0.0	12.3
Other derivative financial instruments	0.0	54.1	0.0	54.1
Financial assets at fair value through profit or loss (hedge accounting)				
Energy derivatives	0.0	139.9	0.0	139.9
Available-for-sale financial assets	598.3	534.7	28.4	1 161.4
Financial liabilities at fair value				
Financial liabilities at fair value through profit or loss (held for trading)				
Energy derivatives	15.0	1 696.6	21.1	1 732.7
Forward currency contracts	1.3	0.9	0.0	2.2
Other derivative financial instruments	0.0	6.7	0.0	6.7
Financial liabilities at fair value through profit or loss (hedge accounting)				
Energy derivatives	0.0	45.0	0.0	45.0
Other derivative financial instruments	0.0	82.0	0.0	82.0

Standard forward contracts and derivates in energy trading are recognised gross in the three-level-hierarchy, before netting of positive and negative replacement values.

There were no transfers between level 1 and 2 in the current financial year or the previous year.

The following representation shows the development of level 3 financial instruments measured at fair value:

Development of level 3 instruments: Replacement values

CHF m	Financial assets	Financial liabilities	Total
Balance at 1.10.2011	**62.1**	**3.1**	**59.0**
Currency translation effect on opening balance	0.7	0.0	0.7
Purchase (incl. acquisitions and day-one profit or loss)	39.1	0.9	38.2
Sale (incl. disposals and disposal of day-one profit or loss)	0.0	–0.1	0.1
Profit or loss incl. in income statement	–0.8	18.3	–19.1
Profit or loss incl. in comprehensive income	3.4	0.0	3.4
Reclassifications from level 3	–3.6	–1.2	–2.4
Currency translation effect on movements	–0.6	0.1	–0.7
Balance at 30.9.2012	**100.3**	**21.1**	**79.2**
Currency translation effect on opening balance	0.2	–0.3	0.5
Purchase (incl. acquisitions and day-one profit or loss)	15.1	1.6	13.5
Sale (incl. disposals and disposal of day-one profit or loss)	0.0	0.3	–0.3
Profit or loss incl. in income statement	55.8	98.8	–43.0
Profit or loss incl. in comprehensive income	–1.6	0.0	–1.6
Reclassifications from level 3	2.4	0.9	1.5
Currency translation effect on movements	0.0	–0.6	0.6
Balance at 30.9.2013	**172.2**	**121.8**	**50.4**

The reclassification from level 3 to level 2 relates to financial assets and liabilities whose measurement is now based on observable market data and the reclassification from level 2 to level 3 relates to financial assets and liabilities whose measurement is now no longer based on observable market data.

The table shows the financial instruments whose fair value is measured using valuation models in which not all significant parameters are based on observable market factors. On initial recognition, financial instruments of this type are accounted for at fair value calculated using the valuation model on day one, although this value may deviate from the transaction price. The deviation from the transaction price is recognised as a day-one profit or loss. The accrued day-one profit or loss is systematically released in profit or loss in net sales from energy business, in line with the contract format. The release is recognised in profit or loss even if the transaction is closed out.

The following tables show the reconciliation account of the changes in the accumulated deviations (movement of the accrued day-one profit or loss) and the accumulated deviations that were not yet recognised in the income statement at the beginning and end of the period.

Development of level 3 instruments: Day-one profit or loss

CHF m	Financial assets	Financial liabilities	Total
Balance at 1.10.2011	**0.1**	**24.6**	**–24.5**
Deferred profit/loss on new transactions	–1.1	36.4	–37.5
Profit or loss incl. in income statement	0.0	–0.7	0.7
Balance at 30.9.2012	**–1.0**	**60.3**	**–61.3**
Deferred profit/loss on new transactions	3.6	11.3	–7.7
Profit or loss incl. in income statement	–0.9	–11.4	10.5
Currency translation effect	0.0	–0.2	0.2
Balance at 30.9.2013	**1.7**	**60.0**	**–58.3**

Profit or losses on level 3 financial instruments recognised in the income statement

CHF m	Net sales 2012/13	Net sales 2011/12
Profit or loss for the financial year	–32.5	–18.4
Profit or loss on remaining financial instruments at financial year end	–35.3	–18.3

Net results from financial assets and liabilities

CHF m	Income statement 2012/13	Other comprehensive income 2012/13	Income statement 2011/12	Other comprehensive income 2011/12
Net profit/losses included in sales from energy and grid usage				
Financial assets and liabilities at fair value through profit or loss (held for trading)	276.0	-	139.5	-
Financial assets and liabilities at fair value through profit or loss (hedge accounting)	0.0	290.1	0.0	93.5
Net profit/losses included in the financial result				
Financial assets and liabilities at fair value through profit or loss (held for trading)	–15.5	0.0	–12.4	0.0
On loans and receivables	–8.0	0.0	–10.0	0.0
On available-for-sale financial assets	36.0	41.8	24.4	108.7
Interest income and expense				
Interest income on financial assets not accounted for at fair value through profit or loss	37.4	0.0	37.5	0.0
Interest expense on financial liabilities not accounted for at fair value through profit or loss	85.2	0.0	86.1	0.0
Currency effects on financial assets and liabilities				
Currency effects on financial assets and liabilities	11.5	0.0	–1.0	0.0

The amounts recognised under other comprehensive income include fair value adjustments in the current financial year as well as results reclassified to profit or loss.

Other operating expenses contain net impairment provisions made for trade receivables amounting to CHF 29.0 million (previous year: CHF 30.3 million).

Interest expense includes interest effects from derivatives which reduce interest expense.

Forward contracts and derivative financial instruments

Derivative financial instruments are used as needed to hedge against interest and currency fluctuations and to hedge part of expected future energy purchases or sales.

The following table shows the replacement values, calculated at fair value (positive replacement values indicate receivables, negative replacement values indicate liabilities):

Forward contracts and derivatives in energy trading

	Replacement values	
CHF m	positive 30.9.2013	negative 30.9.2013
Energy trading		
Forward contracts	2 387.5	1 799.0
Options	84.3	122.2
Swaps	89.6	75.8
Emission certificates	51.6	5.3
Total energy trading before netting	**2 613.0**	**2 002.3**
Currency and interest rates		
Currency swaps	60.5	58.5
Interest rate swaps	0.5	63.6
Other derivative financial instruments	52.7	0.6
Total currency and interest rates	**113.7**	**122.7**
Total before netting	**2 726.7**	**2 125.0**
./. consideration of netting agreements	–977.0	–977.0
Total after netting	**1 749.7**	**1 148.0**
thereof:		
Non-current replacement values	557.5	168.0
Current replacement values	1 192.2	980.0

Forward contracts and derivatives in energy trading

	Replacement values	
CHF m	positive 30.9.2012	negative 30.9.2012
Energy trading		
Forward contracts	1 883.6	1 636.5
Options	78.5	66.4
Swaps	72.4	57.4
Emission certificates	65.9	17.4
Total energy trading before netting	**2 100.4**	**1 777.7**
Currency and interest rates		
Currency swaps	12.3	2.2
Interest rate swaps	0.0	82.0
Other derivative financial instruments	54.1	6.7
Total currency and interest rates	**66.4**	**90.9**
Total before netting	**2 166.8**	**1 868.6**
./. consideration of netting agreements	–820.1	–820.1
Total after netting	**1 346.7**	**1 048.5**
thereof:		
Non-current replacement values	208.1	110.1
Current replacement values	1 138.6	938.4

For risk reasons, netting arrangements are agreed with numerous counterparties for standard forward contracts and energy trading derivatives. Where such a framework agreement exists and is legally enforceable in the event of insolvency by a counterparty, the positive and negative replacement values are netted and a single amount, which is either a payable or a receivable, is recorded in the balance sheet.

Hedging transactions (hedge accounting)

The Axpo Group is exposed to interest rate risk as a result of floating-rate debt taken out in connection with the construction of the gas-fired combined-cycle power stations in Italy. This risk is mitigated by the measured use of financial derivatives in the form of interest rate swaps. These swaps are accounted for in line with hedge accounting principles and are judged to be highly effective cash flow hedges. The interest rate swaps are recognised at fair value. In accordance with IAS 39, the change in replacement values prior to realisation is reported in the consolidated statement of equity under the reserve for hedge accounting, with allowance made for deferred taxes. As at 30 September 2013, interest rate swaps with a contract value of CHF 631.2 million had been designated as hedging instruments (previous year: CHF 640.2 million). Cash flows from the swaps will be accrued in the next one to five years and will be recognised in profit or loss during that period.

Some of the energy derivatives held by the Axpo Group are also designated as hedging instruments in cash flow hedges. At the end of the reporting period, this amounted to total derivatives with a contract volume of CHF 2861.9 million (previous year: CHF 1060.8 million). The effective portion of the fair value fluctuation for derivatives is recognised in other comprehensive income. When the hedged cash flows occur, the fair value fluctuations are transferred to profit or loss. The cash flow hedges were 100% effective during the reporting period.

The following table shows the expected amounts of the reclassifications to the income statement:

Reclassification of fair value fluctuations from energy hedging transactions to the income statement

CHF m	Effect on profit or loss 2012/13	Contract value 2012/13	Effect on profit or loss 2011/12	Contract value 2011/12
2012/13	-	-	47.6	309.6
2013/14	149.8	623.1	31.8	298.2
2014/15	155.8	876.8	34.5	360.4
2015/16	83.0	1 016.2	1.2	93.1
2016/17	–4.0	345.8	0.0	–0.5
Total	**384.6**	**2 861.9**	**115.1**	**1 060.8**

Hedging transactions used to hedge cash flows were concluded for the underlying transactions in accordance with energy planning.

Credit risks

Credit risks are risks of potential losses that may result from the inability of a business partner to pay or the inability of a trading partner, distributor or supplier to meet its contractual obligations. The Treasury Policy contains provisions relating to the management of credit risks, such as avoidance of risk clusters and minimum ratings of counterparties.

The Axpo Group controls credit risks via a credit risk management system defined per business area. The business area Trading & Sales and CKW follow an autonomous energy pricing policy. Credit risks are managed by setting credit limits for each transaction in the respective business area. Receivables from counterparties are continuously monitored, and new contractual parties are subjected to a credit check.

Maximum credit/default risk at the end of the reporting period

The maximum credit default risk of the Axpo Group amounts to CHF 8786.3 million (previous year: CHF 8187.9 million). Included in the maximum credit default risk are "Total financial assets" of CHF 9391.2 million less "Shares and participation certificates available for sale" of CHF 604.9 million.

The credit risk is reduced by the collateral held and by the netting agreements with counterparties for the netting of all assets and liabilities related to energy trading transactions. In addition, at the end of the reporting period the Group held collateral in the amount of CHF 25.0 million in respect of outstanding receivables in accordance with IFRS 7 (previous year: CHF 25.0 million). A detailed list of assets exposed to credit risk is provided in the table "Carrying amounts and fair values of financial assets and liabilities" (see page 65).

Risk concentration

The following table provides information on the composition of geographical risk concentrations in trade.

Credit risk concentration by geographical area

CHF m	Carrying amount 30.9.2013	Carrying amount 30.9.2012
Western Europe	58.0	28.5
Southern Europe	211.1	264.7
Central Europe	293.2	326.5
Northern Europe	17.5	10.7
Southeast Europe	20.8	69.4
East Europe	0.0	21.6
Outside Europe	0.2	0.0
Total	**600.8**	**721.4**

Significant concentrations of credit risk exist primarily in relation to long-term energy procurement contracts. These contracts are monitored continuously and reported internally by Risk Management. Other than this, no significant concentrations of risk (cluster risk) exist in the Axpo Group in respect of any counterparty. Due to energy supply activities, trade receivables in the amount of CHF 248.4 million (previous year: CHF 306.9 million) were concentrated geographically primarily in Switzerland.

Credit quality

The following table provides an age analysis of trade receivables and related bad debt provisions:

Past-due trade receivables

CHF m	Gross 30.9.2013	Bad debts 30.9.2013	Gross 30.9.2012	Bad debts 30.9.2012
Not yet due	505.6	–4.5	517.0	–0.9
Past due 1-60 days	48.6	–6.5	127.5	–5.0
Past due 61-150 days	15.1	–3.3	38.7	–16.3
Past due 151-360 days	37.2	–9.2	71.8	–22.9
Past due more than 360 days	101.2	–83.4	80.6	–69.1
Total	**707.7**	**–106.9**	**835.6**	**–114.2**

The following table shows the development of bad debt provisions in the financial years 2011/12 and 2012/13:

Bad debt provisions created, released or no longer required on trade receivables

	Trade receivables	
CHF m	General provisions	Specific provisions
Bad debt provisions as at 30.9.2011	**–4.0**	**–126.2**
Net bad debt provisions made	–0.4	–30.3
Net bad debt provisions reversed	0.1	0.3
Uncollectible receivables written off	0.0	3.3
Reclassification to "assets held for sale"	0.0	42.3
Currency effects	0.0	0.7
Bad debt provisions as at 30.9.2012	**–4.3**	**–109.9**
Net bad debt provisions made	–1.1	–28.9
Net bad debt provisions reversed	0.6	0.4
Uncollectible receivables written off	0.0	36.9
Currency effects	0.0	–0.6
Bad dept provisions as at 30.9.2013	**–4.8**	**–102.1**

The bad debt provisions include significant receivables with two counterparties in the amount of CHF 34.4 million and CHF 18.1 million respectively. Due to the financial difficulties facing these counterparties, the management of the Axpo Group no longer expects these receivables to be fully collectible. During the previous year, the provisions of CHF 42.3 million recognised for trade receivables from Swissgrid AG due to the transfer of the transmission systems were reported under "Assets held for sale" (see Note 24 "Trade receivables"). Based on prior-year experience, the Axpo Group does not expect any significant defaults on trade receivables not yet due. The bad debt provisions are recognised as specific bad debt provisions or provisions calculated on a portfolio basis.

Collateral

Within the Axpo Group, major importance is attached wherever possible to the inclusion of netting clauses in framework agreements. Receivables and payables can only be netted in the balance sheet if there is a legal right to offset and there is an intention to settle net (see "Forward contracts and derivative financial instruments"). In addition, the aforementioned collateral is obtained and its relevance is regularly reviewed. In the case of major credit risks, Credit Support Annexes (CSAs) are attached to the framework agreements, in which regular margin payments are agreed as additional collateral, mostly in the form of cash.

Liquidity risks

Liquidity risk is the risk that arises if the Group is unable to meet its obligations on the due date or at a reasonable cost.

The Corporate Treasury department of the Axpo Group is responsible for liquidity management, which encompasses the planning, monitoring, provision and optimisation of liquidity for the subsidiaries and partner plants. Various measures are used to ensure liquidity. Cash pooling and smoothing of cash balances within the business areas are used to achieve optimum cash management. Liquidity is also ensured via specific project financing and by appropriate refinancing on the money and capital markets. The majority of receivables in European energy trading are netted and settled on fixed payment deadlines, thereby significantly reducing liquidity demand in energy trading on these dates. The ultimate aim of the Axpo Group is to ensure that unutilised credit facilities are available on a constant basis. The Axpo Group has aggregated credit facilities of CHF 2107.6 million at its disposal from banks and financial institutions (previous year: CHF 1910.3 million). Of this amount, CHF 1037.8 million had been utilised as at 30 September 2013 (previous year: CHF 1017.4 million). The following table shows the contractual due dates (including interest) of the financial liabilities held by the Axpo Group. The future variable interest rates have been estimated based on the yield curve on the balance sheet date.

Maturity analysis of financial liabilities and assets as at 30.9.2013

CHF m	Carrying amount	Cash flows	at sight	< 3 mths	3–12 mths	1– 5 years	> 5 years
Non-derivative financial liabilities							
Trade payables	463.4	463.4	0.0	454.5	8.9	0.0	0.0
Financial liabilities (current and non-current)	2 363.6	2 604.8	0.0	381.7	95.7	593.7	1 533.7
Other liabilities (current and non-current)	129.5	133.3	0.0	99.2	23.1	5.0	6.0
Operating expenses not yet invoiced	1 743.6	1 834.5	0.0	1 800.3	34.2	0.0	0.0
Derivative financial instruments							
Net carrying amount of energy derivatives	–610.7						
Gross cash inflow		21 847.4	17 375.2	207.9	3 192.6	902.8	168.9
Gross cash outflow		18 801.2	14 453.0	44.0	3 029.7	924.2	350.3
Net carrying amount of forward currency contracts	–2.0						
Gross cash inflow		2 792.2	0.0	671.8	1 297.7	822.7	0.0
Gross cash outflow		2 622.8	0.0	571.3	1 239.9	811.6	0.0
Net carrying amount of other derivative financial instruments	11.0						
Gross cash inflow		273.0	1.1	6.3	0.0	263.0	2.6
Gross cash outflow		290.3	0.4	7.2	14.5	263.6	4.6

Maturity analysis of financial liabilities and assets as at 30.9.2012

CHF m	Carrying amount	Cash flows	at sight	< 3 mths	3–12 mths	1– 5 years	> 5 years
Non-derivative financial liabilities							
Trade payables	514.2	514.2	0.5	482.5	31.2	0.0	0.0
Financial liabilities (current and non-current)	2 606.7	2 867.4	0.2	595.0	114.6	538.6	1 619.0
Other liabilities (current and non-current)	90.4	90.2	0.1	52.2	24.1	4.3	9.5
Operating expenses not yet invoiced	1 972.8	1 972.8	3.0	1 938.7	31.1	0.0	0.0
Derivative financial instruments							
Net carrying amount of energy derivatives	–322.7						
Gross cash inflow		22 781.4	18 688.9	1 289.1	1 347.3	1 395.6	60.5
Gross cash outflow		29 428.3	26 603.5	904.6	1 065.7	692.8	161.7
Net carrying amount of forward currency contracts	–10.1						
Gross cash inflow		780.1	0.0	489.1	96.7	194.3	0.0
Gross cash outflow		675.1	0.0	383.9	146.6	144.6	0.0
Net carrying amount of other derivative financial instruments	34.6						
Gross cash inflow		268.8	0.0	6.3	0.0	262.5	0.0
Gross cash outflow		306.3	6.7	7.2	14.8	269.7	7.9

Cash flows are not discounted for the maturity analysis. In compliance with the applicable standard, liquidity risk relates only to financial liabilities. In order to show the effective liquidity risk arising from derivative financial instruments, the cash inflow/outflow from contracts with positive and negative replacement values is shown under "Derivative financial instruments" in the above table. The previous year's figures have been adjusted accordingly. During the previous year, falling forward prices in the case of energy derivatives meant that electricity procurement contracts in particular had a negative replacement value (leading to a cash outflow). By contrast, electricity sales contracts (leading to a cash inflow), which offset cash outflows from electricity procurement contracts, generally show a positive replacement value on account of the price movements.

Market price risks

Market price risks arise from adverse price and exchange rate movements in respect of unhedged positions held in energy and financial transactions.

Energy price risks

The Axpo Group defines energy price risks as risks arising from changes in energy prices. Energy price risks are characterised by the high volatility of energy market spot prices. The Axpo Group is exposed to such risks primarily via the energy it sells in unregulated market segments and on the open market.

The CKW Group, whose corporate strategy is primarily focused on supplying energy in their supply regions, manages energy price risks by optimising the use of futures and forward contracts for physical energy supplies, in order to hedge against energy deficits or surpluses. In addition to actively managing energy surpluses and deficits to supply end-customers, the CKW Group also follows proprietary trading strategies to a very limited extent, in the course of which relatively small unhedged positions are permitted. According to the existing risk strategy, unhedged positions may only be entered into for the current financial year and the three following years in order to ensure that proprietary trading transactions are only entered into for a time frame within which sufficient market liquidity is available.

In its capacity as a trading company, energy price risks at Axpo Trading Group are monitored and reported on a daily basis by the Risk Management & Valuation department. Monitoring is carried out in accordance with the principles set out in the Risk Management directive as well as the related trading mandates. The market price risk is limited using a transparent limit system consisting of a VaR and a volume limit. The total risk limit for energy trading is approved annually by the Axpo Trading Board of Directors at the request of Executive Management, and broken down by individual divisions, departments and books within Axpo Trading Group.

The energy price risks are quantified using the Value-at-Risk (VaR) method with an assumed holding period of five days and a confidence interval of 99%. Value-at-Risk (VaR) defines a potential loss which, with 99% probability, will not be exceeded taking due account of the historic market trend. As in the previous year, a distinction is made between the positions "trading books" and "own-use books". The reported VaR figures relate to the effective trading books, with all trading books that are used for economic hedging of an own-use book being excluded.

Sensitivity analysis of the energy price risk

CHF m	30.9.2013	30.9.2012
VaR Axpo Trading Group	22.6	16.5
VaR CKW Group	5.3	4.8

Currency risks

Due to its international activities, the Axpo Group is exposed to currency risks resulting from business transactions and assets and liabilities that generate cash flows in the future, where these are not denominated in the functional currency of the relevant Group company. The euro and the US dollar in particular represent a currency risk. The Group subdivisions are responsible for monitoring and managing currency risks and implementing the Group's policy on exchange rate risks. Attempts are made to reduce the currency risk by balancing operating revenue and expenditure in foreign currencies. Remaining net positions in foreign currencies are selectively hedged by means of hedging transactions such as currency forward transactions as part of liquidity planning and in close consultation with the operational Group units.

A possible change in foreign exchange rates would, assuming that the other parameters remain the same, have had the following impact on the income statement and on equity:

Sensitivity analysis of currency risk[1)]

		2012/13		2011/12	
	+/– change	+/– effect on income statement CHF m	+/– effect on equity CHF m	+/– effect on income statement CHF m	+/– effect on equity CHF m
CHF / USD foreign currency risk	10%	1.0	0.0	2.3	0.0
CHF / EUR foreign currency risk	10%	19.4	0.0	37.5	0.0
EUR / CHF foreign currency risk	10%	3.1	0.0	0.0	0.0
EUR / USD foreign currency risk	10%	–3.6	0.0	–1.3	0.0
GBP / USD foreign currency risk	10%	0.0	0.0	–0.6	0.0
GBP / EUR foreign currency risk	10%	–0.6	0.0	0.0	0.0
NOK / EUR foreign currency risk	10%	–4.2	0.0	–3.0	0.0
NOK / SEK foreign currency risk	10%	–0.9	0.0	–0.6	0.0
BGN / EUR foreign currency risk	10%	–0.2	0.0	0.0	0.0
BGN / TRY foreign currency risk	10%	0.2	0.0	0.0	0.0

1) The currency risk of energy derivatives and other financial derivatives is included in the energy price risk. It is therefore not included in the sensitivity analysis of foreign currency risk.

Interest rate risk

The interest rate risk consists of an interest rate-based cash flow risk, i.e. the risk that future interest payments will change due to fluctuations in market interest rates, and an interest rate-based risk of a change in the fair value, i.e. the risk that the fair value of a financial instrument will change due to fluctuations in market interest rates.

The interest-bearing financial assets and liabilities held by the Group include cash and cash equivalents, loans, bonds included in other financial assets as well as liabilities to banks and bonds issued. The interest rate profile at the end of the reporting period is as follows:

Interest-bearing financial assets and liabilities

CHF m	Fixed-rate 30.9.2013	Variable-rate 30.9.2013	Fixed-rate 30.9.2012	Variable-rate 30.9.2012
Financial assets at fair value through profit or loss (held for trading)	0.0	53.2	0.0	54.1
Loans and receivables	599.9	3 407.2	243.2	3 258.7
Petty cash, cash at banks and post office	0.0	1 998.5	0.0	2 072.6
Short-term investments	0.0	925.3	0.0	720.1
Other assets (non-current)	599.9	173.6	243.2	181.4
Financial receivables (current)	0.0	309.8	0.0	284.6
Available-for-sale financial assets	627.6	0.0	587.9	0.0
Financial liabilities at fair value through profit or loss (held for trading)	0.0	64.2	0.0	88.7
Financial liabilities measured at amortised cost	1 311.4	1 052.7	1 297.8	1 308.9
Financial liabilities (current and non-current)	1 311.4	1 052.2	1 297.8	1 308.9
Other liabilities (current and non-current)	0.0	0.5	0.0	0.0

Cash and cash equivalents and variable-rate financial liabilities in particular expose the Axpo Group to cash flow risk. The production of energy and the transmission and distribution grids are capital-intensive. As a general principle, Swiss plants are financed over the long-term at fixed interest rates in order to mitigate the impact of short- and medium-term interest rate fluctuations on earnings. There is also variable-rate financing for foreign plants. The risk associated with this financing is mitigated by the measured use of derivative financial instruments in the form of interest rate swaps. At 30 September 2013, there were swaps with a contract value of CHF 631.2 million.

A possible change in interest rates would, assuming that the other parameters remain the same (ceteris paribus), have had the following impact on the income statement and on equity:

Sensitivity analysis of interest rate risk

		2012/13		2011/12	
	+/– change	+/– effect on income statement CHF m	+/– effect on equity CHF m	+/– effect on income statement CHF m	+/– effect on equity CHF m
Interest rate risk	1%	20.1	–0.6	7.2	4.6

Share price risks

The Axpo Group holds securities which are classified as “available for sale”. The securities are invested according to a core-satellite strategy and are managed professionally via asset management mandates. The portfolio is divided into a broadly diversified, index-tracking (passive) core investment and several individual positions, known as satellites. The asset allocation of the core investment, which is based on BVG guidelines, has been approved by the Board of Directors and regular checks are carried out to ensure it is being complied with. Shares are subject to share price risk, with changes in fair value recognised directly in equity. In order to assess share price risk for the entire portfolio, the Axpo Group applies a Value-at-Risk (VaR) calculation, which indicates the maximum loss that with a probability of 97.5% could be sustained over a period of one year based on statistical data. Unless any sustained impairment is identified, the loss of CHF –169.9 million (previous year: CHF –175.6 million) arising from fluctuations in the price of available-for-sale financial assets affects only the equity of the Axpo Group.

8 | Changes in the scope of consolidation

Financial year 2012/13:

Investments / dinvestments

	Remarks	Ownership interest
Axpo Kompogas Volketswil AG	Merger	0.0%
Compostière de la Plaine de l'Orbe SA	Merger	0.0%
Axpo Renewables France SAS	Company formation	100.0%
Compagnie des Energies Renouvelables Villiers le Pré SARL	Purchase	100.0%
Parc éolien de St. Riquier 2 SAS	Purchase	100.0%
Parc éolien Plaine Dynamique SARL	Purchase	100.0%
Energie Rinnovabili 1	Purchase/Merger	0.0%
FREA Axpo OOD	Purchase	100.0%
CKW Grid AG	Sale	0.0%
EGL Grid AG	Sale	0.0%
Nordostschweizerische Kraftwerke Grid AG	Sale	0.0%

Company formations, acquisitions and mergers

The subsidiary Axpo Renewables France SAS was founded in the year under review. At the end of September 2013 it acquired 100% of the shares in Compagnie des Energies Renouvelables Villiers le Pré SARL, which in turn owns 100% of the shares in the wind farms Parc éolien de St. Riquier 2 SAS and Parc éolien Plaine Dynamique SARL.

FREA Axpo OOD was also acquired during the reporting period. The stake in Energie Rinnovabili 1 was increased from 85% to 100%, following which the company was merged with WinBis S.r.l. Additionally, Axpo Kompogas Volketswil AG and Compostière de la Plaine de l'Orbe SA were merged into Axpo Kompogas AG with retrospective effect from 1 October 2012.

Company disposals

On 3 January 2013 the transmission systems were transferred to Swissgrid AG. The prior owners were compensated for the transfer of their transmission systems to Swissgrid AG based on the provisional transfer values. Thirty percent of the compensation took the form of shares in Swissgrid AG, seventy percent took the form of loans to Swissgrid AG (see also Note 5 "Estimation uncertainties"). The transfer of the distribution systems led to an increase in value per share, as a result of which the number of shares allocated to Axpo Trading AG and CKW AG was lower than the number of shares originally held. Although this reduced the number of shares held, the higher value per share also pushed up the value of the investment.

The transmission system was transferred to the national grid operator Swissgrid AG pursuant to Article 33.4 of the Electricity Supply Act on 3 January 2013. The transmission system owners CKW Grid AG, EGL Grid AG and Nordostschweizerische Kraftwerke Grid AG, none of which had any personnel at the time of the transaction, were transferred to Swissgrid in the form of a share deal.

Impact of significant acquisitions

CHF m	Remarks	Fair value of assets acquired
Property, plant and equipment	17	35.6
Intangible assets	18	19.7
Other financial assets		2.0
Other receivables		3.9
Trade receivables		0.2
Cash and cash equivalents		2.0
Financial liabilities (current and non-current)		37.6
Deferred tax liabilities		4.5
Provisions	30	0.8
Trade payables		0.1
Other liabilities		0.8
Total net identifiable assets and liabilities		**19.6**
Badwill acquired		–2.9
Gross cash outflow		**16.7**
Cash and cash equivalents acquired		2.0
Net cash outflow		**14.7**

At the end of September 2013 the Axpo Group acquired two existing wind farms in France. Parc eolien de St. Riquier 2 SAS and Parc eolien Plaine Dynamique SARL, both of which are located in wind-rich regions in the north of France. The former has been operating for two years, while the latter came on stream this year.

Previous year 2011/12:

Liquidation and sales

The companies EGL Ceská Republika s.r.o., EGL Slovensko s.r.o., EGL Sol 2 Hellas S.A. and EGL NorGer AS were liquidated and Molisenergy S.r.l. was sold.

Business combinations

Following the completion of the WinBis S.p.A. wind farm project in Italy and the transfer of the wind farm to Energie Rinnovabili (CER), the controlling influence was subject to a reassessment. This led to the assessment that Axpo Trading Group controls the company within the meaning of IAS 27 and was the reason for the company's first-time full consolidation in the previous year. The company contributed the following material assets to the scope of consolidation of the Axpo Trading Group: property, plant and equipment of CHF 43.9 million and other current receivables of CHF 3.6 million. On the liabilities side, the addition to the scope of consolidation comprised mainly a loan of CHF 47.3 million which had been granted by WinBis S.p.A. and is now eliminated in the consolidation. On the date of the change in control, equity amounted to CHF 0.02 million and the proportional share of the ownership interest CHF 0.01 million. The transaction did not result in any cash flows.

9 | Operating segments

The Axpo Group's segment reporting is based on the internal organisational and management structure and on internal financial reporting to the key management committees. This complies with the provisions of IFRS 8, the so-called management approach. Axpo uses earnings before interest and tax (EBIT) for internal control purposes and as an indicator of the long-term earnings power of a reporting segment. All operational assets are recognised by reporting segment. There are no differences between the accounting policies used for segment reporting and those used for the consolidated financial statements.

The reporting segments pursuant to IFRS 8 encompass the three business areas of Assets, Trading & Sales and CKW. These are individually assessed by the management to measure performance levels and for the purposes of allocating resources. No operating business areas have been combined to form the reporting segments.

The business area Assets operates and expands the Axpo power plant portfolio (hydraulic power plants, nuclear power plants, gas-fired combined-cycle power plants, power plants using new renewable energies) in Switzerland and abroad, together with infrastructures such as networks and substations. This business area is also responsible for optimising the power plant portfolio and developing new power plant projects.

The business area Trading & Sales encompasses the areas of energy trading, risk and portfolio management, customer service in the Northeastern of Switzerland and the optimal deployment of the power plant portfolio from an economic and supply perspective.

With its production portfolio, investments in power plants as well as long-term contracts and grid infrastructure, the business area CKW supplies energy to Central Switzerland and ensures optimum use of hydro power in this region through existing exchange agreements.

In compliance with IFRS 8, Axpo Holding AG, Axpo Services AG and Axpo Informatik AG (which are not operating segments) and consolidation effects are combined under "Reconciliation".

Following the internal restructuring programme and the resultant changes to the management structure with effect from 1 October 2012, the business segments of the Axpo Group were redefined for the 2012/13 financial year. Energy trading and sales, formerly part of the Axpo Power Group business segment, now forms part of the business area Trading & Sales. At the same time, energy production and grid activities from the old Axpo Trading Group business segment have been transferred to the business area Production & Grids. The segment reporting from the previous year has been adjusted accordingly to facilitate comparison.

Segment reporting

CHF m	Assets 2012/13	Assets 2011/12	Trading & Sales 2012/13	Trading & Sales 2011/12	CKW 2012/13	CKW 2011/12	Reconciliation 2012/13[1]	Reconciliation 2011/12[1]	Total 2012/13	Total 2011/12
Sales from energy and grid usage by external customers	537.0	562.6	5 360.3	5 724.7	843.9	876.9	33.2	66.5	6 774.4	7 230.7
Sales from energy and grid usage by other segments	2 599.9	2 492.3	863.9	352.1	6.5	20.0	–3 470.3	–2 864.4	0.0	0.0
Changes in inventories	–17.9	9.1	0.0	0.0	–3.0	3.3	–1.5	0.0	–22.4	12.4
Capitalised production costs	62.1	46.7	0.0	1.4	28.0	22.3	0.7	1.3	90.8	71.7
Other operating income	71.8	–2.9	10.7	9.8	63.5	12.3	31.5	11.6	177.5	30.8
Revenues	**3 252.9**	**3 107.8**	**6 234.9**	**6 088.0**	**938.9**	**934.8**	**–3 406.4**	**–2 785.0**	**7 020.3**	**7 345.6**
Operating expenses	–2 557.0	–2 186.9	–6 077.1	–6 110.3	–734.6	–763.0	3 450.3	2 765.4	–5 918.4	–6 294.8
Depreciation and amortisation	–236.3	–258.1	–9.2	–15.9	–61.1	–62.7	–13.7	–20.8	–320.3	–357.5
Impairments	–551.6	–345.2	0.0	0.0	–0.4	0.0	0.0	–26.1	–552.0	–371.3
Reversal of impairments	82.3	7.2	0.0	0.0	0.0	0.0	0.0	0.0	82.3	7.2
Earnings before interest and tax (EBIT)	**–9.7**	**324.8**	**148.6**	**–38.2**	**142.8**	**109.1**	**30.2**	**–66.5**	**311.9**	**329.2**
Share of profit of associates									53.4	63.6
Financial income									227.0	260.9
Financial expense									–339.7	–284.4
Earnings before tax (EBT)									**252.6**	**369.3**
Income tax expense									–39.9	–87.1
Profit for the period									**212.7**	**282.2**

Segment assets and supplementary information

	Assets 2012/13	Assets 2011/12	Trading & Sales 2012/13	Trading & Sales 2011/12	CKW 2012/13	CKW 2011/12	Reconciliation 2012/13[1]	Reconciliation 2011/12[1]	Total 2012/13	Total 2011/12
Additions to non-current assets[2]	95.1	29.4	2.5	16.9	108.7	78.0	506.4	369.3	712.7	493.6
Ownership interest in associates and partner plants	1 230.6	1 152.2	1.1	1.2	276.7	252.6	551.1	358.4	2 059.5	1 764.4
Segment assets	5 716.7	6 394.2	4 383.8	4 052.6	2 101.8	1 967.5	6 723.3	6 269.9	18 925.6	18 684.2
thereof "assets held for sale"	0.0	0.0	0.0	0.0	0.0	79.0	0.0	650.3	0.0	729.3

1) The reconciliation item includes assets not allocated to the segment assets (assets under construction, other financial assets, investment properties, receivables from state funds, short and long-term financial receivables, securities and cash and cash equivalents).
2) Additions to property, plant and equipment, intangible assets, investments in associates and partner plants, investment properties and receivables from state funds.

Information by country

CHF m	Switzerland 2012/13	Switzerland 2011/12	Italy 2012/13	Italy 2011/12	Germany 2012/13	Germany 2011/12	Other countries 2012/13	Other countries 2011/12	Total 2012/13	Total 2011/12
Sales from energy and grid usage	2 752.1	3 453.0	3 084.9	2 775.6	548.8	1 186.7	388.6	–184.6 [2]	6 774.4	7 230.7
Non-current assets[1]	7 502.6	7 474.8	845.9	931.9	0.1	0.2	39.8	4.0	8 388.4	8 410.9

1) Property, plant and equipment, intangible assets, ownership interests in associates and partner plants, investment properties and receivables from state funds.
2) Negative sales item is due to negative income from energy trading.

Information by product

CHF m	Energy 2012/13	Energy 2011/12	Grid usage 2012/13	Grid usage 2011/12	Income from energy derivatives trading 2012/13	Income from energy derivatives trading 2011/12	Other net revenue 2012/13	Other net revenue 2011/12	Total 2012/13	Total 2011/12
Sales from energy and grid usage	5 615.6	6 163.5	472.5	487.7	276.0	139.5	410.3	440.0	6 774.4	7 230.7

Information about major customers

There are no transactions with one individual external customer the income from which is 10% or more of net revenue.

10 | Sales from energy and grid usage

CHF m	2012/13	2011/12
Net sales from energy business and grid usage	6 088.1	6 651.2
Income from energy trading	276.0	139.5
Other net sales	410.3	440.0
Total	**6 774.4**	**7 230.7**

The Axpo Group was reorganised during the 2012/13 financial year. Axpo Trading AG is now responsible for the entire energy sales of Axpo Power AG. Of the 70 488 kWh of electricity supplied by the Axpo Group, approximately 22 200 kWh comes from the Group's own power plants, partner plants and long-term electricity procurement contracts of Axpo Power AG, and around 19 800 kWh from partner plants, long-term electricity procurement contracts and procurement on the market of Axpo Trading AG. Following the reorganisation, Axpo Power AG now supplies its energy internally to Axpo Trading for it to market and sell. By merging its selling activities in this way, the Axpo Group has been able to further optimise its energy management. Axpo Trading consistently hedges the energy price risks of its available energy on the market. Any gains or losses from these hedging strategies or from the fulfilment of contracts entered into for the purposes of hedging are now recorded net under net sales from energy business.

In addition to consolidated net sales, there are also energy sales under ceded energy procurement rights and sub-participations. Sales from so-called quota transactions are not included in the total mentioned above since they are netted against any similarly ceded energy procurement. They amount to CHF 588.8 million (previous year: CHF 367.8 million; see Note 11 "Energy procurement, grid usage and cost of goods").

Other net sales include technical and construction service revenue from installation business, as well as service revenue arising in connection with the production, transmission, distribution and supply of and with energy.

11 | Energy procurment, grid usage and cost of goods

CHF m	2012/13	2011/12
Cost of energy procurement and grid usage from third parties and associates	–3 466.0	–4 034.0
Cost of energy procurement and grid usage from partner plants (Note 19)	–998.7	–1 064.4
Creation of provision (without interest) for onerous energy procurement contracts (Note 30)	–301.2	–53.8
Reversal of provision (without interest) for onerous energy procurement contracts (Note 30)	38.9	128.0
Cost of goods	–63.5	–70.2
Total	**–4 790.5**	**–5 094.4**

With regard to the fall in the cost of energy procurement and grid usage, see Note 10 "Sales from energy and grid usage".

The interest on the provision for onerous energy procurement contracts is recognised in the financial results (see Note 15 "Financial result"). The use of provisions for onerous energy procurement contracts came to CHF 63.9 million in the reporting year, of which CHF 55.3 million related to partner plants.

The review of the parameters used to measure energy procurement risks, such as future trends in energy prices and the development of production costs for power plants, led to a net change of CHF 262.3 million, recognised in profit or loss, in the provision for onerous energy procurement contracts (provisions of CHF 301.2 million created and provisions of CHF 38.9 million released; see Note 5 "Estimation uncertainties").

Energy procurement from quota transactions is not included in the total mentioned above since it is netted against any similarly ceded sales. They amounted to CHF 588.8 million (previous year: CHF 367.8 million; see Note 10 "Sales from energy and grid usage").

12 | Personnel expenses

CHF m	2012/13	2011/12
Salaries and wages	–519.8	–503.7
Employee benefits under defined benefit plans (Note 32)	3.8	–49.5
Employee benefits under defined contribution plans	–3.2	–1.8
Social security and other personnel expenses	–67.4	–68.0
Total	**–586.6**	**–623.0**
Number of employees at balance sheet date:		
Full-time equivalents	4 038	4 001
Apprentices	393	375
Total	**4 431**	**4 376**

13 | Other operating expenses

CHF m	2012/13	2011/12
Charges, fees and capital taxes	–81.5	–77.3
Other operating expenses	–251.2	–275.2
Total	**–332.7**	**–352.5**

Other operating expenses include insurance, telephone costs, travel expenses, general administrative costs, other services as well as the creation and release of a part of provisions and provisions for bad debts.

The reduction in other operating expenses should be viewed in conjunction with such factors as the reorganisation of the Axpo Group carried out in the previous year and the corresponding additional costs.

14 | Depreciation, amortisation and impairments

CHF m	2012/13	2011/12
Depreciation of property, plant and equipment (Note 17)	–232.6	–259.5
Impairment losses property, plant and equipment (Note 17)	–358.1	–249.0
Impairment reversal property, plant and equipment (Note 17)	0.5	7.2
Amortisation of intangible assets (Note 18)	–87.7	–98.0
Impairment losses intangible assets (Note 18)	–196.8	–30.7
Impairment reversals intangible assets (Note 18)	44.9	0.0
Reversal of badwill (Note 8)	2.9	0.0
Impairment loss on ownership interets in associates	0.0	–65.5
Impairment reversals on investments associated companies	36.9	0.0
Impairment loss on property, plant and equipment "held for sale"	0.0	–25.1
Impairment loss on intangible assets "held for sale"	0.0	–1.0
Total	**–790.0**	**–721.6**

The net impairment loss of CHF 472.6 million (previous year: CHF 364.1 million) comprises CHF 357.6 million (previous year: CHF 266.9 million) in relation to property, plant and equipment, CHF 151.9 million (previous year: CHF 31.7 million) in relation to intangible assets and CHF –36.9 million in relation to investments in associates.

For further details of impairment losses and impairment reversals, see Note 17 "Property, plant and equipment", Note 18 "Intangible assets" and Note 19 "Investments in associates and partner plants".

15 | Financial result

CHF m	2012/13	2011/12
Interest income	38.3	39.0
Income from nuclear waste disposal fund	87.3	183.5
Income from investment properties	15.2	9.3
Realised gains from disposals of investments in associates	35.4	0.0
Net exchange rate gains (losses)	11.5	0.0
Other financial income	39.3	29.1
Total financial income	**227.0**	**260.9**
Interest expense	–92.8	–104.1
Interest and fund expense for nuclear provisions	–132.6	–127.5
Impairment losses financial investments	–0.5	–2.2
Investment property expense	–1.5	–1.8
Impairment loss on ownership interests in associates	–83.4	–25.3
Realised losses from disposals of investments in associates	–2.3	0.0
Net exchange rate gains (losses)	0.0	–1.0
Other financial expense	–26.6	–22.5
Total financial expense	**–339.7**	**–284.4**
Total	**–112.7**	**–23.5**

The financial result comprises realised and unrealised exchange rate gains and losses as well as realised and unrealised gains from other financial instruments, reported net.

The realised gains from disposals of investments in associates includes the gain made from the sale to Trans Adriatic Pipeline AG.

The interest expense of CHF 92.8 million (previous year: CHF 104.1 million) includes interest of CHF 7.6 million (previous year CHF 15.7 million) on provisions for onerous energy procurement contracts and other provisions (see Note 30 "Provisions").

An impairment loss of CHF 83.4 million was recognised for the ownership interest in Repower AG (see item "Impairment loss on ownership interests in associates" and Note 19 "Ownership interests in associates and partner plants"). The impairment loss during the previous year was CHF 25.3 million.

16 | Income tax expense

CHF m	2012/13	2011/12
Current income taxes	–106.4	–122.8
Deferred income taxes	66.5	35.7
Total income taxes	**–39.9**	**–87.1**

Current income taxes consist of taxes paid or due on the results of the individual companies for the financial year in accordance with local regulations.

Deferred taxes directly recognised in equity	**–64.8**	**–23.1**

The CHF –64.8 million in deferred taxes included in other comprehensive income relates to unrealised gains from hedge accounting recognised in equity and available-for-sale financial assets.

Reconciliation of expected tax rate and effective tax rate

The expected tax expense of CHF 47.7 million can be reconciled as follows:

CHF m	2012/13	2011/12
Earnings before tax	252.6	369.3
Expected tax rate (ordinary tax rate at head office)	18.9%	18.9%
Income tax at expected tax rate	–47.7	–69.7
Non tax deductible expenses	–9.8	–32.1
Effect from previous periods	7.0	3.2
Effect of tax rate changes	–4.0	0.0
Effect of income not subject to tax or tax privileged	19.6	36.2
Unaccounted carry forward of loss in reporting year	–29.5	–12.4
Usage of unaccounted carry forward of loss	11.5	0.8[1)]
Reassessment of unaccounted carry forward loss from previous reporting years	2.7	–7.8
Earnings taxable at different tax rates	–2.2	–5.9
Effect of sale Group companies	6.0	0.0
Reassessement of deferred tax assets	6.7	0.0
Other effects	–0.2	0.6
Total income taxes (current and deferred)	**–39.9**	**–87.1**

1) In the consolidated financial statements, the restructuring of EGL Grid AG by Axpo Trading AG is not recognised in profit or loss, which is why the use of non-capitalised tax-loss carry forwards in EGL Grid AG and the offsetting effect in Axpo Trading AG are carried net in the switchover from the expected to the effective tax rate.

The ordinary tax rate at the head office comprises direct federal tax (8.5%) and cantonal and municipal taxes of the canton of Aargau (14.8%). Due to the deductibility of both taxes from taxable income, this results in an effective ordinary tax rate for the head office of 18.9%.

Deferred taxes by origin of temporary differences

CHF m	Assets 30.9.2013	Liabilities 30.9.2013	Assets 30.9.2012	Liabilities 30.9.2012
Property, plant and equipment	1.0	104.8	3.3	112.8
Intangible assets	2.5	72.2	0.7	99.9
Other tangible assets	19.1	154.2	5.7	52.1
Trade receivables	13.3	2.7	9.4	3.3
Other short-term receivables	1.3	2.9	0.3	1.9
Provisions and other liabilities (non-current)	29.1	235.0	28.2	282.2
Other current assets and current liabilities	39.3	18.2	40.1	14.3
Tax-loss carry forwards capitalised	35.9	0.0	19.5	0.0
Deferred taxes, gross	**141.5**	**590.0**	**107.2**	**566.5**
Offsetting of assets and liabilities	–88.6	–88.6	–65.4	–65.4
Deferred taxes, net	**52.9**	**501.4**	**41.8**	**501.1**

For deferred taxes recognised in other income, see "Consolidated statement of comprehensive income".

Tax-loss carry forwards not capitalised

CHF m	2012/13	2011/12
Expiring in the following year	10.1	3.3
Expiring within 2 to 5 years	234.3	270.6
Expiring in more than 5 years	138.4	366.8
Total	**382.8**	**640.7**

17 | Property, plant and equipment

CHF m	Power plants	Transmission and distribution facilities	Land and buildings	Other property, plant and equipment	Assets under construction	Total
Acquisition cost						
Balance at 30.9.2011	**5 247.5**	**4 166.4**	**656.8**	**350.2**	**671.0**	**11 091.9**
Currency translation effect	–5.7	0.0	–0.1	0.0	–0.4	–6.2
Change in consolidation scope	43.9	0.0	0.0	0.0	–3.2	40.7
Additions (investments)	3.4	8.1	3.3	4.7	367.7	387.2
Disposals	–57.4	44.1	–5.5	–34.5	–2.0	–55.3
Adjustments to acquisition costs IFRIC 1	10.2	0.0	0.0	0.0	0.0	10.2
Reclassification to "assets held for sale"	0.0	–1 303.4	0.0	–1.4	–64.8	–1 369.6
Reclassifications	178.5	261.4	19.6	26.4	–374.7	111.2
Balance at 30.9.2012	**5 420.4**	**3 176.6**	**674.1**	**345.4**	**593.6**	**10 210.1**
Currency translation effect	11.7	0.0	0.1	0.0	0.5	12.3
Change in consolidation scope	35.6	0.0	0.0	0.0	0.0	35.6
Additions (investments)	8.8	4.1	0.3	7.1	288.0	308.3
Disposals	–45.9	–22.9	–8.9	–26.0	–0.8	–104.5
Adjustments to acquisition costs IFRIC 1	10.0	0.0	0.0	0.0	0.0	10.0
Reclassifications	66.2	106.0	27.9	–2.8	–202.7	–5.4
Balance at 30.9.2013	**5 506.8**	**3 263.8**	**693.5**	**323.7**	**678.6**	**10 466.4**
Accumulated depreciation						
Balance at 30.9.2011	**–3 812.3**	**–2 371.9**	**–257.5**	**–217.1**	**–55.3**	**–6 714.1**
Change in consolidation scope	0.0	0.0	0.0	0.0	3.2	3.2
Depreciation in reporting period	–122.0	–81.3	–20.4	–34.0	–1.8	–259.5
Impairment losses	–247.7	0.0	–1.2	–0.1	0.0	–249.0
Impairment reversals	0.6	0.0	0.0	0.0	6.6	7.2
Disposals	57.3	–49.5	3.7	29.8	0.0	41.3
Reclassification to "assets held for sale"	0.0	804.6	0.5	0.0	0.0	805.1
Reclassifications	–21.7	–116.0	–0.4	1.7	2.1	–134.3
Currency translation effect	0.8	0.0	0.0	–0.1	0.2	0.9
Balance at 30.9.2012	**–4 145.0**	**–1 814.1**	**–275.3**	**–219.8**	**–45.0**	**–6 499.2**
Depreciation in reporting period	–106.6	–75.3	–19.2	–28.0	–3.5	–232.6
Impairment losses	–211.9	0.0	–0.8	–1.2	–144.2	–358.1
Impairment reversals	0.5	0.0	0.0	0.0	0.0	0.5
Disposals	44.5	21.5	7.4	18.6	0.0	92.0
Reclassifications	0.0	–11.6	–1.2	11.7	3.4	2.3
Currency translation effect	–1.9	0.0	–0.1	0.0	–0.4	–2.4
Balance at 30.9.2013	**–4 420.4**	**–1 879.5**	**–289.2**	**–218.7**	**–189.7**	**–6 997.5**
Carrying amount at 1.10.2011	1 435.2	1 794.5	399.3	133.1	615.7	4 377.8
Carrying amount at 30.9.2012	**1 275.4**	**1 362.5**	**398.8**	**125.6**	**548.6**	**3 710.9**
Carrying amount at 1.10.2012	1 275.4	1 362.5	398.8	125.6	548.6	3 710.9
Carrying amount at 30.9.2013	**1 086.4**	**1 384.3**	**404.3**	**105.0**	**488.9**	**3 468.9**

In the previous year, a detailed analysis of the allocation of assets to the various classes of accounts led to several reclassifications within property, plant and equpiment.

Investment obligations
Long-term contractual obligations of CHF 380.4 million (previous year: CHF 509.4 million) were assumed in connection with the acquisition of property, plant and equipment (including nuclear fuel rods). Property, plant and equipment of CHF 1037.5 million (previous year: CHF 991.4 million) was pledged as collateral for financial liabilities (see Note 34 "Pledged assets").

Power plants
At the end of September 2013, the Axpo Group acquired two existing wind farms in northern France. The line "Change in consolidation scope" shows the additions to property, plant and equipment resulting from the purchase. Further information relating to the acquisition is disclosed in Note 8 "Changes in the scope of consolidation".

Transmission and distribution systems
For information on the valuation and transfer of grid facilities to Swissgrid AG, please see Note 5 "Estimation uncertainties" as well as Note 22 "Assets held for sale".

Assets under construction
Advance payments to businesses and suppliers included in assets under construction amounted to CHF 200.1 million (previous year: CHF 162.3 million).

Impairments and reversals of impairments
Value-in-use calculation
Impairment testing is based on a value-in-use calculation. For the first three years, the value in use corresponds to the present value of cash flows based on the budget plan. From year four, the projected cash flows for the measurement of fair value are based on assumed future electricity and gas prices and on assumptions with regard to corporate investment, the regulatory framework, and growth and discount rates. Cash flows are discounted using a pre-tax interest rate that is commensurate with the risk involved. The discount rate is based on a weighted average cost of capital (WACC) calculated using the capital asset pricing model (CAPM). The parameters used were defined according to the risk profile of the cash-generating unit in question.

Impairment testing of Swiss production plants
The discount rates used to calculate the value in use of Swiss production plants vary depending on the production type. Real interest rates after taxes of between 4.1% and 4.5% were applied unchanged from the previous year.

As in the previous year, additional key parameters used for the impairment testing of production facilities, such as future energy price trends and future production costs, were reviewed and adjusted in the year under review. The changes in estimates resulted in a CHF 0.5 million reversal of impairment losses for property, plant and equipment and an impairment loss of CHF 219.5 million on Swiss power plants during the year under review (previous year: impairment reversal of CHF 0.6 million and impairment losses of CHF 247.7 million).

Impairment losses totalling CHF 219.4 million were recorded for the Asset segment, along with an impairment reversal of CHF 0.5 million. Impairment losses of CHF 0.1 million were allocated to the CKW segment.

Impairment testing of foreign production facilities, land and buildings
Due to changed market estimates, impairment losses totalling CHF 138.6 million were also recorded for power plants in Italy. The cash flows are discounted using an interest rate after tax of 3.3% or 3.6% (previous year: 3.3% or 3.6%) commensurate with the risk. A change in assumptions concerning expected prices and associated cash flows resulted in the carrying amount of the production facilities exceeding the recoverable amount.

A wind farm project was completed on schedule during the previous year. Following its completion, the wind farm was transferred from WinBis S.p.A. to Energie Rinnovabili and reclassified in the schedule of fixed assets from "assets under construction" to "power plants". Following the full consolidation of Energie Rinnovabili (see Note 8 "Changes in scope of consolidation"), the provision of CHF 21.6 million for onerous energy procurement contracts was reclassified as an impairment provision for the wind farm installation.

The impairment loss on land and buildings during the previous year included the impairment provision for the land belonging to the project company Energy Plus S.p.A. The new value of the grid systems reported as "Assets held for sale" was calculated on the basis of the value pursuant to the EICom ruling in 2012 and taking into account current developments (see Note 5 "Estimation uncertainties"). An additional impairment of CHF 25.1 million was applied to grid systems reported as "Assets held for sale".

Impairment losses of CHF 138.6 million were allocated to the Asset segment.

Fire insurance value

The fire insurance value of property, plant and equipment amounted to CHF 5505.0 million as at 30 September 2013 (previous year: CHF 5718.6 million).

Capitalised borrowing costs

In the 2012/13 financial year, borrowing costs of CHF 0.3 million (previous year: CHF 2.3 million) were capitalised.

18 | Intangible assets

CHF m	Energy procurement rights, use of facilities and concessions	Goodwill	Other	Total
Acquisition cost				
Balance at 30.9.2011	**2 500.7**	**389.3**	**381.8**	**3 271.8**
Additions (investments)	0.0	0.0	38.4	38.4
Disposals	–14.3	0.0	–14.5	–28.8
Reclassification to "assets held for sale"	–116.8	0.0	–82.9	–199.7
Reclassifications	29.9	–0.1	–23.9	5.9
Currency translation effect	0.0	–0.5	–0.1	–0.6
Balance at 30.9.2012	**2 399.5**	**388.7**	**298.8**	**3 087.0**
Change in consolidation scope	19.7	0.0	0.0	19.7
Additions (investments)	0.2	0.0	15.7	15.9
Disposals	–6.4	0.0	–4.4	–10.8
Reclassifications	14.3	–0.1	–0.4	13.8
Currency translation effect	0.0	1.4	0.2	1.6
Balance at 30.9.2013	**2 427.3**	**390.0**	**309.9**	**3 127.2**
Accumulated amortisation				
Balance at 30.9.2011	**–1 437.8**	**–45.7**	**–236.9**	**–1 720.4**
Amortisation in reporting period	–72.0	0.0	–26.0	–98.0
Impairment losses	–24.6	–3.2	–2.9	–30.7
Disposals	3.0	0.0	14.4	17.4
Reclassification to "assets held for sale"	62.2	0.0	4.0	66.2
Reclassifications	–4.1	0.0	–0.7	–4.8
Currency translation effects	0.0	–0.1	0.0	–0.1
Balance at 30.9.2012	**–1 473.3**	**–49.0**	**–248.1**	**–1 770.4**
Amortisation in reporting period	–72.5	0.0	–15.2	–87.7
Impairment losses	–187.5	–9.3	0.0	–196.8
Impairment reversals	44.9	0.0	0.0	44.9
Disposals	6.4	0.0	3.7	10.1
Reclassifications	–7.8	0.0	0.1	–7.7
Currency translation effects	0.0	–0.1	–0.1	–0.2
Balance at 30.9.2013	**–1 689.8**	**–58.4**	**–259.6**	**–2 007.8**
Carrying amount at 1.10.2011	1 062.9	343.6	144.9	1 551.4
Carrying amount at 30.9.2012	**926.2**	**339.7**	**50.7**	**1 316.6**
Carrying amount at 1.10.2012	926.2	339.7	50.7	1 316.6
Carrying amount at 30.9.2013	**737.5**	**331.6**	**50.3**	**1 119.4**

At the end of September 2013, the Axpo Group acquired two existing wind farms in northern France. The line "Change in consolidation scope" shows additions to intangible assets resulting from the purchase. Further information relating to the acquisition is disclosed in Note 8 "Changes in the scope of consolidation".

Further details regarding the measurement and transfer of intangible assets in conjunction with the transmission systems can be found in Note 22 "Assets held for sale".

Significant amounts of goodwill are attributable to the following cash-generating units. Other than goodwill, no intangible assets with an indefinite useful life are recorded in the balance sheet. Goodwill is allocated to the cash-generating units as follows:

CHF m	30.9.2013	30.9.2012
CKW Group	86.0	86.0
Axpo Trading Group	133.3	133.3
Axpo Italia S.p.A.	83.2	82.2
Axpo Hydro Surselva AG	27.3	27.3
Telcom AG	1.4	1.4
Other	0.4	9.5
Total	**331.6**	**339.7**

Impairments and reversals of impairments – Goodwill

The goodwill referred to above is subject to annual impairment testing based on a value-in-use calculation. The only exception is the testing of the goodwill for the CKW Group, for which the recoverable amount is determined using the fair value based on the current stock exchange price less costs to sell.

Value-in-use calculation

The recoverable amount is based on a value-in-use calculation, which derives from the budget plan. The value in use is equal to the present value of cash flows over five years plus a residual value without taking into account any growth rate. Cash flow projections are drawn up based on empirical values and on management estimations of the market trend.

The significant assumptions on which the fair value is based include forecasts of applicable future electricity and gas prices, of corporate investments, of the regulatory framework and of growth and discount rates.

WACC rates

The cash flows are discounted using an interest rate after tax of between 4.1% and 4.6% (previous year: between 4.1% and 4.6%) commensurate with the risk. The discount rate is based on a real weighted average cost of capital (WACC) calculated using the capital asset pricing model (CAPM). The parameters used were defined according to the risk profile of the cash-generating unit in question.

Impairments and reversals of impairments

The recoverable amounts exceed the respective carrying amounts with the exception of goodwill under "Other". Consequently, with the exception of "Other" goodwill, there is no need for any impairment adjustment. Impairment testing of other goodwill revealed that some of it was no longer recoverable. An impairment loss of CHF 9.3 million was therefore recognised (previous year: CHF 3.2 million).

Sensitivities

In the case of Axpo Italia, a 0.8 percentage point increase in the discount rate (post-tax interest rate) would result in the value in use only just covering the carrying amount. It is the management´s view, however, that no other changes to the key assumptions that are conceivable under normal circumstances would result in the carrying amount of Axpo Italia exceeding the recoverable amount. The value in use clearly exceeds the carrying amount during the reporting year in all other value-in-use calculations.

Impairments and reversals of impairments – Energy procurement rights and other intangible assets

The discount rates used to calculate the value in use of energy procurement contracts vary depending on the production type. Real interest rates after taxes between 4.1% and 4.5% were applied unchanged from the previous year.

In the case of intangible assets, the changes in estimates resulted in an additional impairment of CHF 162.9 million relating to energy procurement rights abroad during the reporting year. Impairments of CHF 44.9 million were reversed in relation to Swiss energy procurement rights, with CHF 24.6 million of impairments being recognised. In the case of intangible assets, the changes in estimates resulted in an additional impairment of CHF 25.6 million relating to energy procurement rights during the previous year. Also during the previous year, an impairment charge of CHF 2.9 million had to be recognised for other intangible assets.

Impairment losses totalling CHF 193.6 million were recorded for the Asset segment, along with an impairment reversal of CHF 44.9 million. Further impairments of CHF 0.3 million were recognised for the CKW segment.

19 | Ownership interests in associates and partner plants

CHF m	Associates	Partner plants	Total
Carrying amount at 30.9.2012	**436.4**	**1 328.0**	**1 764.4**
Additions	311.3	29.0	340.3
Disposals	–4.7	0.0	–4.7
Impairment losses	–83.4	0.0	–83.4
Impairment reversal	36.9	0.0	36.9
Dividend	–5.3	–43.8	–49.1
Share of profit	6.4	47.0	53.4
Currency translation effect	1.7	0.0	1.7
Carrying amount at 30.9.2013	**699.3**	**1 360.2**	**2 059.5**

The proportional share of profit comprises profits and losses of the associates for the reporting period.

Associates

The additions to associates can be attributed to the increase in value of the shares in Swissgrid AG (CHF 219.6 million) from the sale of NOK Grid AG, EGL Grid AG and CKW Grid AG (see also Note 5 "Estimation uncertainties" and Note 22 "Assets held for sale") and also to the purchase of Repower shares (CHF 85.6 million). On 28 March 2013 the acquistion of an additional 12.3% stake in Repower AG, as announced back in December 2012, was completed. This increases the size of the Axpo Group's capital share in Repower AG to 29.8% and its share of the voting rights to 33.7%.

The decision was made in the previous year to reduce the investment in Trans Adriatic Pipeline AG to 15%. As a result, part of the investment was reported as "Assets held for sale" (see Note 22 "Assets held for sale"). Both the planned as well as further stakes in Trans Adriatic Pipeline AG were sold during the year under review. The disposals in respect of associates relate to the sale of these further stakes.

Impairments and reversals of impairments

Value-in-use calculation

Impairment testing is based on a value-in-use calculation. The value in use corresponds to the present value of cash flows based on the budget plan. Cash flows are discounted using a pre-tax interest rate that is commensurate with the risk involved. The discount rate is based on a real weighted average cost of capital (WACC) calculated using the capital asset pricing model (CAPM). The parameters used were defined according to the risk profile of the cash-generating unit in question.

Impairment testing of associates

A value-in-use calculation is carried out for investments in associates if an indicator suggests that the asset could be impaired. The recoverable amount is based on a value-in-use calculation for which different discount rates are used according to production type and country. Real interest rates after taxes of between 3.4% and 3.6% were applied unchanged from the previous year.

During the reporting period, as in the previous year, further key parameters used for measuring the value of power plants and testing for any impairment were reviewed and updated. The year-on-year improvement in the earnings situation coupled with lower operating costs resulted in the recoverable amount for associates in Italy exceeding the carrying amount, on account of which the prior-year impairment loss of CHF 65.5 million was reversed by CHF 36.9 million. The reversal was allocated to the Asset segment.

Since the recoverable amount for associates in Germany exceeds the carrying amount, no impairments are required. A 2.1 percentage point increase in the discount rate (pre-tax interest rate) would result in the value in use only just covering the carrying amount. It is the management´s view that no other changes to the key assumptions that are conceivable in the current market situation would result in the carrying amount exceeding the recoverable amount.

An impairment loss of CHF 83.4 million was recognised in relation to the investment in Repower AG, based on the company´s publicly listed market price of CHF 172.– per share as at 30 September 2013. The impairment loss recorded during the previous year was CHF 25.3 million, of which CHF 5.5 million was transferred from equity to the income statement. The impairment is not allocated to any segment.

Key figures of associates

CHF m	Gross value 2012/13	Gross value 2011/12	Share 2012/13	Share 2011/12
Non-current assets	6 802.7	3 822.7	2 100.9	1 053.6
Current assets	1 859.2	1 913.3	562.6	512.1
Non-current liabilities	4 163.5	1 557.7	1 290.0	444.6
Non-current provisions	411.8	634.4	108.1	200.6
Current liabilities	1 479.0	1 653.7	467.6	437.8
Current provisions	112.6	9.7	27.2	2.3
Income	1 889.3	2 278.4	559.6	634.0
Expenses	–1 872.4	–2 225.5	–553.2	–616.8
Profit	16.9	52.9	6.4	17.2

Partner plants

Joint venture agreements (partner agreements) governing the procurement of power generated by partner plants or the use of services have been signed between companies belonging to the Axpo Group as well as partner plants. Public bodies with power of disposal concerning the usage of hydro power (cantons, municipalities) grant concessions (usage rights) to the builders and operators of power plants for a defined period. Shareholders in partner plants are obliged to pay a pro rata share of the annual expenses (incl. interest and repayment of loans). The pro rata annual costs of the Axpo Group amount to CHF 998.7 million (previous year: CHF 1064.4 million). These costs are included under energy procurement costs and cost of goods (see Note 11 "Energy procurement, grid usage and cost of goods").

Details of the equity-consolidated partner plants are given in the individual business reports of the partner plants.

Key figures of partner plants

CHF m	Gross value 2012/13	Gross value 2011/12	Share 2012/13	Share 2011/12
Non-current assets	16 512.8	15 937.2	7 108.8	6 748.2
Current assets	1 316.4	1 377.8	600.2	706.7
Non-current liabilities	6 741.7	6 571.9	3 431.9	3 264.2
Non-current provisions	6 631.1	6 323.1	2 376.7	2 277.3
Current liabilities	1 243.4	1 258.6	531.7	580.6
Current provisiones	25.8	19.4	8.8	5.2
Income	2 924.1	2 924.5	1 164.6	1 187.9
Expenses	–2 802.6	–2 802.7	–1 117.6	–1 141.5
Profit	121.5	121.8	47.0	46.4

As at the balance sheet date, liabilities to pay in capital on shares amounted to CHF 27.5 million (previous year: CHF 28.7 million).

20 | Other financial assets

CHF m	30.9.2013	30.9.2012
Non-current:	**2 005.6**	**1 585.6**
Available-for-sale financial assets	1 232.1	1 160.9
Loans	770.4	423.7
Other (financial instruments)	3.0	0.9
Other (non-financial instruments)	0.1	0.1
Current:	**0.5**	**0.5**
Available-for-sale financial assets	0.5	0.5
Total	**2 006.1**	**1 586.1**

The available-for-sale financial assets consist mainly of units of equity, real estate and bond funds.

The loans primarily relate to various financial assets of related entities (see Note 33 "Transactions with related parties") with maturities ranging between one and twenty-five years and variable rates of interest between 1.52% and 6.0%.

The increase in loans is mainly attributable to the loans to Swissgrid AG. The prior owners of the transmission systems were compensated for the transfer to Swissgrid AG on the basis of the provisional transfer values. Seventy percent of the compensation took the form of loans to Swissgrid AG (see Note 5 "Estimation uncertainties" and Note 8 "Changes in scope of consolidation"). The loans include a unilateral conversion right on the part of Swissgrid AG, according to which in the event of certain conditions arising the loans may be converted into Swissgrid AG shares. The short-term tranches of the loan have already been repaid. The long-term tranches amount to CHF 275.2 million with a repayment date of 3 January 2022. The fixed interest rate is 3.9%.

Plans were made in the previous year to sell part of the investment in Trans Adriatic Pipeline AG. The share of the loan that was intended to be taken over by the buyers was reported under "Financial assets held for sale". Both the planned as well as further stakes were sold during the year under review (see Note 19 "Ownership interests in associates and partner plants" and Note 22 "Assets held for sale"). The loan was reduced to EUR 2.1 million as a result of the sale. The variable interest rate is indexed to the EUR 12-month interest rate for cross-border intercompany loans published by the Swiss Federal Tax Authority, plus 1.0%. This gave a rate of 2.8% as at the end of September. The loan is due for repayment by 2038 at the latest.

As at the balance sheet date, the following loans with a carrying amount of more than CHF 10 million were outstanding:
- AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Lucerne, principal amount CHF 33.8 million, maturity 4 May 2016 at the latest, interest rate 2.7% for a tranche of CHF 30.0 million and 2.8% for a tranche of CHF 3.8 million
- Argessa AG, principal amount of CHF 11.0 million, maturity 28 September 2017, interest rate 3.5%
- Global Tech I Offshore Wind GmbH, principal amount EUR 61.5 million, maturity 31 December 2020 at the latest, interest rate 6.0%
- Kraftwerk Göschenen AG, principal amount CHF 20.0 million, maturity 31 January 2017, interest rate 2.9%
- Kraftwerke Mattmark AG, principal amount CHF 15.0 million, maturity 19 February 2017, interest rate 3.1%
- Kraftwerk Mauvoisin AG, principal amount CHF 10.0 million, maturity 29 January 2017, interest rate 3.1%
- Kraftwerke Linth-Limmern AG, principal amount CHF 20.0 million, maturity 31 July 2018 at the latest, interest rate 3.5% for a tranche of CHF 10.0 million and 2.8% for a tranche of CHF 10.0 million
- Società EniPower Ferrara S.r.l., principal amount EUR 133.1 million, maturity 20 December 2023, interest rate at end of September 1.5% (variable, linked to 6-month EURIBOR plus 1.2%)
- Swissgrid AG, principal amount CHF 275.2 million, maturity 3 January 2022 at the latest, interest rate 3.9%

21 | Investment properties

CHF m	2012/13	2011/12
Acquisition cost		
Balance at 1.10.	**89.3**	**93.6**
Disposals	–20.7	–4.5
Reclassification	–0.6	0.2
Balance at 30.9.	**68.0**	**89.3**
Accumulated depreciation		
Balance at 1.10.	**–45.8**	**–45.9**
Depreciation in reporting period	–0.6	–0.7
Disposals	7.6	0.8
Reclassifications	0.4	0.0
Balance at 30.9.	**–38.4**	**–45.8**
Carrying amount at 1.10.	43.5	47.7
Carrying amount at 30.9.	**29.6**	**43.5**

Investment properties also includes assets under construction.

The fair value of the investment properties was calculated on the basis of both external appraisals and internal calculations, and came to CHF 57.9 million at the balance sheet date (previous year: CHF 77.8 million). Expenses and income from investment properties are disclosed in Note 15 "Financial result".

22 | Assets held for sale

The Electricity Supply Act (StromVG) and the related ordinance (StromVV) entered into force on 1 January 2008 and 1 April 2008 respectively. The new legislation called for the transfer of all transmission systems to the national grid operator Swissgrid AG within five years, namely by 1 January 2013. The transfer took place as planned on 3 January 2013. The previous grid owners were compensated for the transfer of the transmission systems to Swissgrid AG based on the provisional transfer values. Compensation took the form of shares in Swissgrid AG (30%) and loans to Swissgrid AG (70%). Value adjustment 1 was already made in the reporting year. The definitive transfer values will be determined once all pending proceedings have closed (see Note 5 "Estimation uncertainties"). The gain from the sale of NOK Grid AG and EGL Grid AG in the amount of CHF 36.9 million, and from the sale of CKW Grid AG in the amount of CHF 5.1 million, is included in other operating income. NOK Grid AG and EGL Grid AG had not been allocated to any business segment. CKW Grid AG had been allocated to the segment CKW. The following assets and liabilities were transferred to Swissgrid AG at the time of the transaction:

CHF m	3.1.2013
Property, plant and equipment	554.6
Intangible assets	190.7
Current receivables	12.5
Non-current liabilities	–61.0
Current liabilities	–24.8
Disposed net assets	**672.0**
Sales price	714.0
Gain of divestment	**42.0**

On 1 August 2012 an agreement was concluded with representatives of the Shah Deniz consortium, under the terms of which the partners undertook to participate in the financing of the Trans Adriatic Pipeline AG (TAP) project. Simultaneously with the agreement, the Shah Deniz partners BP, Socar and Total were given the option of acquiring up to 50% of the shares in Trans Adriatic Pipeline AG. The partners exercised the option granted to them during the year under review. During the previous year the interest in TAP in the amount of CHF 23.8 million and the loan for CHF 16.5 million were reported as "assets held for sale". The interest in the associate Trans Adriatic Pipeline AG is not allocated to any business segment.

23 | Inventories

CHF m	30.9.2013	30.9.2012
Nuclear fuel	52.9	70.4
Materials	76.4	72.8
Work in progress	23.5	32.9
Emission certificates for own use	5.8	0.0
Emission certificates at fair value	33.9	21.2
Green certificates for own use	7.6	32.8
Green certificates at fair value	220.9	58.5
Gas inventories at fair value	159.4	44.7
Biomass for own use	3.9	3.5
Impairment provisions	–35.3	–33.6
Total	**549.0**	**303.2**

Emission certificates, green certificates, gas inventories and biomass that have been purchased for resale in the near term with a view to generating a profit from fluctuations in prices or trading margins are measured at fair value less costs to sell. Emission certificates, green certificates, gas inventories and biomass that are intended for own use are measured at the lower of cost or fair value.

The year-on-year increase in gas inventories is attributable to the expansion of gas-related activities. To meet compliance requirements, green certificates were purchased at an earlier date than in the previous year. Since at the time of purchase it was not yet certain whether these certificates would be used for own use or resold, depending on the market situation, they have been allocated to a trading book and measured at fair value.

24 | Trade receivables

CHF m	30.9.2013	30.9.2012
Trade receivables	707.7	835.6
Provision for bad and doubtful receivables	–106.9	–114.2
Total	**600.8**	**721.4**

Trade receivables from customers who are simultaneously suppliers are set off against trade payables, provided a netting arrangement has been agreed. The netted receivables and payables which were included in "Revenues not yet invoiced" and "Operating expenses not yet invoiced" amount to CHF 1483.9 million (previous year: CHF 1418.4 million, see Note 25 "Other receivables" and Note 31 "Other liabilities (current)").

The necessary provisions for bad and doubtful trade receivables were based on experience and individual assessments. A detailed analysis of trade receivables and the provision for bad and doubtful receivables can be found in Note 7 "Financial instruments".

25 | Other receivables

CHF m	30.9.2013	30.9.2012
Non-current:	**1 977.4**	**1 635.0**
Receivables from state funds	1 710.9	1 575.5
Balances with pension plans	64.7	13.6
Other (financial instruments)	43.8	15.3
Other (non-financial instruments)	158.0	30.6
Current:	**2 048.4**	**2 374.1**
Accrued income and prepaid expenses (financial instruments)	10.5	10.3
Accrued income and prepaid expenses (non-financial instruments)	93.7	92.0
Advance payments to suppliers	33.0	18.6
Revenues not yet invoiced	1 524.8	1 785.3
Other (financial instrumentes)	221.8	219.0
Other (non-financial instruments)	164.6	248.9
Total	**4 025.8**	**4 009.1**

Receivables from government funds relate to the decomissioning and disposal funds for nuclear power plants. The fair value of the government funds at the balance sheet date was CHF 1710.9 million (previous year: CHF 1575.5 million). The receivables may only be recognised at the lower of the gross value of the provisions and the fair value of the share of net fund assets (see Note 5 "Estimation uncertainties"). As at the balance sheet date, the receivables for the decommissioning and disposal of nuclear waste after operation amounted to CHF 2048.0 million (previous year: CHF 1948.3 million). Receivables from government funds were insufficient to cover the nuclear provisions for the decommissioning and disposal of nuclear waste after operation by an amount of CHF 337.1 million at the balance sheet date (previous year: CHF 372.8 million). The impact of the change in receivables from state funds on the income statement is explained in Note 15 "Financial result".

On 17 November 2012 it was announced that the Milan public prosecutor's office had launched an investigation into several employees of Axpo Italia S.p.A., as well as into the company itself, in connection with the taxation of European CO_2 certificates. At the request of the public prosecutor, assets in the amount of EUR 77.2 million were provisionally seized under court order. This amount is included in other receivables (non-financial instruments). The management of the Axpo Group considers the allegations to be unfounded and without merit, and is confident that the investigations will confirm that the business transactions of Axpo Italia S.p.A. were conducted in a proper manner.

Revenues not yet invoiced include invoices that have not yet been issued for energy supplied in the traditional energy business and in energy trading. Trade receivables from customers who are simultaneously suppliers are set off against trade payables, provided a netting arrangement has been agreed. The netted receivables and payables included in trade receivables and in "Revenues not yet invoiced" and "Operating expenses not yet invoiced" amount to CHF 1483.9 million (previous year: CHF 1418.4 million, see Note 24 "Trade receivables" and Note 31 "Other liabilities (current)").

26 | Cash and cash equivalents

CHF m	30.9.2013	30.9.2012
Petty cash, cash at banks and post office	1 998.5	2 072.6
Short-term investments	925.3	720.1
Total	**2 923.8**	**2 792.7**

Short-term investments are available within 90 days.

At the end of the reporting period, cash and cash equivalents held in Swiss francs amounted to CHF 2616.9 million (previous year: CHF 2325.1 million), while the amount held in euros amounted to CHF 257.9 million (previous year: CHF 426.6 million).

27 | Equity

Changes in value of financial instruments recognised in equity according to IAS 39

CHF m	Hedging reserve	Fair value reserve	Total
Balance at 30.9.2011	**–42.3**	**19.4**	**–22.9**
Change in fair value of available-for-sale financial assets (non-current)	0.0	106.0	106.0
Changes in cash flow hedges	85.6	0.0	85.6
Gains (–) / losses (+) transferred to the income statement	8.5	–5.0	3.5
Impairment losses	0.0	7.7	7.7
Deferred tax thereon	–15.2	–8.1	–23.3
Net change	**78.9**	**100.6**	**179.5**
Balance at 30.9.2012	**36.6**	**120.0**	**156.6**
Change in fair value of available-for-sale financial assets (non-current)	0.0	26.6	26.6
Changes in cash flow hedges	335.1	0.0	335.1
Gains (–) / losses (+) transferred to the income statement	–51.7	15.2	–36.5
Deferred tax thereon	–60.3	–3.3	–63.6
Net change	**223.1**	**38.5**	**261.6**
Balance at 30.9.2013	**259.7**	**158.5**	**418.2**

28 | Financial liabilities (non-current)

CHF m	30.9.2013	30.9.2012
Bonds at carrying amount	1 237.6	1 235.6
Mortgage loans	18.9	20.6
Long-term loans	660.1	665.9
Total	**1 916.6**	**1 922.1**
The following due dates applied at the end of the financial year:		
Due within 1 to 5 years	515.3	478.8
Due within more than 5 years	1 401.3	1 443.3
Total	**1 916.6**	**1 922.1**
Average weighted interest rate at the balance sheet date:		
Bonds	2.7%	2.7%
Long-term loans	1.8%	2.1%

On 26 February 2010 Axpo Holding AG placed two domestic bond issues with a total amount of CHF 1 billion, consisting of one bond issue of CHF 700 million with a maturity of 10 years and another bond issue of CHF 300 million with a maturity of 15 years. As at 30 September 2013 the fair value of the bonds was CHF 752.5 million (previous year: CHF 763.4 million) and CHF 326.4 million (previous year: CHF 333.6 million) respectively. The nominal interest rate of the bonds is 2.625% and 3.125%. The effective interest rate is 1.391% and 2.241%. The bonds are listed on the SIX Swiss Exchange under Securities Nos. 10.967.447 and 10.967.448.

A ten-year domestic bond for a principal amount of CHF 250 million was issued by Axpo Trading AG on 23 November 2005, with a coupon of 2.5%. The bond is listed on the SIX Swiss Exchange under Securities No. 2.326.262. As at 30 September 2013 the fair value of the bond was CHF 259.8 million (previous year: CHF 260.6 million) and the market interest rate was 0.657% (previous year: 1.116%).

All bonds are carried at amortised cost using the effective interest method.

The long-term loan liabilities relate primarily to financing for the Calenia Energia S.p.A. and Rizziconi Energia S.p.A. gas-fired combined-cycle power plants in Italy and financial liabilities to related associates in CHF (see Note 33 "Transactions with related parties"). The loan liability in respect of Calenia Energia S.p.A. amounts to EUR 208.3 million (previous year: EUR 227.5 million) at a variable interest rate of 1.50% (previous year: 2.15%). The loan liability in respect of Rizziconi Energia S.p.A. amounts to EUR 268.1 million (previous year: EUR 281.8 million) at a variable interest rate of 1.54% (previous year: 1.93%). The loans will be repaid at the latest by 2019 and 2023 respectively. The interest rates for these financial liabilities to related parties vary between 1.20% and 2.45%.

Pledged assets amounted to CHF 1037.5 million (previous year: CHF 991.4 million, see Note 34 "Pledged assets").

29 | Other liabilities (non-current)

CHF m	30.9.2013	30.9.2012
Assigned energy procurement and usage rights	112.4	69.4
Other (financial instruments)	6.3	12.9
Other (non-financial instruments)	158.8	119.5
Total	**277.5**	**201.8**
The following maturity dates applied at the end of the financial year:[1]		
Due within 1 to 5 years	71.9	56.3
Due in more than 5 years	205.6	145.5
Total	**277.5**	**201.8**

1) In the case of the usage rights, the maturity corresponds to the depreciation period.

The assigned usage rights consist of payments received from third parties for the granting of facility usage and energy procurement rights. Payments received are recognised in profit or loss on a straight-line basis over the life of the relevant usage rights.

Furthermore, the day-one profit resulting from long-term contracts, which are measured based on partially unobservable input data, is recognised under other non-current liabilities (financial instruments) (see Note 7 "Financial Instruments", Table "Deferred day-one profit or loss").

30 | Provisions

CHF m	Nuclear waste disposal	Onerous energy procurement contracts	Other provisions	Total
Balance at 30.9.2012	**2 666.4**	**360.5**	**155.9**	**3 182.8**
Change in consolidation scope	0.0	0.0	0.8	0.8
Allocation	10.0[1]	301.2	47.1	358.3
Interest	132.6	5.8	1.8	140.2
Release	0.0	–38.9	–57.1	–96.0
Usage	–38.7	–63.9	–8.2	–110.8
Reclassifications	0.0	12.5	–12.5	0.0
Currency translation effect	0.0	0.0	0.3	0.3
Balance at 30.9.2013	**2 770.3**	**577.2**	**128.1**	**3 475.6**
Current portion of provisions	38.0	71.6	55.1	164.7
Non-current portion of provisions	2 732.3	505.6	73.0	3 310.9
Total	**2 770.3**	**577.2**	**128.1**	**3 475.6**

1) Nuclear waste disposal" contains an amount of CHF 10.0 million not recognised in profit or loss which is related to the allocation of the acquisition costs of the Beznau nuclear power plant. IFRIC 1 was applied to create both of these provisions. The same amounts were capitalised under "Power plants" (see Note 17 "Property, plant and equipment").

Expected cash outflows from provisions

CHF m	Nuclear waste disposal	Onerous energy procurement contracts	Other provisions	Total
Within 1 year	38.0	71.6	55.1	164.7
Between 1 and 5 years	153.8	263.7	54.4	471.9
In more than 5 years	2 578.5	241.9	18.6	2 839.0
Total	**2 770.3**	**577.2**	**128.1**	**3 475.6**

Provisions for "Nuclear waste disposal"

Provisions for "Nuclear waste disposal" are set aside for the disposal of spent fuel rods and radioactive waste (during and after operation), for decommissioning and dismantling nuclear power plants, and for costs pertaining to the post-operational period as well as for fuel in the last reactor core which can no longer be used. Provisions were compounded using an interest rate of 5%.

Provision for "Onerous energy procurement contracts"

The provision of CHF 577.2 million for "Onerous energy procurement contracts" covers identifiable losses from the procurement of electricity from power-generating plants and long-term supply contracts. This is calculated using the discounted cash flow method. The discount rate is based on a weighted average cost of capital (WACC) determined according to the capital asset pricing model (CAPM). The parameters used were defined according to the risk profile of the cash-generating unit in question. The period taken into account covers the entire term of the concession and operation of the power plant or the term of the supply contracts.

Additional significant parameters include expected changes in market prices for energy on the supply and trading market, which by their very nature are subject to major uncertainty, the budgeted figures for pro rata procurement costs, and the interest rate situation. A net amount of CHF 262.3 million was allocated to the provision for onerous energy procurement contracts in the 2012/13 reporting year. The provision of CHF 301.2 million was primarily created to take account of the energy prices expected in the future. The reversal of the provision of CHF 38.9 million is related to the updating of annual costs and energy volumes.

The use of the provision for "Onerous energy procurement contracts" reduces the energy procurement cost by CHF 63.9 million (previous year: CHF 33.1 million). The interest on the provision for "Onerous energy procurement contracts" was CHF 5.8 million in the year under review (previous year: CHF 13.4 million).

During the previous year onerous energy contracts of the Axpo Trading Group were included under other provisions. These are now disclosed together with onerous energy procurement contracts in the column "Onerous energy procurement contracts". The opening balance is transferred in the line "Reclassifications".

"Other provisions"

In May 2009 the Federal Electricity Commission (EICom) initiated proceedings against CKW AG with a view to verifying the correctness of its grid usage and electricity tariffs. In a partial ruling on 7 July 2011 EICom stated that it not did not recognise the grid costs declared by CKW AG in full. Due to the far-reaching nature of the decision, including for future financial years, CKW AG filed an appeal against this partial ruling with the Federal Administrative Court. It also made provisions of CHF 46.6 million for the financial years up to 30 September 2012 for the unrecognised portion of the operating and capital costs. This appeal was upheld by the Court in a ruling handed down on 29 January 2013. On the basis of the Court's final ruling and the related fundamental confirmation that the declaration of grid costs complied with the law and had been carried out correctly, this provision was reversed during the reporting period. The reversal of the provision was posted to the income statement under "Other operating income" in the CKW segment.

With regard to reviewing the electricity tariffs for the 2008/09 financial year, EICom issued a partial ruling on 15 April 2013 to the effect that it did not fully recognise the production costs declared in conjunction with the development and expansion of production capacity and administration and selling costs. It is the view of CKW AG that these costs may be taken into account and that the related calculation of the tariffs was carried out correctly. Due to the far-reaching nature of the decision, CKW AG filed an appeal against this partial ruling with the Federal Administrative Court. In the 2011/12 financial year CKW AG allocated a provision of CHF 15.9 million, of which – based on the scale of previous year's effects – CHF 15.6 million was posted to the income statement under "Other operating expenses". This provision was increased by a further CHF 3.0 million during the 2012/13 financial year and charged to the income statement under "Sales from energy and grid usage" in the CKW segment.

Higher provisions for certificates had to be recognised in the year under review, as certificates now have to be set aside for two supply years in order to meet legal requirements and because market prices were higher for the relevant certificate types. As a result, more certificates and more expensive certificates must be kept in reserve.

The item "Other provisions" also includes personnel obligations of CHF 18.3 million, as well as other operating liabilities.

31 | Other liabilities (current)

CHF m	30.9.2013	30.9.2012
Accrued expenses and deferred income (non-financial instruments)	219.6	228.4
Accrued expenses and deferred income (interest)	35.0	35.3
Operating expenses not yet invoiced	1 743.6	1 972.8
Advance payments by customers	78.9	81.0
Other (financial instruments)	88.2	42.2
Other (non-financial instruments)	82.4	152.7
Total	**2 247.7**	**2 512.4**

Accrued expenses and deferred income primarily consist of accruals for electricity purchases, both in traditional energy business and energy trading. Trade receivables from customers who are simultaneously suppliers are set off against trade payables, provided a netting arrangement has been agreed. The netted receivables and payables included in trade receivables and in revenues not yet invoiced and operating expenses not yet invoiced amount to CHF 1483.9 million (previous year: CHF 1418.4 million, see Note 24 "Trade receivables" and Note 25 "Other receivables").

32 | Employee benefits

CHF m	2012/13	2011/12
1. Development of obligations and assets		
Present value of benefit obligations at 1.10.	–2 325.6	–2 157.8
Acquisition of benefit obligations (change in consolidation scope)	1.0	0.0
Current service cost	–85.0	–80.7
Past service cost	63.5	0.0
Interest cost	–46.8	–53.7
Benefits paid	47.9	101.6
Actuarial gain (loss) on benefit obligations	96.3	–135.0
Present value of benefit obligations at 30.9.	**–2 248.7**	**–2 325.6**
Fair value of plan assets at 1.10.	1 968.0	1 813.4
Expected return on plan assets	61.4	74.5
Employer contributions	46.4	46.6
Employee contributions	26.4	26.7
Benefits paid	–47.9	–101.6
Actuarial gain on plan assets	114.5	108.4
Fair value of plan assets at 30.9.	**2 168.8**	**1 968.0**
2. Balance sheet at 30.9.		
Fair value of plan assets	2 168.8	1 968.0
Present value of benefit obligations	–2 248.7	–2 324.5
Funded (unfunded) status - funded	**–79.9**	**–356.5**
Present value of benefit obligations - unfunded	0.0	–1.1
Unrecognised actuarial losses	144.6	371.2
Net plan assets in balance sheet	**64.7**	**13.6**
3. Income statement		
Current service cost	–85.0	–80.7
Interest cost	–46.8	–53.7
Expected return on plan assets	61.4	74.5
Amortisation of actuarial losses	–15.7	–16.3
Past service cost recognised in year	63.5	0.0
Net pension costs for the period	**–22.6**	**–76.2**
Employee contributions	26.4	26.7
Expenses recognised in the income statement	**3.8**	**–49.5**

CHF m	2012/13	2011/12
4. Changes in balance sheet		
Net plan assets in balance sheet at 1.10.	13.6	16.5
Change in consolidation scope resulting in neither profit nor loss	0.9	0.0
Current service cost of the employer recogised in the income statement	3.8	–49.5
Employer contributions	46.4	46.6
Prepaid (accrued) pension costs recognised in profit or loss	**50.2**	**–2.9**
Net plan assets in balance sheet at 30.9.	**64.7**	**13.6**
Actual return on plan assets (%)	8.5	11.0
Expected employer contributions for 2013/14 are CHF 65.8 million.		

5. Principal actuarial assumptions as at 30.9.		
Discount rate (in %)	2.2	2.0
Expected return on plan assets (in %)	3.3	3.1
Future salary increase (in %)	2.0	2.0
Future pension increases (in %)	0.0	0.0

6. Asset allocation			Long-term expected return	Contribution to return	
Cash (in %)	3.7	2.6	0.6	0.0	
Bonds (in %)	33.7	35.9	1.2	0.4	
Shares (in %)	41.0	39.4	5.1	2.1	
Real estate (in %)	18.3	18.5	2.9	0.6	
Other (in %)	3.3	3.6	5.9	0.2	
Total (in %)	100.0	100.0		3.3	
Net return (in %)				3.3	
There are no investments in the employer.					

7. Defined benefit pension plans	30.9.2013	30.9.2012	30.9.2011	30.9.2010	30.9.2009
Fair value of plan assets	2 168.8	1 968.0	1 813.4	1 853.2	1 726.3
Present value of benefit obligations	–2 248.7	–2 325.6	–2 157.8	–2 065.4	–1 896.2
Unfunded status	–79.9	–357.6	–344.4	–212.2	–169.9
Experience adjustment to plan liabilities	–56.7	–13.5	13.5	4.1	–59.2
Experience adjustment to plan assets	114.5	108.5	–122.9	10.2	–71.6

With regard to estimation uncertainties surrounding the pension plans, reference is made to Note 5 "Estimation uncertainties" and the "Pension plan" section.

At the end of 2012, PKE Vorsorgestiftung Energie agreed to structural measures aimed at safeguarding the financial stability of the fund. These included lowering the technical interest rate from 3.5% to 2.5% and reducing the conversion rates. As a result, the Axpo Group is raising the ordinary retirement age to 65 years with effect from 1 January 2014 and making a one-off contribution for older employees as partial compensation for the lower conversion rates.

According to the actuarial calculation, the changes have resulted in a reduction of CHF 63.5 million in the past service cost in the 2012/13 financial year. Mainly as a result of the one-time reduction in cost, net plan assets under IAS 19 in the balance sheet grew from CHF 13.6 million as at 30 September 2012 to CHF 64.7 million as at 30 September 2013.

33 | Transactions with related parties

On account of their shareholdings, the Canton of Zurich (18.3%), Electricity utilities of the Canton of Zurich (18.4%), the Canton of Aargau (14.0%) and AEW Energie AG (14.0%) exert a significant influence over the Axpo Group. Transactions involving these shareholders and other important companies controlled by them are disclosed under "Shareholders".

An overview of the partner plants and other associates is given in Note 38 "Investments". Other related parties refer to transactions between the Group and the PKE-CPE Vorsorgestiftung Energie (see Note 32 "Employee benefits"). With the exception of regular payments, no transactions were effected between the Axpo Group, members of the Board of Directors, members of the Board of Directors and other key parties.

The principal terms and conditions governing relationships with related parties are explained under "Intragroup transactions" in Note 3 "Consolidation principles".

2012/13
Transactions between the Axpo Group and related parties:

CHF m	Shareholders	Partner plants	Associates	Other related parties
Revenues				
Sales from energy and grid usage	799.4	76.6	213.7	0.0
Other operating income	0.0	5.6	61.2	0.0
Operating expenses				
Energy procurement, grid usage and cost of goods	–1.1	–1 176.5	–187.7	0.0
Materials and third-party supplies	–0.8	–5.6	–2.6	0.0
Personnel expenses	0.0	0.0	0.0	3.8
Other operating expenses	–1.3	0.9	–0.3	–0.1
Financial result				
Financial income	6.7	6.4	17.7	0.0
Financial expenses	–30.2	–2.7	–0.9	0.0
Income tax expense	–24.6	0.0	0.0	0.0

Open positions with related parties at the balance sheet date:

CHF m	Shareholders	Partner plants	Associates	Other related parties
Non-current assets				
Positive replacement values	6.4	0.1	11.5	0.0
Other financial assets	0.0	130.5	528.1	0.7
Current assets				
Trade receivables	33.7	20.3	14.8	0.0
Financial receivables	50.0	58.0	5.2	0.0
Positive replacement values	2.4	0.1	6.2	0.0
Other receivables	39.5	124.2	42.9	0.0
Cash and cash equivalents	616.0	0.0	8.0	0.0
Liabilities (non-current)				
Financial liabilities	14.0	0.0	0.0	2.0
Negative replacement values	0.0	0.1	1.5	0.0
Other liabilities	0.0	51.8	3.5	0.0
Liabilities (current)				
Trade payables	1.8	6.3	23.0	0.0
Financial liabilities	0.0	352.9	0.4	0.0
Current tax liabilities	14.9	0.0	0.0	0.0
Negative replacement values	0.0	0.6	8.3	0.0
Other liabilities	20.6	249.7	20.4	3.6

2011/12
Transactions between the Axpo Group and related parties:

CHF m	Shareholders	Partner plants	Associates	Other related parties
Revenues				
Sales from energy and grid usage	838.6	117.1	276.6	0.0
Other operating income	0.1	9.9	4.7	0.0
Operating expenses				
Energy procurement, grid usage and cost of goods	–10.2	–958.5	–237.4	0.0
Materials and third-party supplies	–2.4	–8.8	–3.8	0.0
Personnel expenses	0.0	0.0	–0.1	–49.5
Other operating expenses	–1.3	–1.4	–0.4	–0.1
Financial result				
Financial income	4.8	15.0	9.9	0.0
Financial expenses	–33.9	–2.8	–2.5	0.0
Income tax expense	–45.8	0.0	0.0	0.0

Open positions with related parties at the balance sheet date:

CHF m	Shareholders	Partner plants	Associates	Other related parties
Non-current assets				
Positive replacement values	2.8	0.1	0.0	0.0
Other financial assets	0.0	168.9	254.5	0.7
Current assets				
Trade receivables	60.5	65.4	4.5	0.0
Financial receivables	0.0	103.6	5.8	0.0
Positive replacement values	0.4	0.6	4.6	0.0
Other receivables	44.1	99.4	20.8	0.0
Cash and cash equivalents	777.5	0.0	8.6	0.0
Liabilities (non-current)				
Financial liabilities	0.0	3.0	5.0	2.0
Negative replacement values	0.0	0.2	0.0	0.0
Other liabilities	0.0	0.8	0.0	0.0
Liabilities (current)				
Trade payables	0.0	8.6	28.5	0.7
Financial liabilities	0.0	466.8	17.8	0.0
Current tax liabilities	18.8	0.0	0.0	0.0
Negative replacement values	0.3	0.1	7.0	0.0
Other liabilities	28.8	311.8	30.5	3.1

Remuneration to the Board of Directors and Executive Board

CHF m	2012/13	2011/12
Board of Directors		
Current remuneration	1.2	1.2
Total	**1.2**	**1.2**
Executive Board		
Current remuneration	3.4	3.2
Pension fund contributions	0.7	0.7
Total	**4.1**	**3.9**

No share-based payments, severance payments or other long-term benefit payments were made to the members of the Board of Directors or the Executive Board. For further details, please refer to Note 21 "Remuneration paid to the Board of Directors and Executive Board" (pursuant to Art. 665 CO) of the separate financial statements of Axpo Holding AG.

34 | Pledged assets

CHF m	30.9.2013	30.9.2012
Property, plant and equipment	1 037.5	991.4
Other	288.1	123.8
Total	**1 325.6**	**1 115.2**

The majority of the pledged property, plant and equipment is related to construction of the gas-fired combined-cycle power plants in Italy.

35 | Contingent liabilities

CHF m	30.9.2013	30.9.2012
Guarantees	55.9	3.4
Sureties	274.2	284.8
Total	**330.1**	**288.2**

Guarantees and comfort letters within the Axpo Group are only disclosed in the separate statements of the company that granted them.

Further contingent liabilities

In the event of a claim, power plant operators who are affiliated to the European EMANI insurance pool must pay a contractually defined additional contribution corresponding to six annual premiums. In the case of the Axpo Group, this equates to around CHF 1.6 million (previous year: CHF 2.1 million).

Owners of nuclear power plants have a limited subsequent payment obligation to the Decommissioning and Waste Disposal Fund in the event that one of the primary obligated parties is unable to meet its payment obligations.

The Axpo Group entered into fixed delivery and purchase obligations of multi-year duration totalling CHF 380.4 million (previous year: CHF 509.4 million) relating to the manufacture of fuel rods and to capital expenditure and maintenance work on its own plants. There are also long-term contracts and obligations for the reprocessing as well as the interim and permanent storage of nuclear waste. Provisions have been established for these. With regard to Zwilag Zwischenlager Würenlingen AG, the Axpo Group has undertaken to pay its respective share of annual costs, including interest and repayment of loans. These are standard obligations for operators of nuclear power plants.

In the 1997/98 and 1998/99 financial years, Albula-Landwasser Kraftwerke AG and Misoxer Kraftwerke AG concluded financial transactions to lease out their facilities long-term and simultaneously lease them back (lease-and-lease-back transactions). In connection with these transactions, assurance was given to American investors that all contractual obligations arising from these transactions would be guaranteed. The risk from these transactions is secured by appropriate provisions at the companies mentioned. Since the risk declines over the term of the transactions, these provisions are reversed on a straight-line basis.

There is also an ongoing investigation concerning CO_2 certificate transactions in Spain, the risk of which is assessed as low by the Axpo Group. The Axpo Group is involved in several other legal disputes related to its ordinary business activities.

For obligations in connection with partner plants, please refer to Note 19 "Ownership interests in associates and partner plants".

36 | Operating leases

CHF m	30.9.2013	30.9.2012
Leasing liabilities up to 1 year	4.2	7.1
Leasing liabilities between 2 and 5 years	25.6	10.5
Leasing liabilities more than 5 years	0.8	1.4
Total	**30.6**	**19.0**
Leasing expense current period	7.1	7.4

The tables show the expiry dates of future leasing liabilities. Operating leases consist mainly of lease agreements for office premises, IT hardware and maintenance. The lease agreements for offices have extension options.

37 | Events after the balance sheet date

On 11 October 2013 the Axpo Group signed a strategic partnership with EDP Renewables (EDPR) and purchased a 49% stake in the company´s onshore wind farm portfolio in France. The wind farm portfolio comprises 48 modern wind turbines situated at nine different locations, with a collective annual electricity production of around 230 gigawatt hours. This partnership will enable Axpo to substantially strengthen its position in wind energy along the entire value chain.

No further events of relevance for the 2012/13 financial statements occurred between the balance sheet date and the date on which the Board of Directors approved the consolidated financial statements.

38 | Investments

	Domicile	End of financial year	Currency	Registered capital m	Share of votes in %[1]	Share of capital in %[2]	Purpose
Fully consolidated companies							
Axpo Grid AG[16]	Baden	30.09.	CHF	0.1	100.0	100.0	N
Axpo Informatik AG	Baden	30.09.	CHF	0.1	62.7	62.7	D
Axpo Informatica S.r.l.	Genoa (IT)	30.09.	EUR	0.03	100.0	100.0	D
Axpo Power AG	Baden	30.09.	CHF	360.0	100.0	100.0	P
Axpo Contracting AG	Opfikon	30.09.	CHF	10.5	100.0	100.0	S
Axpo Genesys AG	Opfikon	30.09.	CHF	0.5	100.0	100.0	S
Axpo Holz + Energie AG	Opfikon	30.09.	CHF	3.6	100.0	100.0	P
Axpo Tegra AG	Domat/Ems	30.09.	CHF	2.1	100.0	100.0	P
Axpo Hydro Surselva AG	Domat/Ems	30.09.	CHF	0.1	100.0	100.0	P
Axpo Kleinwasserkraft AG	Opfikon	30.09.	CHF	11.0	100.0	100.0	P
Axpo Kompogas AG	Opfikon	30.09.	CHF	30.3	100.0	100.0	P
Axpo Kompogas Samstagern AG	Richterswil	30.09.	CHF	2.0	75.1	75.1	P
Axpo Kompogas Wauwil AG	Wauwil	30.09.	CHF	3.5	88.6	88.6	P
Fricompost Freiburgische Grünentsorgungsgesellschaft AG	Hauterive	30.09.	CHF	0.5	100.0	100.0	S
Green Power Uri AG	Altdorf	30.09.	CHF	2.0	20.0	20.0	P
Kompogas Utzenstorf AG	Utzenstorf	30.09.	CHF	2.3	59.3	59.3	P
Kompogas Winterthur AG[19]	Opfikon	30.09.	CHF	4.0	52.0	52.0	P
RESAG (Renewable Energies Switzerland) AG	Muttenz	30.09.	CHF	0.1	68.0	68.0	S
Axpo Services AG	Baden	30.09.	CHF	0.1	100.0	100.0	D
Axpo Trading AG	Laufenburg	30.09.	CHF	132.0	100.0	100.0	V
Axpo Albania sh.a.[19]	Tirana (AL)	31.12.	ALL	19.2	100.0	100.0	V
Axpo BH d.o.o	Sarajevo (BA)	30.09.	BAM	1.0	100.0	100.0	V
Axpo d.o.o. Beograd[19]	Belgrade (RS)	31.12.	CSD	49.3	100.0	100.0	V
Axpo Finance Luxembourg S.à r.l.[19]	Luxembourg (LU)	30.09.	EUR	0.03	100.0	100.0	D
Axpo International SA[19]	Luxembourg (LU)	30.09.	EUR	2.6	90.0[17]	90.0[17]	H
Axpo Austria GmbH	Vienna (AT)	30.09.	EUR	0.04	100.0	100.0	V
Axpo Bulgaria EAD[19]	Sofia (BG)	31.12.	BGN	9.0	100.0	100.0	V
Axpo Deutschland GmbH	Leipzig (DE)	30.09.	EUR	3.5	100.0	100.0	V
Axpo New Energy GmbH[19]	Düsseldorf (DE)	30.09.	EUR	0.03	100.0	100.0	V
Axpo Energy Romania S.A.[19]	Bucharest (RO)	30.09.	RON	3.2	100.0	100.0	V
Axpo France and Benelux SA[19]	Brussels (BE)	30.09.	EUR	0.5	100.0	100.0	V
Axpo Gen Hellas S.A.[19]	Athens (GR)	30.09.	EUR	0.8	100.0	100.0	I
Axpo Hellas S.A.[19]	Athens (GR)	30.09.	EUR	0.3	100.0	100.0	V
Axpo Hungary Kft.[19]	Budapest (HU)	30.09.	HUF	190.4	99.7[12]	99.7[12]	V
Axpo Hydro France SAS[19]	Paris (FR)	30.09.	EUR	0.1	100.0	100.0	H
Axpo Iberia S.L.	Madrid (ES)	30.09.	EUR	0.5	100.0	100.0	V
Axpo Tunisia S.L.[19]	Tunis (TN)	30.09.	TND	0.2	100.0	100.0	V
Axpo Italia S.p.A.[19]	Genoa (IT)	30.09.	EUR	3.0	100.0	100.0	V
Axpo Gas Italia Service S.r.l.	Genoa (IT)	30.09.	EUR	0.1	100.0	100.0	V
Energy Plus S.p.A.	Genoa (IT)	30.09.	EUR	0.2	100.0	100.0	I
Axpo Polska Sp.z.o.o.	Warsaw (PL)	30.09.	PLZ	1.3	100.0	100.0	V

	Domicile	End of financial year	Currency	Registered capital m	Share of votes in %[1]	Share of capital in %[2]	Purpose
Fully consolidated companies							
Axpo Renewables France SAS[16]	Lyon (FR)	30.09.	EUR	0.1	100.0	100.0	H
Compagnie des Energies Renouvelables Villiers le Pré SARL	Paris (FR)	31.12.	EUR	0.1	100.0	100.0	H
Parc éolien de St Riquier 2 SAS	Paris (FR)	31.12.	EUR	0.2	100.0	100.0	P
Parc éolien Plaine Dynamique SARL	Paris (FR)	31.12.	EUR	0.02	100.0	100.0	P
Axpo UK Limited	London (GB)	30.09.	GBP	9.5	100.0	100.0	V
Axpo UK Trading Limited	London (GB)	30.09.	GBP	0.2	100.0	100.0	V
Calenia Energia S.p.A.	Genoa (IT)	30.09.	EUR	0.1	85.0	85.0	P
FREA Axpo OOD	Sofia (BG)	30.09.	BGN	0.6	100.0	100.0	V
Rizziconi Energia S.p.A.	Genoa (IT)	30.09.	EUR	0.5	100.0	100.0	P
WinBis S.r.l.	Genoa (IT)	30.09.	EUR	0.1	100.0	100.0	I
Energie Rinnovabili	Napels (IT)	30.09.	EUR	0.02	49.0	49.0	I
WinCap S.r.l.	Genoa (IT)	30.09.	EUR	0.1	100.0	100.0	I
Axpo Kosovo L.L.C.	Pristina (KOS)	31.12.	EUR	0.1	100.0	100.0	V
Axpo MK dooel Skopje[19]	Skopje (MK)	31.12.	MKD	6.1	100.0	100.0	V
Axpo Nordic AS	Oslo (NO)	30.09.	NOK	58.0	100.0	100.0	V
Axpo Finland Oy[19]	Helsinki (FI)	30.09.	EUR	0.3	100.0	100.0	V
Axpo Sverige AB	Malmö (SE)	30.09.	SEK	52.0	100.0	100.0	V
Axpo Trgovina d.o.o[19]	Zagreb (HR)	30.09.	HRK	0.8	100.0	100.0	V
Energia de la Zarza S.L.	Madrid (ES)	30.09.	EUR	0.1	100.0	100.0	I
TAP Storage AG	Baar	30.09.	CHF	1.0	100.0	100.0	I
Centralschweizerische Kraftwerke AG[11]	Lucerne	30.09.	CHF	3.0	81.0	81.0	V
CKW Conex AG	Lucerne	30.09.	CHF	1.0	100.0	100.0	D
Deschwanden Büchel AG	Stans	30.09.	CHF	0.1	100.0	100.0	D
Telcom AG	Stansstad	30.09.	CHF	0.2	100.0	100.0	D
CKW Fiber Services AG	Lucerne	30.09.	CHF	2.7	100.0	100.0	D
Elektrizitätswerk Altdorf AG	Altdorf	30.09.	CHF	20.0	62.2	62.2	V
ComDataNet AG	Altdorf	30.09.	CHF	0.5	100.0	100.0	D
Green Power Uri AG	Altdorf	30.09.	CHF	2.0	51.0	51.0	P
Elektrizitätswerk Schwyz AG	Schwyz	30.09.	CHF	3.0	89.9	89.9	V
SicuroCentral AG	Lucerne	30.09.	CHF	0.1	100.0	100.0	D
Steiner Energie AG	Malters	30.09.	CHF	0.5	100.0	100.0	V

Company´s business activities:
D = Services H = Holding I = Project company N = Grid P = Production
V = Energy supply and trading S = Other

For an explanation of the footnotes see page 110.

	Domicile	End of financial year	Currency	Registred capital m	Share in Axpo Power Group in %[2]	Share in CKW Group in %[2]	Share in Axpo Trading Group in %[2]
Significant equity-consolidated partner plants (Joint Venture)							
AG Kraftwerk Wägital	Schübelbach	30.09.	CHF	15.0	50.0		
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern	Lucerne	31.12.	CHF	90.0		15.0	26.4[8]
Albula-Landwasser Kraftwerke AG	Filisur	30.09.	CHF	22.0			75.0
Argessa AG	Ergisch	30.09.	CHF	10.0	35.0		
Blenio Kraftwerke AG	Blenio	30.09.	CHF	60.0	17.0		
Electra-Massa AG	Naters	31.12.	CHF	20.0	13.8		
Elektrizitätswerk Rheinau AG	Rheinau	30.09.	CHF	20.0	50.0		
ENAG Energiefinanzierungs AG	Schwyz	31.12.	CHF	100.0		25.0	33.1[8]
Engadiner Kraftwerke AG	Zernez	30.09.	CHF	140.0	5.0	10.0	15.0
Etrans AG	Laufenburg	31.12.	CHF	7.5	24.1	5.1	13.2
Grande Dixence SA	Sion	31.12.	CHF	300.0	13.3		
Kernkraftwerk Gösgen-Däniken AG	Däniken	31.12.	CHF	350.0[3]	25.0	6.5[8]	4.5
Kernkraftwerk Leibstadt AG	Leibstadt	31.12.	CHF	450.0	22.8	11.4[8]	0.5[8][15]
Kernkraftwerk-Beteiligungsgesellschaft AG	Berne	31.12.	CHF	150.0	33.3		
Kraftwerk Aegina AG	Obergoms	30.09.	CHF	12.0	50.0[4]		
Kraftwerk Eglisau-Glattfelden AG	Glattfelden	30.09.	CHF	20.0	100.0		
Kraftwerk Göschenen AG	Göschenen	30.09.	CHF	60.0		50.0	
Kraftwerk Reckingen AG	Küssaberg (DE)	31.12.	EUR	1.2	20.0		
Kraftwerk Rupperswil-Auenstein AG	Aarau	30.09.	CHF	12.0	45.0		
Kraftwerk Ryburg-Schwörstadt AG	Rheinfelden	30.09.	CHF	30.0	13.5		
Kraftwerk Sarneraa AG	Alpnach	30.09.	CHF	2.0		18.0	
Kraftwerk Schaffhausen AG	Schaffhausen	30.09.	CHF	10.0	30.0		
Kraftwerk Stägweid AG	Spiez	31.12.	CHF	0.1	40.0		
Kraftwerk Wassen AG	Wassen	30.09.	CHF	16.0		40.0	
Kraftwerke Hinterrhein AG	Thusis	30.09.	CHF	100.0	19.5		
Kraftwerke Ilanz AG	Ilanz	30.09.	CHF	50.0	85.0		
Kraftwerke Linth-Limmern AG	Glarus Süd	30.09.	CHF	200.0	85.0		
Kraftwerke Mattmark AG	Saas-Grund	30.09.	CHF	90.0		27.8	30.4[8]
Kraftwerke Mauvoisin AG	Sion	30.09.	CHF	100.0	19.5	19.5	29.3
Kraftwerke Sarganserland AG	Pfäfers	30.09.	CHF	50.0	98.5		
Kraftwerke Vorderrhein AG	Disentis	30.09.	CHF	80.0	81.5		
Kraftwerke Zervreila AG	Vals	31.12.	CHF	50.0	21.6		
Lizerne et Morge SA	Sion	31.03.	CHF	10.0			50.0
Maggia Kraftwerke AG	Locarno	30.09.	CHF	100.0	30.0		
Rheinkraftwerk Albbruck-Dogern AG	Waldshut (DE)	31.12.	EUR	27.8			5.0
Rheinkraftwerk Neuhausen AG	Neuhausen	31.12.	CHF	1.0	40.0		
Rheinkraftwerk Säckingen AG	Säckingen (DE)	31.12.	EUR	5.0	25.0		

For an explanation of the footnotes see page 110.

.

	Domicile	End of financial year	Currency	Registered capital m	Share in Axpo Power Group in %[2]	Share in CKW Group in %[2]	Share in Axpo Trading Group in %[2]
Equity-consolidated associates							
BiEAG Biomasse Energie AG	Hünenberg	30.09.	CHF	5.4		74.1[13]	
BV Kompostieranlage Oensingen AG	Oensingen	30.09.	CHF	0.3	50.0[6]		
Compagnie Concessionnaire des Eaux de France - Ossau SAS	Paris (FR)	31.12.	EUR	0.04[3]			50.0[20]
Demirören Axpo Enerji Toptan Ticaret A.S.[19]	Istanbul (TR)	30.09.	TRL	4.6			50.0[9]
Demirören EGL Gaz Toptan Ticaret A.S.	Istanbul (TR)	31.12.	TRL	3.4			50.0[9]
EBS+EWS Elektrosicherheit GmbH	Schwyz	31.12.	CHF	0.1		50.0[5]	
Elektrizitätswerk des Kantons Schaffhausen AG	Schaffhausen	31.12.	CHF	20.0[10]			
GeoEnergie Taufkirchen GmbH & Co. KG	Grünwald (DE)	31.12.	EUR	41.4	35.0		
Global Tech I Offshore Wind GmbH	Hamburg (DE)	31.12.	EUR	1.0			24.1[18]
Grischelectra AG	Chur	30.09.	CHF	1.0[3]			20.0
IWK Integrierte Wärme und Kraft AG	Sarnen	31.12.	CHF	0.1	49.0		
Kompogas Bioriko AG	Klingnau	30.09.	CHF	0.1	50.0[6]		
KW Seedorf AG	Seedorf	30.09.	CHF	1.0		20.0[7]	
Litecom AG	Aarau	30.09.	CHF	1.3	20.0	7.0	
NIS AG	Emmen	31.12.	CHF	1.0[3]		25.0	
Ökopower AG	Ottenbach	31.12.	CHF	0.5	50.0[6]		
Parque Eólico la Peñuca S.L.	Ponferrada (ES)	31.12.	EUR	3.3			46.0[18]
Realta Biogas AG	Cazis	30.09.	CHF	0.7	41.7		
Repower AG	Poschiavo	31.12.	CHF	3.4[14]			
Società EniPower Ferrara S.r.l.	San Donato Milanese (IT)	31.12.	EUR	170.0			49.0[18]
Sogesa SA	Le Chable	30.09.	CHF	2.0			30.0
SV Kompostieranlage Bellach AG	Bellach	30.09.	CHF	0.1	50.0[6]		
Swissgrid AG	Laufenburg	31.12.	CHF	271.2	24.4	4.5	9.4
Terravent AG	Dietikon	30.09.	CHF	10.0			14.3
Trans Adriatic Pipeline AG	Baar	31.12.	CHF	149.3			5.0
Zwilag Zwischenlager Würenlingen AG	Würenlingen	31.12.	CHF	5.0	24.3		

For an explanation of the footnotes see the following page.

Explanation of footnotes

1)	Direct legal share of voting rights	
2)	Direct share of capital (including sub-participations)	
3)	of which paid in:	
	Grischelectra AG	0.2 CHF m
	Kernkraftwerk Gösgen-Däniken AG	290.0 CHF m
	NIS AG	0.8 CHF m
	Compagnie Concessionnaire des Eaux de France-Ossau SAS	0.02 EUR m
4)	The shares in Kraftwerk Aegina AG are held by Maggia Kraftwerke AG, Locarno.	
5)	The shares in EBS+EWS Elektrosicherheit GmbH are held by Elekrizitätswerk Schwyz AG, Schwyz.	
6)	The shares in Ökopower AG, SV Kompostieranlage Bellach AG, BV Kompostieranlage Oensingen AG and Kompogas Bioriko AG are held by Axpo Kompogas AG, Opfikon.	
7)	The shares in KW Seedorf AG are held by Elekrizitätswerk Altdorf AG, Altdorf.	
8)	Due to the disposal or acquisition of sub-holdings, the effective financially relevant equity interests in the partner plants listed below deviates from the percentage of capital and voting rights held. The direct legal share of voting rights is:	

	CKW Group	Axpo Trading Group
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern		31.0%
ENAG Energiefinanzierungs AG		50.0%
Kernkraftwerk Gösgen-Däniken AG	12.5%	
Kernkraftwerk Leibstadt AG	13.6%	16.3%
Kraftwerke Mattmark AG		38.8%

9)	The shares in Demirören Axpo Enerji Toptan Ticaret A.S. and in Demirören EGL Gaz Toptan Ticaret A.S. are held by Axpo International SA, Luxembourg (LU).
10)	Elektrizitätswerk des Kantons Schaffhausen AG: 25% share held by Axpo Holding AG.
11)	Centralschweizerische Kraftwerke AG: Registered shares with a nominal value of CHF 29 692 held as treasury shares.
12)	Axpo Hungary Kft.: Axpo Trading AG holds a direct share of 0.3%.
13)	BiEAG Biomasse Energie AG: The direct share of voting rights held is 40.4%.
14)	Repower AG: 27.5% share of capital and 33.7% direct share of voting held by Axpo Holding AG.
15)	The direct share of capital held by Axpo Trading AG in Kernkraftwerk Leibstadt AG is 0.47%. Taking into account the 15% share of capital held by AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern in Kernkraftwerk Leibstadt AG, the indirect share of capital held by Axpo Trading AG in Kernkraftwerk Leibstadt AG is 4.4%.
16)	Formation in financial year 2012/13
17)	Axpo International SA: Axpo Finance Luxembourg S.à r.l., Luxemburg (LU), holds a direct share of 10%.
18)	The shares in Global Tech I Offshore Wind GmbH, Parque Eólico la Peñuca S.L. and Società EniPower Ferrara S.r.l. are held by Axpo International SA, Luxembourg (LU).
19)	Changes in company names in the 202/13 financial year:
	Kompogas Winterthur AG (former Holzenergie Erlenhof AG)
	Axpo Albania sh.a. (former EGL Albania sh.a.)
	Axpo d.o.o. Beograd (former EGL d.o.o. Beograd)
	Axpo Energy Romania S.A. (former EGL Gas & Power Romania S.A.)
	Axpo Finance Luxembourg S.à.r.l. (former EGL Finance Luxembourg S.à.r.l.)
	Axpo Interntational SA (former EGL Finance Luxembourg AG)
	Axpo France and Benelux SA (former EGL France and Benelux SA)
	Axpo Hungary Kft. (former EGL Hungary Kft.)
	Axpo Bulgaria EAD (former EGL Bulgaria EAD)
	Axpo New Energy GmbH (former EGL New Energy GmbH)
	Axpo Gen Hellas S.A. (former EGL Gen Hellas S.A.)
	Axpo Hellas S.A. (former EGL Hellas S.A.)
	Axpo Hydro France SAS (former EGL Hydro France SAS)
	Axpo Tunisia S.L. (former EGL Tunisia S.L.)
	Axpo Italia S.p.A. (former EGL Italia S.p.A.)
	Axpo MK dooel Skopje (former EGL dooel Skopje)
	Axpo Finland Oy (former EGL Finland Oy)
	Axpo Trogovina d.o.o. (former EGL Trogovina d.o.o)
	Demirören Axpo Enerji Toptan Ticaret A.S. (former Demirören EGL Enerji Toptan Ticaret A.S.)
20)	The shares in Compagnie Concessionnaire des Eaux de France-Ossau SAS are held by Axpo Hydro France SAS, Paris (FR).

KPMG AG
Audit
Badenerstrasse 172
CH-8004 Zurich

P.O. Box
CH-8026 Zurich

Telephone +41 58 249 31 31
Fax +41 58 249 44 06
Internet www.kpmg.ch

Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting of Shareholders of

Axpo Holding AG, Baden

As statutory auditor, we have audited the accompanying consolidated financial statements of Axpo Holding AG, as presented on pages 46 to 110, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes for the year ended 30 September 2013.

Board of Directors' Responsibility
The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

Opinion
In our opinion, the consolidated financial statements for the year ended 30 September 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with 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.

KPMG AG

Lukas Marty
Licensed Audit Expert
Auditor in Charge

Daniel Haas
Licensed Audit Expert

Zurich, 13 December 2013

Income statement of Axpo Holding AG

CHF m	Notes	2012/13	2011/12
Income			
Income from subsidiaries and associates	2	99.7	24.1
Income from services and licences		31.6	74.9
Financial income	3	113.7	214.5
Other operating income		0.0	3.0
Total income		**245.0**	**316.5**
Expenses			
Personnel expenses	4	0.1	17.2
Financial expenses		182.7	156.2
Depreciation and amortisation		63.0	63.0
Other operating expenses		14.6	56.0
Taxes		4.6	7.4
Total expenses		**265.0**	**299.8**
Profit for the year		**–20.0**	**16.7**

Balance sheet of Axpo Holding AG

CHF m	Notes	30.9.2013	30.9.2012
Assets			
Cash and cash equivalents	5	2 184.1	2 204.1
Trade receivables	6	1.4	26.2
Current financial receivables	7	164.8	664.3
Other receivables, accrued income and prepaid expenses	8	45.5	24.7
Total current assets		**2 395.8**	**2 919.3**
Investments in associates	9	4 041.5	3 943.1
Other financial assets	10	1 522.2	1 311.1
Total non-current assets		**5 563.7**	**5 254.2**
Total assets		**7 959.5**	**8 173.5**
Equity and liabilities			
Trade payables	11	2.0	12.1
Current financial liabilities	12	3 005.4	3 118.9
Other liabilities, accrued expenses and deferred income	13	48.1	40.4
Total current liabilities		**3 055.5**	**3 171.4**
Bonds	14	988.7	987.2
Loans payable	15	300.0	303.0
Accrued liabilities		0.0	2.6
Total non-current liabilities		**1 288.7**	**1 292.8**
Share capital	16	370.0	370.0
General legal reserves (capital contribution reserve)		2 633.0	2 633.0
Free reserves		632.0	640.0
Accumulated profits	17	–19.7	66.3
Total equity		**3 615.3**	**3 709.3**
Total equity and liabilities		**7 959.5**	**8 173.5**

Notes to the statutory financial statements of Axpo Holding AG

1 | Comments

The shareholders and associates of the Axpo Group are considered to be related parties pursuent to Art. 663a para. 4 of the Swiss Code of Obligations. The following notes also contain the information prescribed in Art. 663b of the Swiss Code of Obligations.

2 | Income from subsidiaries and associates

CHF m	2012/13	2011/12
Dividend income from		
EKS, Schaffhausen	1.2	1.2
Axpo Power AG, Baden	75.6	0.0
CKW, Lucerne	21.6	21.6
Axpo Informatik AG, Baden	1.3	1.3
Total	**99.7**	**24.1**

3 | Financial income

The unrealised losses on securities from previous years could be further reversed on the basis of the sustained positive performance of the stock market. Compared with the last financial year, however, this effect was less marked. Additionally, a gain was made from foreign currency hedging.

4 | Personnel expenses

The entire personnel of Axpo Holding AG transferred to Axpo Services AG with effect from 1 October 2012.

5 | Cash and cash equivalents

Due to the current situation in the financial markets, cash and cash equivalents are only invested short term.

6 | Trade receivables

CHF m	30.9.2013	30.9.2012
From related parties	1.4	26.1
From third parties	0.0	0.1
Total	**1.4**	**26.2**

Receivables are recorded in the balance sheet at nominal value. Receivables in foreign currencies are valued at the prevailing exchange rate on the balance sheet date.

7 | Current financial receivables

CHF m	30.9.2013	30.9.2012
From related parties	114.8	604.3
From third parties	50.0	60.0
Total	**164.8**	**664.3**

This item includes loans granted with a term to maturity of less than twelve months. They are recorded in the balance sheet at nominal value.

8 | Other receivables, accrued income and prepaid expenses

CHF m	30.9.2013	30.9.2012
Derivative financial instruments	37.4	13.9
Other receivables	3.8	4.7
Accrued income and prepaid expenses	4.3	6.1
Total	**45.5**	**24.7**
of which:		
From related parties	24.4	10.1
From third parties	21.1	14.6

Derivative financial instruments mainly consist of the positive replacement value of the currency forward contracts open on the balance sheet date. They serve to hedge foreign currency positions.

9 | Investments in subsidiaries and associates

Investments in subsidiaries and associates are recorded in the balance sheet at cost, subject to any necessary value adjustments required. The capitalised excess value resulting from the merger with Watt AG is being amortised over 10 years. The overview on pages 106 to 110 sets out the details of Axpo Holding AG's direct or indirect ownership interests in subsidiaries and associates.

10 | Other financial assets

CHF m	30.9.2013	30.9.2012
Loan receivables:		
From related parties	282.3	213.9
From third parties	110.0	0.0
"Strategic" holdings	15.7	15.5
Securities	1 114.2	1 081.7
Total	**1 522.2**	**1 311.1**

The term to maturity of the loans receivable is longer than twelve months. They are recorded in the balance sheet at nominal value. The "strategic" holdings consist of equities and other shares that constitute a low equity interest. They are valued at the lower of cost or market value. Securities consist mainly of collective investment instruments (bank in-house funds and investment funds) and are measured at the lower of cost or market value.

11 | Trade payables

CHF m	30.9.2013	30.9.2012
To related parties	0.6	1.2
To third parties	1.4	10.9
Total	**2.0**	**12.1**

12 | Current financial liabilities

CHF m	30.9.2013	30.9.2012
To related parties	3 005.4	3 118.9
Total	**3 005.4**	**3 118.9**

This item includes loan liabilities due within less than twelve months and current account liabilities. They are recorded in the balance sheet at nominal value.

13 | Other liabilities, accrued expenses and deferred income

CHF m	30.9.2013	30.9.2012
Derivative financial instruments	19.7	7.9
Other liabilities	0.2	2.6
Accrued expenses and deferred income	28.2	29.9
Total	**48.1**	**40.4**
of which:		
To related parties	46.1	31.3
To employee benefit plans	0.0	0.2
To third parties	2.0	8.9

Derivative financial instruments consist of the negative replacement values of the currency forward contracts open on the balance sheet date. They serve to hedge foreign currency positions.

14 | Bonds

CHF m		30.9.2013	30.9.2012
Bonds outstanding at the balance sheet date	Nominal value		
2.6250% bond 26.2.2010 – 26.2.2020	700.0	692.1	690.9
3.1250% bond 26.2.2010 – 26.2.2025	300.0	296.6	296.3
Total		**988.7**	**987.2**

The difference versus the nominal value corresponds to the costs paid for the issuance of the bonds less the premium. These costs are divided over the maturity of the bonds according to the effective interest method and charged to expenses.

15 | Loan liabilities

CHF m	30.9.2013	30.9.2012
Due dates:		
Remaining term to maturity 1-5 years	150.0	153.0
Remaining term to maturity more than 5 years	150.0	150.0
Total	**300.0**	**303.0**
of which:		
To related parties	300.0	303.0

The loans were primarily granted by Axpo Power AG.

16 | Share capital

CHF m		30.9.2013	30.9.2012
The share capital is divided into 37 000 000 registered shares with a par value of CHF 10 each.			
The shareholders are:	in %		
Canton Zurich	18.342	67.9	67.9
Electricity utilities of the Canton of Zurich	18.410	68.1	68.1
Canton Aargau	13.975	51.7	51.7
AEW Energie AG	14.026	51.9	51.9
SAK Holding AG	12.501	46.3	46.3
EKT Holding AG	12.251	45.3	45.3
Canton Schaffhausen	7.875	29.1	29.1
Canton Glarus	1.747	6.5	6.5
Canton Zug	0.873	3.2	3.2
Total	**100.000**	**370.0**	**370.0**

17 | Accumulated gain/loss

CHF m	30.9.2013	30.9.2012
(Loss)/Profit for the year	–20.0	16.7
Profit carried forward	0.3	49.6
Total	**–19.7**	**66.3**

18 | Changes in equity

CHF m	Share capital	General legal reserves	Free reserves	Accumulated profit	Total equity
As at 30.9.2010	**370.0**	**2 633.0**	**640.0**	**162.7**	**3 805.7**
Dividends				–81.4	–81.4
Profit for the year 2010/11				49.7	49.7
As at 30.9.2011	**370.0**	**2 633.0**	**640.0**	**131.0**	**3 774.0**
Dividends				–81.4	–81.4
Profit for the year 2011/12				16.7	16.7
As at 30.9.2012	**370.0**	**2 633.0**	**640.0**	**66.3**	**3 709.3**
Partial release of free reserves			–8.0	8.0	0.0
Dividends				–74.0	–74.0
Loss for the year 2012/13				–20.0	–20.0
As at 30.9.2013	**370.0**	**2 633.0**	**632.0**	**–19.7**	**3 615.3**

19 | Contingent liabilities

CHF m	30.9.2013	30.9.2012
Outstanding loan commitments to third parties	187.9	186.4
Sureties granted to related parties	9.0	6.0
Total	**196.9**	**192.4**

20 | Transactions with related parties

All transactions with related parties are conducted at prevailing market conditions.

21 | Remuneration paid to the Board of Directors and the Executive Board

This note was created in accordance with the requirements of the Swiss Code of Obligations and may differ from the remuneration information in Note 33 of the consolidated financial statements (in accordance with IFRS) as a result of differing measurement approaches.

The amounts disclosed include all remunerations to the members of the Board of Directors of Axpo Holding AG and the Executive Board granted by the fully consolidated companies of the Axpo Group for the 2012/13 financial year, even if the time of payment or definitive acquisition of title was after the balance sheet date of the reporting year (accrual basis). Remunerations that were not paid out directly to individual members of the Board of Directors but to their employers are also included in the following amounts.

Remuneration paid to members of the Board of Directors in the 2012/13 financial year

Name CHF thousand	Function	Remuneration for director-ship (fixed)[1]	Pension benefits[2]	Total
Robert Lombardini	Chairman of the Board of Directors Member of the Audit and Finance Committee, Compensation and Nominations Committee, Strategy Committee	275	20	295
Stephan Attiger (since 8.3.2013)	Member of the Board of Directors Member of the Compensation and Nominations Committee	36	1	37[4]
Dr. Ueli Betschart	Member of the Board of Directors Member of the Audit and Finance Committee, Corporate Risk Council	93	0	93[3]
Peter C. Beyeler (until 8.3.2013)	Member of the Board of Directors Member of the Strategy Committee	35	0	35[4]
Jakob Brunnschweiler	Vice-Chairman of the Board of Directors Chairman of the Strategy Committee	88	1	89[5]
Dr. Reto Dubach	Member of the Board of Directors Member of the Compensation and Nominations Committee	68	0	68[6]
Roland Eberle	Member of the Board of Directors Member of the Audit and Finance Committee	79	6	85
Andreas Frank	Member of the Board of Directors Member of the Audit and Finance Committee	69	5	74
Ernst Frey (until 8.3.2013)	Member of the Board of Directors Chairman of the Compensation and Nominations Committee	32	3	35
Martin Graf	Member of the Board of Directors Member of the Compensation and Nominations Committee	67	0	67[7]
Rudolf Hug	Member of the Board of Directors Chairman of the Audit and Finance Committee	115	8	123
Markus Kägi	Member of the Board of Directors Member of the Strategy Committee	67	1	68[8]
Peter Reinhard	Member of the Board of Directors Chairman of the Compensation and Nominations Committee	73	5	78
Heinz Tännler	Member of the Board of Directors Member of the Compensation and Nominations Committee	65	1	66[8]
Ernst Werthmüller (since 8.3.2013)	Member of the Board of Directors Member of the Strategy Committee	35	0	35[9]
Total		**1 197**	**51**	**1 248**

1) The remuneration for a Board of Directors mandate (fixed) consists of a fixed annual remuneration and meeting fees (except in the case of the Chair of the Board of Directors).
2) Employer contributions to AHV / IV are shown under pension benefits.
3) CHF 93 thousand of the remuneration was paid to the employer.
4) CHF 28 thousand of the remuneration was paid to the employer.
5) CHF 70 thousand of the remuneration was paid to the employer.
6) CHF 68 thousand of the remuneration was paid to the employer
7) CHF 62 thousand of the remuneration was paid to the employer.
8) CHF 56 thousand of the remuneration was paid to the employer.
9) CHF 35 thousand of the remuneration was paid to the employer.

Remuneration paid to members of the Board of Directors in the 2011/12 financial year

Name CHF thousand	Function	Remuneration for directorship (fixed)[1]	Pension benefits[2]	Total
Robert Lombardini	Chairman of the Board of Directors Member of the Audit and Finance Committee, Compensation and Human Resources Committee, Strategy Committee	275	16	291
Dr. Ueli Betschart	Member of the Board of Directors Member of the Audit and Finance Committee, Corporate Risk Council	97	0	97[3]
Peter C. Beyeler	Member of the Board of Directors Member of the Strategy Committee	65	0	65[4]
Jakob Brunnschweiler	Vice-Chairman of the Board of Directors Chairman of the Strategy Committee Member of the Nominations Committee	84	1	85[5]
Dr. Reto Dubach	Member of the Board of Directors Member of the Compensation and Human Resources Committee	65	0	65[6]
Roland Eberle (since 9.3.2012)	Member of the Board of Directors Member of the Audit and Finance Committee	41	3	44
Andreas Frank	Member of the Board of Directors Member of the Compensation and Human Resources Committee	67	4	71
Ernst Frey	Member of the Board of Directors Chairman of the Nominations Committee	69	4	73
Martin Graf	Member of the Board of Directors Member of the Nominations Committee	64	0	64[7]
Rudolf Hug	Member of the Board of Directors Chairman of the Audit and Finance Committee	110	7	117
Markus Kägi	Member of the Board of Directors Member of the Strategy Committee	70	1	71[4]
Peter Reinhard	Member of the Board of Directors Chairman of the Compensation and Human Resources Committee	69	4	73
Heinz Tännler	Member of the Board of Directors Member of the Nominations Committee	65	1	66[4]
Dr. Hansjakob Zellweger (until 9.3.2012)	Member of the Board of Directors Member of the Audit and Finance Committee	45	2	47
Total		**1 186**	**43**	**1 229**

1) The remuneration for a Board of Directors mandate (fixed) consists of a fixed annual remuneration and meeting fees (except in the case of the Chair of the Board of Directors).
2) Employer contributions to AHV / IV are shown under pension benefits.
3) CHF 97 thousand of the remuneration was paid to the employer.
4) CHF 56 thousand of the remuneration was paid to the employer.
5) CHF 70 thousand of the remuneration was paid to the employer.
6) CHF 65 thousand of the remuneration was paid to the employer.
7) CHF 64 thousand of the remuneration was paid to the employer.

Remuneration to Executive Board members and the highest paid member

	Heinz Karrer CEO		Total for Executive Board	
CHF thousend	2012/13	2011/12	2012/13	2011/12
Gross salaries (fixed)[1]	500	500	2 220	2 220
Gross salaries (variable)[2]	231	225	1 070	904
Non-cash benefits[3]	10	10	46	46
Pension benefits[4]	168	169	746	727
Total	**909**	**904**	**4 082**	**3 897**

1) Gross salaries (fixed) consist of base salaries.
2) Gross salaries (variable) include variable salary components that are dependent on the achievement of company targets and individual objectives. These are deferred figures for the 2012/13 financial year. The payments will be made in the following financial year.
3) Private use of company vehicles and SBB rail pass.
4) Employer contributions to the AHV/IV, the company pension fund, to occupational and non-occuptional accident insurance and sick pay insurance are shown under pension benefits.

Expenses for performing directorships on behalf of Axpo are also compensated in the remuneration paid to the Executive Board members, i.e. Executive Board members may not claim separate remuneration for the performance of directorships within the Axpo Group. These remunerations total CHF 256 000 and were paid out to the employers of the Executive Board members.

Further information

No remuneration was paid to former members of the Board of Directors or the Executive Board (incl. related parties) in the 2012/13 financial year.

Axpo Holding AG is wholly owned by the cantons of Northeastern Switzerland and their cantonal utility companies. Axpo Holding AG and its Group companies have not granted any security, loans, advances or credits to the members of the Board of Directors and the Executive Board or related parties

22 | Performance of risk assessment

The Axpo Group has implemented a Group-wide risk management system aimed at creating as much transparency as possible regarding its risk situation and managing its risk exposure in a targeted manner. Risks are identified across the entire spectrum, including market, counterparty, operational and general risks, and evaluated according to their probability of occurrence and impact. Risk-reducing measures are agreed and implemented if necessary. The Group function Corporate Risk Management is responsible for carrying out the process and informs the Board of Directors, the Audit and Finance Committee of the Board of Directors and the Risk Council at regular intervals regarding the risk situation and any measures taken. The Board of Directors last discussed the Group's risk situation at its meeting of 20 September 2013.

Appropriation of profits of Axpo Holding AG

Proposal of the Board of Directors

	in CHF
We propose that distributable profit be appropriated as follows:	
Profit carried forward	252 029
Loss for the year	–19 954 253
Partial release of free reserves	94 000 000
Total	**74 297 776**
Payment of a dividend of CHF 2.– per share with a par value of CHF 10.–	74 000 000
Profit to be carried forward	297 776
Total	**74 297 776**

KPMG AG
Audit
Badenerstrasse 172
CH-8004 Zurich

P.O. Box
CH-8026 Zurich

Telephone +41 58 249 31 31
Fax +41 58 249 44 06
Internet www.kpmg.ch

Report of the Statutory Auditor on the Financial Statements to the General Meeting of Shareholders of

Axpo Holding AG, Baden

As statutory auditor, we have audited the accompanying financial statements of Axpo Holding AG, as presented on pages 114 to 122, which comprise the income statement, balance sheet and notes for the year ended 30 September 2013.

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 30 September 2013 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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.

KPMG AG

Lukas Marty
Licensed Audit Expert
Auditor in Charge

Daniel Haas
Licensed Audit Expert

Zurich, 13 December 2013

Publishing details

Published by
Axpo Holding AG
Parkstrasse 23
5401 Baden
T +41 56 200 37 77
F +41 56 200 43 50
www.axpo.com

Texts
Contract Media AG
8008 Zurich
www.contractmedia.ch

Advisory services
GRI sustainability reporting
sustainserv GmbH
Zurich/Boston
www.sustainserv.com

Photos
– Pages 3–4: Oliver Oettli Photography 2503 Biel, www.oliveroettli.ch
– Pages 8–9:
  – Foto Emil Keller: AEW Energie AG
  – Fotos 1914: EKZ
– Pages 30–32: Oliver Oettli Photography 2503 Biel, www.oliveroettli.ch/ Daniel Boschung, 8304 Wallisellen www.boschungfoto.ch

Printing
Neidhart + Schön AG
8037 Zurich
www.nsgroup.ch

Language versions
This Annual Report is published in German and in English. The German version is binding.
All statements in this report that are not based on historical facts are forward-looking statements. Such statements do not provide any guarantee regarding future performance. Such forward-looking statements naturally involve risks and uncertainties regarding future global economic conditions, exchange rates, legal provisions, market conditions, activities of competitors and other factors that are outside Axpo's control. Actual developments and results could deviate substantially from the statements contained in this document. Apart from its statutory obligations, Axpo Holding AG does not accept any obligation to update forward-looking statements.
This Annual Report was printed CO_2-neutrally on chlorine-free bleached FSC-certified paper.

Axpo Holding AG
Parkstrasse 23 | CH-5401 Baden
T +41 56 200 37 77 | F +41 56 200 43 50
info@axpo.com | www.axpo.com

1st Edition | December 2013