Axpo Holding AG

Financial Report 2017/18

Full of Energy

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Financial Report

Financial review

The Axpo Group achieved significantly better operating results in the 2017/18 financial year than it did in the previous year. This was despite the fact that revenues from the sale of energy dropped once again as a result of hedging. The previous year also saw positive one-off effects of CHF 78 million at the operating income level (Swissgrid expropriation compensation and loss allowances). Electricity prices continued to recover in 2017/18 and the EUR-CHF period-end exchange rate remained stable compared with the previous year. However, due to the Axpo Group's electricity price and exchange rate hedging strategy, these positive developments will not be reflected in the results until the 2019/20 financial year.
Axpo generated an operating result of CHF 348 million in 2017/18 (previous year: CHF 269 million or CHF 191 million excluding one-off effects). Electricity prices, which were hedged at a lower level than in the 2016/17 financial year, had a negative impact of CHF 170 million on the results, with part of this effect (CHF 50 million) being anticipated with the loss allowances and provisions of previous years. The negative impact on prices was, however, more than offset by various positive effects, with the result that EBIT improved by CHF 157 million or 82% year-on-year excluding special items. The higher availability of the Beznau (Block 1) and Leibstadt nuclear power plants and higher production in the hydro power plants had a positive impact of CHF 115 million on EBIT in the past financial year. While no wind farms were sold in the 2016/17 financial year, four wind farms with a total of 20 turbines were sold in France in the past financial year. The sale of these four wind farms and the additional construction of wind farms that continue to form part of Axpo's power plant portfolio, led to an additional profit contribution of just under CHF 50 million. In recent years, significant sums have been invested in the Italian gas-fired combined-cycle power plants to ensure more flexible operation. These investments paid off in the 2017/18 financial year. Thanks to the greater flexibility of the plants and favourable price conditions, the contribution to the profit made by gas-fired combined-cycle power plants rose by CHF 70 million compared with the previous year, with system services accounting for the lion's share of this profit contribution. Axpo also benefited from shifts in income from the previous year connected with hedging transactions.
The net result fell from CHF 310 million in the previous year to CHF 131 million. In addition to positive one-off effects, the previous year included gains of CHF 150 million realised through security portfolio restructuring, an above-average return on the decommissioning and disposal funds, and currency gains from monetary positions.
Both the Group's overall liquidity and its financial liabilities have changed only insignificantly compared with the previous year, to the extent that the Axpo Group continued to report a positive net financial position of around CHF 200 million as at the end of September 2018.

Total revenue

In 2017/18, the Axpo Group generated revenues of CHF 4,850 million (previous year: CHF 5,567 million). This decline can be attributed to an accounting effect. Since the beginning of the 2016/17 financial year, Axpo has prospectively changed the way in which it recognises electricity revenue from its own power plants. According to the new business model, the first sale is reported as revenue and all subsequent optimisation activities are considered hedging transactions, which are incorporated net into income from energy trading. Sales already hedged in 2016/17 were little affected by this change. However, hedging positions with a gross revenue volume of more than CHF 750 million net were presented in the 2017/18 financial year. This situation is the main driver behind the CHF 717 million decline in total revenue, although the change has no effect on the Axpo Group's results.
Lower electricity prices caused total revenue to drop by CHF 170 million, and gas revenue also fell by CHF 80 million compared with the previous year. This was offset by additional revenue generated from the sale and operation of wind farms (CHF 128 million), as well as increased income from energy derivatives trading (CHF 175 million), higher revenue due to the acquisition of WZ Systems and the Fürst Group, and the expansion of IT services (CHF 42 million). Other operating income in the previous year also included the expropriation compensation from Swissgrid of CHF 139 million.

Operating expenses

At CHF 3,014 million, costs related to energy procurement, grid usage and goods were CHF 913 million lower compared with the previous year. The above-mentioned effect from the accounting treatment of electricity revenues was reflected one-to-one in energy procurement expenses. In addition, lower revenue from gas sales led to correspondingly lower gas procurement costs. The higher availability of the Beznau (Block 1) and Leibstadt nuclear power plants reduced the replacement costs for energy already sold in advance and also led to a lower use of provisions for onerous energy procurement contracts. Compared to the previous year, expenses for materials and third-party supplies increased by CHF 45 million to end the period at CHF 213 million. This increase can be attributed to the acquisitions made, a fire at the Calenia gas-fired combined-cycle power plant and higher costs at the Beznau nuclear power plant. Personnel expenses also rose from CHF 623 million in 2016/17 to CHF 643 million in 2017/18. The CHF 20 million increase on the prior year can be attributed to the additional 101 FTEs gained as a result of the acquisitions and to the expansion of the trading and IT services business. Headcount increased by 219 FTEs to 4,441 FTEs as at 30 September 2018. The reduction in staff of 80 FTEs due to major projects ending, discontinued activities and efficiency improvements was offset by 300 FTEs following the acquisitions and expansion in new and existing business areas. Other operating expenses increased by CHF 40 million to CHF 399 million due

to higher grid fees as well as bad debt losses in Spain and Italy. The decline of CHF 38 million in the proportional share of profit from partner plants and associated companies can be attributed to the CHF 39 million in impairments required due to technical problems in the Globaltech 1 offshore wind farm.
Earnings before interest, tax, depreciation and amortisation (EBITDA) increased year-on-year by 9% to CHF 610 million. The previous year's result included positive one-off effects at EBITDA level of CHF 129 million, which resulted in EBITDA growth excluding one-off effects amounting to CHF 182 million or 42%.

Depreciation and impairments
Depreciation, amortisation and impairments of fixed assets amounted to CHF 261 million during the 2017/18 financial year (previous year: CHF 288 million). The previous year included impairments of CHF 51 million, while reversals amounting to CHF 28 million were recorded in depreciation and impairments in the year under review. Excluding impairments and reversals, depreciation and amortisation increased by CHF 52 million year-on-year, largely due to the full commissioning of the Linth-Limmern pumped-storage power plant.

Operating and segment earnings
The Axpo Group's earnings before interest and tax (EBIT) amounted to CHF 348 million in the 2017/18 financial year (previous year: CHF 269 million). The previous year's result included positive one-off effects of CHF 78 million, whereas no one-off effects were recorded in the past financial year. EBIT growth excluding one-off effects in the previous year thus amounted to CHF 157 million or +82%. In the past financial year, EBIT in the Production and Grids segment rose year-on-year from CHF 52 million in 2016/17 to CHF 83 million (excluding one-off effects). The negative electricity price effect and higher depreciation and amortisation due to the full commissioning of the pumped-storage power plant in Linth-Limmern were more than offset by the higher availability of the Beznau (Block 1) and Leibstadt nuclear power plants, higher production from hydro power plants, the sale of four wind farms and the system services from the gas-fired combined-cycle power plants in Italy. The 2017/18 operating result for trading and sales amounted to CHF 230 million (previous year: CHF –58 million). Following the strengthening of the euro against the Swiss franc in the previous year, which had a negative impact on the result of more than CHF 150 million due to internal currency hedging, the positive effect on the underlying transactions was realised in the past financial year. As with the foreign currency effect, shifts in income due to hedging effects benefited the operating result of trading and sales in the past financial year. Excluding these two effects, adjusted EBIT rose by CHF 4 million to CHF 67 million, with a lost arbitration case negatively impacting earnings. Excluding one-off effects, the EBIT of the CKW Group remained nearly unchanged over the previous year at CHF 103 million (previous year: CHF 106 million).

Profit for the period
Compared to the previous year, the financial result of the Axpo Group fell from CHF +144 million in the previous year to CHF –138 million in 2017/18. The 2016/17 financial result included gains of CHF 150 million realised through security portfolio restructuring and an interest payment of CHF 24 million from the Swissgrid expropriation compensation. The return on the decommissioning and disposal funds was also lower than in the previous year and caused financial income to drop by CHF 89 million in comparison with 2016/17. Income taxes for the 2017/18 financial year just ended came to CHF 79 million (previous year: CHF 104 million), which brings the net result for the 2017/18 financial year to CHF 131 million (previous year: CHF 310 million).

Balance sheet
At CHF 22.2 billion as at 30 September 2018, the total assets of the Group were CHF 3.2 billion up on the previous year. The significant extension of the balance sheet resulted mainly from the increase in derivative financial instruments and other receivables and liabilities, both on the assets and liabilities side, due to the sharp rise in electricity prices towards the end of the financial year. Cash and cash equivalents declined from CHF 1.4 billion in the previous year to CHF 1.3 billion. The Group's overall liquidity came to CHF 5.0 billion at the end of the financial year (previous year: CHF 4.7 billion) and net financial assets were up from CHF 56 million as at 30 September 2017 to CHF 206 million at the end of the 2017/18 financial year. Despite the positive annual result, the equity ratio fell by more than 3 percentage points to 22.4% at the end of the 2017/18 financial year. This decline can be solely attributed to the extended balance sheet total.

Cash flow statement
Cash flow from operating activities increased from CHF 299 million in the previous year to CHF 474 million (previous year: CHF 175 million). The Swissgrid expropriation compensation of CHF 139 million included in the previous year and the impact of lower electricity prices of CHF 170 million were more than offset by the following factors. In the previous year, the increase in net working capital led to CHF 183 million being tied down in current assets, while the increase in the past financial year only amounted to CHF 10 million. The higher availability of nuclear power plants and the higher profit contribution from gas-fired combined-cycle power plants in Italy increased cash flow by a further CHF 200 million compared with the previous year. The sale of four wind farms and the lower cash outflow compared to the previous year for Nagra and Zwilag also led to a positive cash flow of CHF 90 million. In addition, the Axpo Group benefited from asymmetrical margin calls due to various hedging instruments, which also increased cash flow from operating activities by CHF 75 million. Net investments in fixed assets declined from CHF 294 million in 2016/17 to CHF 198 million in 2017/18. The lower net investments are mainly due to

the sale of the investments in GeoEnergie Taufkirchen and Elektrizitätswerk des Kantons Schaffhausen. The high cash flow from operating activities and the low cash flow from investing activities resulted in a positive free cash flow for the past financial year of CHF 276 million (previous year: CHF –119 million).
The Board of Directors will propose to the Annual General Meeting that the dividend payout be waived.

Outlook

The further rise in wholesale electricity prices in Europe and the stable exchange rate between the euro and the Swiss franc make the medium-term outlook more positive than was the case two years ago. However, due to the Axpo Group's hedging strategy, which hedges both electricity prices and the exchange rate against the euro for up to three years in advance, the positive development of both of these external factors will only impact the Group's results from the 2019/20 financial year onwards. Electricity price hedging for the 2018/19 financial year essentially took place in 2016, i.e. the year in which electricity prices fell to their lowest level in the last three years. The results in 2018/19 will therefore be lower than in the 2017/18 financial year. As a result, Axpo will have to spend the next financial year focusing on cutting costs even further and optimising its core business.

Consolidated income statement

CHF million	Notes	2017/18	2016/17
Revenues from energy sales and grid usage	7	4 763.9	5 330.1
Changes in inventories		3.8	–4.3
Capitalised production costs		49.3	59.7
Other operating income		32.9	181.8
Total income		**4 849.9**	**5 567.3**
Expenses for energy procurement, grid usage and goods purchased	8	–3 013.6	–3 926.6
Expenses for materials and third-party supplies		–213.4	–168.7
Personnel expenses	9	–642.9	–622.5
Other operating expenses	10	–399.2	–359.3
Share of profit of partner plants and other associates	16	28.8	67.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**609.6**	**557.3**
Depreciation, amortisation and impairments	11	–261.3	–288.2
Earnings before interest and tax (EBIT)		**348.3**	**269.1**
Financial income	12	152.4	461.1
Financial expense	12	–290.1	–316.8
Earnings before tax		**210.6**	**413.4**
Income tax expense	13	–79.4	–103.5
Result for the period		**131.2**	**309.9**
Attributable to:			
Axpo Holding shareholders		**110.7**	**280.8**
Non-controlling interests		**20.5**	**29.1**

	2017/18	2016/17
Earnings per share		
Total average registered shares issued at a par value of CHF 10	37 000 000	37 000 000
Result for the period in CHF million	110.7	280.8
Earnings per share in CHF	**3.0**	**7.6**

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

Consolidated statement of comprehensive income

CHF million	Notes	2017/18	2016/17
Result for the period		**131.2**	**309.9**
Available-for-sale financial assets		**–9.5**	**–103.3**
Fair value adjustments		–1.4	32.8
Result transferred to the income statement		–9.1	–145.0
Income taxes	13	1.0	8.9
Cash flow hedges group companies		**–227.0**	**–352.6**
Fair value adjustments		–441.4	–357.6
Result transferred to the income statement		156.2	–67.5
Income taxes	13	58.2	72.5
Share of cash flow hedges other associates		**3.4**	**6.5**
Fair value adjustments	16	3.6	6.8
Income taxes	13, 16	–0.2	–0.3
Currency translation differences group companies		**–3.5**	**66.6**
Currency translation differences for the year		–3.5	66.6
Share of currency translation differences other associates		**1.5**	**0.0**
Currency translation differences for the year	16	1.5	0.0
Income and expenses to be reclassified subsequently to profit or loss, net after income tax		**–235.1**	**–382.8**
Remeasurement of defined benefit plans group companies		**174.3**	**279.3**
Remeasurement of defined benefit plans		210.1	336.9
Income taxes	13	–35.8	–57.6
Remeasurement of defined benefit plans partner plants and other associates		**31.2**	**52.0**
Remeasurement of defined benefit plans	16	39.9	65.0
Income taxes	13, 16	–8.7	–13.0
Income and expenses not to be reclassified subsequently to profit or loss, net after income tax		**205.5**	**331.3**
Other comprehensive income, net after income tax		**–29.6**	**–51.5**
Total comprehensive income		**101.6**	**258.4**
Attributable to:			
Axpo Holding shareholders		**73.4**	**208.9**
Non-controlling interests		**28.2**	**49.5**

Consolidated balance sheet

CHF million	Notes	30.9.2018	30.9.2017
Assets			
Property, plant and equipment	14	4 505.8	4 399.3
Intangible assets	15	772.3	785.2
Investments in partner plants and other associates	16	1 502.4	1 388.3
Derivative financial instruments	6	1 808.6	648.8
Other financial assets	18	2 716.2	2 669.6
Investment properties		23.3	42.2
Other receivables	23	2 633.5	2 559.4
Deferred tax assets	13	52.0	60.1
Total non-current assets		**14 014.1**	**12 552.9**
Assets held for sale	19	1.4	84.7
Inventories	20	796.8	628.6
Trade receivables	21	789.7	840.0
Financial receivables	22	1 023.4	640.7
Current tax assets		21.6	42.9
Derivative financial instruments	6	2 212.1	1 154.6
Other receivables	23	2 052.0	1 641.8
Cash and cash equivalents	24	1 304.8	1 436.8
Total current assets		**8 201.8**	**6 470.1**
Total assets		**22 215.9**	**19 023.0**
Equity and liabilities			
Share capital	25	370.0	370.0
Retained earnings		4 796.6	4 499.1
Other reserves	25	−682.3	−452.4
Total equity excluding non-controlling interests		**4 484.3**	**4 416.7**
Non-controlling interests		494.5	467.6
Total equity including non-controlling interests		**4 978.8**	**4 884.3**
Financial liabilities	26	4 276.7	4 176.5
Derivative financial instruments	6	1 890.7	965.4
Other liabilities	27	289.6	500.3
Deferred tax liabilities	13	170.5	167.7
Provisions	28	4 157.9	4 216.7
Total non-current liabilities		**10 785.4**	**10 026.6**
Trade payables		581.0	579.6
Financial liabilities	26	561.6	514.5
Current tax liabilities		57.2	54.4
Derivative financial instruments	6	2 699.8	1 162.6
Other liabilities	29	2 245.1	1 562.9
Provisions	28	307.0	238.1
Total current liabilities		**6 451.7**	**4 112.1**
Total liabilities		**17 237.1**	**14 138.7**
Total equity and liabilities		**22 215.9**	**19 023.0**

Consolidated statement of changes in equity

	Share capital	Retained earnings	Other reserves	**Total equity excluding non-controlling interests**	Non-controlling interests	**Total equity including non-controlling interests**
Equity at 30.9.2016	**370.0**	**3 924.1**	**–81.8**	**4 212.3**	**422.0**	**4 634.3**
Other comprehensive income		298.7	–370.6	**–71.9**	20.4	**–51.5**
Result for the period		280.8		**280.8**	29.1	**309.9**
Total comprehensive income		**579.5**	**–370.6**	**208.9**	**49.5**	**258.4**
Dividend		0.0		**0.0**	–4.1	**–4.1**
Change in consolidation scope		–4.5		**–4.5**	0.9	**–3.6**
Increase and decrease in capital of non-controlling interests					–0.7	**–0.7**
Equity at 30.9.2017	**370.0**	**4 499.1**	**–452.4**	**4 416.7**	**467.6**	**4 884.3**
Other comprehensive income		192.6	–229.9	**–37.3**	7.7	**–29.6**
Result for the period		110.7		**110.7**	20.5	**131.2**
Total comprehensive income		**303.3**	**–229.9**	**73.4**	**28.2**	**101.6**
Dividend		0.0		**0.0**	–5.6	**–5.6**
Change in consolidation scope		–5.8		**–5.8**	3.1	**–2.7**
Non-controlling interests acquired					–0.6	**–0.6**
Increase and decrease in capital of non-controlling interests					1.8	**1.8**
Equity at 30.9.2018	**370.0**	**4 796.6**	**–682.3**	**4 484.3**	**494.5**	**4 978.8**

Consolidated cash flow statement

CHF million	Notes	2017/18	2016/17
Earnings before tax		210.6	413.4
Financial result	12	137.7	–144.3
Earnings before interest and tax (EBIT)		**348.3**	**269.1**
Loss on disposal of non-current assets		0.0	2.4
Gain on disposal of non-current assets and liabilities held for sale		–15.5	–0.7
Adjustment of non-cash expenses and income:			
Depreciation, amortisation and impairments	11	261.3	288.2
Change in provisions (excluding interest, net)	28	–123.1	–266.5
Share of profit of partner plants and other associates	16	–28.8	–67.1
Other non-cash items		11.9	99.6
Change in net working capital:			
Change in inventories		–23.3	–61.0
Change in trade receivables and other receivables		–429.7	46.0
Change in trade payables and other payables		689.8	–52.0
Change in derivative financial instruments and other financial result		–246.4	–116.1
Dividends received		52.0	69.0
Income taxes paid		–22.3	–36.0
Cash flow from operating activities		**474.2**	**174.9**
Property, plant and equipment:			
Investments net of capitalised borrowing costs	14	–216.9	–269.0
Disposals and cost contributions		5.0	8.4
Intangible assets:			
Investments (excluding goodwill)	15	–32.7	–15.3
Disposals		0.1	4.1
Investments in subsidiaries (net of cash transferred)		–9.2	–1.3
Cash flow from non-current assets and liabilities held for sale		80.7	4.7
Investments in partner plants and other associates:			
Investments		–42.5	–13.0
Disposals and capital repayments		17.3	10.4
Other financial assets:			
Investments		–509.6	–1 245.8
Disposals and repayments		142.4	1 028.1
Receivables from state funds		0.0	–22.8
Investment properties and change in other financial assets		0.0	8.0
Financial receivables (current)		–138.1	843.5
Interest received		60.1	71.7
Cash flow used/from in investing activities		**–643.4**	**411.7**

CHF million	Notes	2017/18	2016/17
Financial liabilities:			
Proceeds	26	2 095.5	2 250.7
Repayment	26	–1 944.1	–2 349.4
Other liabilities:			
Proceeds		14.0	16.9
Repayment		0.0	–0.7
Other cash flows from financing activities		0.7	–4.1
Dividend payments (including non-controlling interests)		–5.6	–4.1
Interest paid		–116.2	–130.7
Cash flow from/used in financing activities		**44.3**	**–221.4**
Currency translation effect		–7.1	13.2
Change in cash and cash equivalents		**–132.0**	**378.4**
Cash and cash equivalents at the beginning of the reporting period	24	**1 436.8**	**1 058.4**
Cash and cash equivalents at the end of the reporting period	24	**1 304.8**	**1 436.8**

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 investments is provided in Note 35 "Investments". The Axpo Group owns and operates power-generating plants and distribution grids. The company also engages in international energy trading. The Axpo Group employed 4,441 staff as at 30 September 2018.

2 Basis of accounting

General principles

The consolidated financial statements for the 2017/18 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 10 December 2018 and are still to be approved by the Annual General Meeting on 18 January 2019.

Measurement bases

The consolidated financial statements are based on the historic cost principle. Exceptions are described in the accounting policies.

Significant changes in accounting policies

All standards and interpretations effective at the end of the reporting period were applied when preparing the consolidated financial statements. The Axpo Group adopted the following new or revised standards and interpretations for the first time for the 2017/18 financial year:

- IAS 7 (amended) – Disclosure Initiative (1 January 2017)
- IAS 12 (amended) – Recognition of Deferred Tax Assets for Unrealised Losses (1 January 2017)
- IFRSs (2014–2016 cycle) – Annual Improvements (IFRS 12) (1 January 2018)

Due to the amendment to IAS 7 Statement of Cash Flows, additional disclosures are made in Note 26 "Financial liabilities" relating to changes in financial liabilities. The remaining changes have no significant impact on the consolidated financial statements of the Axpo Group.

Future application of new standards and interpretations

The Axpo Group is currently analysing the potential impact of the following new and revised standards and interpretations that have already been issued 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.

- IFRS 2 (amended) – Classification and Measurement of Share-based Payment Transactions (1 January 2018)
- IFRS 9 – Financial Instruments (1 January 2018)
- IFRS 9 (amended) – Prepayment Features with Negative Compensation (1 January 2019)
- IFRS 15 – Revenue from Contracts with Customers (1 January 2018)
- Clarifications to IFRS 15 – Revenue from Contracts with Customers (1 January 2018)
- IFRS 16 – Leases (1 January 2019)
- IAS 19 (amended) – Plan Amendment, Curtailment or Settlement (1 January 2019)
- IAS 28 (amended) – Long-term Interests in Associates and Joint Ventures (1 January 2019)
- IAS 40 (amended) – Transfers of Investment Property (1 January 2018)
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (1 January 2018)
- IFRIC 23 – Uncertainty over Income Tax Treatments (1 January 2019)
- IFRSs (2014–2016 cycle) – Annual Improvements (IFRS 1 and IAS 28) (1 January 2018)
- IFRSs (2015–2017 cycle) – Annual Improvements (1 January 2019)
- The Conceptual Framework for Financial Reporting (1 January 2020)

The impact on the consolidated financial statements of some standards and interpretations has not yet been determined on a sufficiently reliable basis. Based on current analyses with the exception of IFRS 16, which is still under analysis, the Axpo Group does not anticipate any material impact on the Group's financial position and results of operations. The expected effects from the application of IFRS 9 and IFRS 15 are described below.

IFRS 9 – Financial Instruments

IFRS 9 – Financial Instruments replaces the previous requirements of IAS 39 governing the classification and measurement of financial assets and liabilities, hedge accounting and impairments. The new standard reduces the number of measurement categories for financial assets. In future, Axpo will measure debt and equity instruments, which were previously measured at fair value through other comprehensive income, at fair value through profit or loss. Axpo expects no significant impact from the new valuation approach.

Impairments are no longer recognised on the basis of losses already incurred, but instead on the basis of expected losses. This leads to an earlier recognition of impairments and higher volatility in the income statements. The additional impairments will not have a significant impact on the financial statements of the Axpo Group at the transition date. They will be recognised in retained earnings in the opening balance as of 1 October 2018, not affecting net income.

The aim of the new hedge accounting requirements is to better reflect risk management activities in the consolidated financial statements. For this purpose, IFRS 9 extends, among other things, the qualifying transactions for hedge accounting and simplifies effectiveness testing. Axpo will apply the hedge accounting requirements of IFRS 9 to existing hedging relationships at the date of transition. No significant impact results from the application.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB published the new standard IFRS 15 – Revenue from Contracts with Customers. The new standard replaces IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services. The standard defines when and at which amount revenues have to be recognised. According to IFRS 15, revenues will be recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The recognition occurs at a certain point of time (or over time) when control of the underlying goods or services has been transferred from the entity to the customer. The framework is given by a five step model.

Axpo Group will apply the new standard for the first time for the financial year commencing on 1 October 2018 and will apply the modified, retrospective transition method, which requires the standard to be applied only to the most recent reporting period presented in the financial statements (2018/19 financial year). The prior reporting period (2017/18) is presented according to the old requirements.

Within the project to implement IFRS 15, the following significant impact has been identified compared to the previous revenue recognition approach:

IFRS 15 contains revised, amended criteria to consider when examining the “principal” and “agent” constellation. In future, the standard will differentiate based on the transfer of control over the product or service rather than the transfer of risks and rewards, as in the past. The Axpo Group has identified the following transactions for which, unlike under IAS 18, Axpo is now only considered an agent under IFRS 15:

- In certain countries where the Axpo Group operates as an energy supplier, the energy is delivered to the end customer through third-party distribution grids and gas lines. Axpo only qualifies as an agent if it merely transmits the energy. This results in a reduction of around CHF 670 million in “Sales from energy and grid usage” and “Energy procurement, grid usage and cost of goods”. This does not have any impact on earnings, however.
- In Switzerland, the grid supplement is billed by the energy supply company and passed on to the state fund. Axpo only qualifies as an agent with respect to its role in collecting and passing on the grid supplement. This results in a reduction of around CHF 80 million in “Sales from energy and grid usage” and “Other operating expenses”. This does not have any impact on earnings, however.

Compared to the current requirements, the disclosure and requirements for disclosure in the notes to the financial statements under IFRS 15 are more comprehensive. The Axpo Group has defined the new requirements and revised the systems and processes to meet them.

IFRS 16 – Leases

IFRS 16 – Leases was published on 13 January 2016 and specifies how leases are recognised, measured, presented and disclosed in financial statements. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value (elective). Lessors continue to classify leases as operating or finance leases, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. The impact of IFRS 16 on the consolidated financial statements of the Axpo Group has not yet been assessed.

3 Consolidation principles

Scope of consolidation

The consolidated financial statements are based on the separate financial statements of the subsidiaries. Subsidiaries are companies controlled by the Group. The Group controls a company if it is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the company concerned. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ends.

Business combinations

Business combinations 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 the income statement. 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 the income statement 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 of 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.

Investments in partner plants and other associates

An associate is a company over which the Axpo Group exercises significant influence without having control over its financial and business policy. 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 partner plants and other associates. In subsequent reporting periods, this amount is adjusted for any change in the Axpo Group's share of the additional capital and income earned, impairments, reversals on impairments as well as any dividends. Partner plants are companies that design, construct, maintain or operate power plants, grids or nuclear storage facilities, or companies that administer energy procurement rights. The shareholders commit to purchasing a pro rata share of the energy and to pay a pro rata share of the annual costs. Partner plants in which the Axpo Group does not hold a majority interest or does not have control are also classified as associates and accounted for using the equity method.
Due to the legal obligation to pay the annual costs, the acquisition of an investment in a partner plant may result in a provision for an onerous energy procurement contract rather than an asset for an energy procurement right.

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.

Presentation currency and foreign currency translation

The presentation currency, which is Axpo Holding AG'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 approximates the transaction rate. At the end of the reporting period, monetary assets and liabilities in foreign currencies are translated at the exchange rates prevailing at the balance sheet date. Any resulting translation differences are recognised in the income statement. Assets and liabilities of subsidiaries and of associates accounted for using the equity method whose functional currency is not the Swiss franc are translated on consolidation into Swiss francs at the exchange rate prevailing on the balance sheet date. Goodwill and fair value adjustments arising from acquisitions of foreign operations 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 balance sheet and the income statement of foreign subsidiaries and associates accounted for using the equity method are recognised directly in other comprehensive income and disclosed separately in the notes. Non-current receivables or loans to group companies 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 group company. Foreign exchange differences resulting from such non-current receivables or loans are recognised in other comprehensive income and in the income statement on liquidation or disposal of the foreign operation.

Foreign currency exchange rates
The following exchange rates were applied:

		Year-end rates		Average rates	
Currency	**Unit**	**30.9.2018**	**30.9.2017**	**2017/18**	**2016/17**
EUR	1	1.1316	1.1457	1.1616	1.0911
USD	1	0.9775	0.9704	0.9763	0.9882

4 Accounting policies

Revenue recognition
Revenue from the energy business, grid usage and the installation business is recognised upon the delivery of goods or rendering of services to the customer or on the date on which the significant risks and rewards related to the sale are transferred to the purchaser. The reported sales are based on invoiced sales and deferred revenue. In general, sales are reported net after deduction of value added tax and other discounts.
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.
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 discounts.

Net gains from customer-specific business (origination) and energy trading
Contracts related to customer-specific business (origination) and energy trading are measured at fair value. As a result, sales and costs are reported net under "Result from energy derivatives trading". Contracts, portfolios and inventories such as these are always entered into or purchased with the intention of generating a profit from short-term fluctuations in price or a dealer's margin. Additionally, risks associated with this business are managed on a portfolio basis.
Energy trading transactions entered into for solely speculative purposes are reported net under "Result from energy derivatives trading".
Net gains or losses from energy trading consist of two components. Firstly, the gains or losses actually realised from completed transactions are recognised in profit or loss. Secondly, unrealised valuation gains or losses on outstanding contracts based on current market prices are recognised in profit or loss.

Property, plant and equipment
Property, plant and equipment (including nuclear fuel rods) is carried at acquisition or manufacturing cost and is 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 only recognised in the case of damage or impairment, as described under "Impairments of non-financial assets" below. The acquisition 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 dismantling and removing of the asset and the restoration of the site. 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	15–60 years
Power plants	10–80 years depending on the type of installation and concession period
Distribution systems	10–80 years
Fixtures and fittings	3–15 years

The rates of depreciation are based on the expected useful lives of the assets. If significant components of an item of property, plant and equipment have a different useful life, they are depreciated separately (component approach). Ordinary repairs and maintenance 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 accumulated impairment losses. 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 tested for impairment annually.
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.
Rights of use for facilities comprise contractually agreed one-time payments to a contracting party as compensation for the use of that party's transmission and distribution systems. These rights are amortised over the contract term using the straight-line method.

Impairments of non-financial assets

At the balance sheet date, the Axpo Group reviews the carrying amounts of tangible and intangible assets and other associates to determine whether there is any indication of impairment. If any such indications 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 loss is recognised in the amount of the difference. The recoverable amount is equivalent to the higher of the value in use and the 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 into account the current market estimate of the time value of money and the risks inherent in the asset, insofar as these risks have not already been included in the estimate of the cash flows. Once impaired, the carrying amount of assets is adjusted annually to the amount obtained using the discounted cash flow method, but in the case of a reversal the carrying amount is increased to an amount not exceeding the depreciated amount that would have been determined if no impairment loss had been recognised. This excludes reversals of impairment in respect of goodwill.
Goodwill arising from business combinations is allocated on 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 "measured at fair value through profit or loss" if they are either held for trading or have been designated as "measured at fair value through profit or loss" on initial recognition. Financial assets held for trading also include derivative financial instruments. 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 the income statement.
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 recoverable future cash flows discounted using the original effective interest rate.
Available-for-sale assets are remeasured at fair value subsequent to initial recognition in the balance sheet, and the difference is recognised in other income outside the income statement, taking into account deferred taxes. At the time a gain or loss is realised, it is recognised in the income statement. Impairment losses are recognised in the income statement after an analysis of the individual securities. 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 objective evidence such as insolvency, default of payment or other significant financial difficulties on the part of the issuer. In contrast to debt instruments, reversals of impairment losses on equity instruments are not recognised in the income statement.

Other financial assets (current and non-current)
All equity investments in which the Axpo Group has no significant or controlling influence but which are held on a non-current basis are recorded under other investments. They are classified as available for sale.
Available-for-sale financial assets include marketable shares and bonds. These are predominantly 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 "measured at fair value through profit or loss".
Loans include non-current loans to third parties as well as to associates. They are assigned to the category loans and receivables and are measured at amortised cost using the effective interest method. 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 that do not, however, fall within the scope of IAS 32, IAS 39 and IFRS 7. Nuclear power plant operators are obliged by law to make annual payments into government-controlled funds (the decommissioning and disposal funds). Future costs for disposal and decommissioning will be 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 pro rata fair value of the net fund assets. Changes in fund values are recognised in financial income/expenses for the period in question.

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 price or dealer's margin, emission and green certificates for own use and trading as well as wind farms which are built for sale in the ordinary course of business.
Fuel for electricity generation, green certificates and emission certificates for own use are initially recognised at cost of purchase or production. Fuel is measured at weighted average cost. If the net realisable value is below the purchase or production cost, an impairment loss is recognised in the income statement. Emission certificates which are purchased for own production purposes are initially recognised as inventories and carried at 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 inventories purchased 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. Wind farms which are built for sale in the ordinary course of business are measured at cost incurred or at their lower net realisable value.
Inventories that have been purchased for resale in the short term with a view to generating a profit from fluctuations in price or dealer's margin are measured at fair value less costs to sell. Changes in value are recognised net in the income statement. This mainly concerns trading in emission certificates, green certificates and gas.

Trade receivables and other receivables (current)
Trade receivables and other receivables also belong to 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 allowances are recognised individually for specifically identified risks to receivables. However, in addition to specific bad debt allowances, allowances are also made on a portfolio basis for losses not yet known based on statistical calculations of default risk.

Cash and cash equivalents
Cash and cash equivalents comprise petty cash and credit balances at banks, as well as sight deposits and deposits with a term of no more than 90 days from the time of acquisition.

Financial liabilities (non-current)
Non-current financial liabilities consist of loans from third parties and associates as well as bonds. On initial recognition, they are measured at fair value less transaction costs and thereafter at amortised cost. The amortisation or allocation of the difference between the fair value of the consideration received less transaction costs and the repayment value is calculated using the effective interest rate method and recognised in profit or loss over the duration of the finance term.

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

Energy derivatives

Axpo trades in contracts in the form of forward transactions (forwards, futures, swaps) and options with energy as underlying (electricity, gas, oil, coal, LNG, biomass and certificates). Contracts which are entered into with the sole intention of generating a profit from short-term fluctuations in price or dealer's margin are presented as current, regardless of their contract term. Derivatives which have a term to maturity of more than twelve months and have no speculative purpose are presented as non-current.
The management of the production portfolio of Axpo is usually carried out using physical forward or future contracts. First sales of the Group's own production energy with physical forward contracts are treated as own-use contracts. They are not reported as derivative financial instruments at fair value according to IAS 39, rather as executory contracts in accordance with the rules of IAS 37. Revenue from such sales is recognised upon delivery.
Future contracts that can be settled physically are designated as hedging instruments in a cash flow hedge relationship. Cash flow hedges are applied to hedge future cash flow risks from existing underlying transactions (sale of own energy production) or forecast transactions that are highly probable. The effective portion of the change in fair value of the hedging instrument is initially recognised in other comprehensive income taking into account the deferred taxes. The ineffective portion of the hedging relationship is recognised in profit or loss in the line item "Revenues from energy sales and grid usage". As soon as the underlying transaction is recognised in "Revenues from energy sales and grid usage", the accumulated changes in fair value of the hedging instrument are transferred from equity to the same line item of the income statement.
Other transactions in the management chain of the sale of own production energy are used as hedging instruments and measured at fair value through profit or loss in "Result from energy derivatives trading".
If a framework agreement with a netting clause exists for a counterparty and if there is an enforceable legal right to offset and the intention to settle net, the positive and negative replacement values which fall due simultaneously are netted. However, no netting is applied between derivative financial instruments which are held for trading and derivative financial instruments which are designated as hedging instruments.

Foreign currency and interest rate derivatives

To hedge exchange and interest rate risks, derivative financial instruments are used when required. This is done in accordance with existing guidelines on hedging. Realised and unrealised changes in the fair value of financial instruments which are used to hedge foreign exchange risks of the current operating activities are generally held for trading and accounted for in "Other operating income".
Realised and unrealised changes in fair value from financial instruments which are used to hedge exchange and interest rate risks on financial assets or debt financing are recognised as "Financial income" or "Financial expense" in the income statement.
In some cases, cash flow hedge accounting is used to hedge foreign exchange and interest rate risks on planned, highly probable forecasted energy transactions and interest payments. In this case, the effective portion of the change in fair value of the hedging instrument is first recognised in other comprehensive income outside the income statement and only recognised in the income statement at such time as the planned underlying transaction has an effect on the income statement. The ineffective part of the hedging relationship is recognised in the income statement, in "Other operating income" in the case of foreign exchange hedges and in "Financial income" or "Financial expense" in the case of interest rate hedges.

Provisions

Provisions are recognised for a present obligation from past business transactions or events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount can be estimated reliably. 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. The provisions are reviewed annually at the balance sheet date and adjusted, taking into account current developments.
With regard to long-term energy procurement obligations arising from onerous contracts, identifiable losses are provided for, 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.
Provisions are also recognised for the dismantling and removing of conventional thermal gas-fired combined-cycle power plants, wind farms, nuclear power plants and certificates. Provisions for the decommissioning and demolition of nuclear power plants are set out in Note 5 "Estimation uncertainties and significant judgements in the application of accounting policies". For provisions for certificates, please refer to Note 4 "Accounting policies", "Inventories".

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 the income statement on a straight-line 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 the income statement. 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.

Employee benefits

The Axpo Group operates pension plans in accordance with national legislation in each country. Most companies belong to PKE-CPE Vorsorgestiftung Energie, a legally independent pension fund which qualifies as a defined benefit plan under IAS 19. There are also defined contribution plans. Employer contributions paid or owed for pension funds with defined contribution plans are recognised in the income statement. The defined benefit obligation attributable to the Axpo Group is calculated annually by an independent actuary using the projected unit credit method. The discount rate used for the calculation is based on the interest rate of high-quality corporate bonds with nearly the same terms as the liabilities. The fair value of plan assets is deducted from the liabilities.

Pension costs consist of three components:
- service cost, recorded under personnel expenses in the income statement;
- net interest expense, recorded under personnel expenses in the income statement; and
- remeasurement components, recorded in other comprehensive income.

The service cost encompasses current service costs, past service costs, and gains and losses from plan settlements. Gains or losses from curtailments form part of the past service costs. Net interest expense is calculated by multiplying the net pension liability (or asset) at the beginning of the financial year with the discount rate, taking into account any changes during the year as a result of contributions and pension payments. Remeasurement components comprise actuarial gains and losses from the development in the present value of the defined benefit obligation arising from changes in the assumptions and experience adjustments, as well as the return on plan assets minus amounts included in net interest expense, and changes in the unrecognised assets included in net interest expense. Remeasurement components are recognised in other comprehensive income and cannot be recycled. The amount recognised in the consolidated financial statements corresponds to the surplus or deficit of the defined benefit plans (net pension liability or asset).

Income taxes

These include current and deferred income taxes and are normally recognised in the income statement unless they are related to transactions that are recognised in other comprehensive 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 taxable profits and accrued for the relevant period. The deferred taxes shown in the consolidated financial statements are calculated using the balance sheet liability method, where deferred taxes are recognised for all temporary differences. Temporary differences arise from differences between the carrying amount of an asset or liability and its relevant tax value. These differences will reverse in one or more future periods. Temporary differences resulting from the initial recognition of goodwill, from the initial recognition of assets or liabilities in a transaction which impacts neither the taxable results nor profit for the year and from investments in subsidiaries if it is likely that the temporary difference will not be reversed in the foreseeable future, are not recognised. Company-specific tax rates are used for calculating deferred taxes. Tax assets and liabilities are offset if they involve the same tax subject and the same tax jurisdiction. Deferred tax assets or liabilities are presented 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

These are obligations for which an outflow of cash is considered unlikely but possible and obligations which are possible but whose existence is not yet confirmed. They are not recognised in the balance sheet unless they were acquired as part of the acquisition of a subsidiary. In contrast, the amount of a possible obligation is disclosed at the balance sheet date as a contingent liability in the notes to the consolidated financial statements.

5 Estimation uncertainties and significant judgements in the application of accounting policies

In the process of preparing the consolidated financial statements in accordance with IFRS, Axpo Group management made judgements, estimates and assumptions which have an effect on the applicable accounting policies and the amounts recognised under assets, liabilities, income and expenses as well as their presentation. The estimates 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 estimates.
The estimates and assumptions are regularly reviewed. Where necessary, adjustments are made to estimates if the circumstances on which they were based have changed or if new information and additional facts have become known. Such adjustments are recognised in the period in which the estimates were adjusted.
The key assumptions concerning the future development and other sources of estimation uncertainty, which could result in material adjustments to the recognised assets and liabilities, are listed below.

Significant judgements in the application of accounting policies

Classification of partner plants
The Axpo Group holds a majority share in certain partner plants. It is necessary to assess whether the Axpo Group has control over such majority stakes due to the special conditions at the partner plants. The definition of control in accordance with IFRS 10 requires an investor to hold rights that give it power over the relevant activities of the investee. In the case of a corporation, the voting rights constitute such rights. However, IFRS 10 also makes it clear that the (voting) rights must not only exist in principle, but also represent (economically) substantive rights. This means that the holder of the rights must have the practical ability to exercise such rights. Therefore, when assessing whether Axpo has control over individual partner plants, other factors in addition to the proportion of voting rights must be considered. Axpo holds a majority interest in certain partner plants and operates these plants jointly with other commercial energy companies in the Swiss market. At the same time, these partners also hold interests 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 some cases do not represent substantive rights, despite a majority interest being held, and that it therefore does not have control. These partner plants are classified as associates and are accounted for using the equity method. The assessment of whether and in which cases the factors mentioned above prevent Axpo as a majority shareholder from exercising control is a management judgement.

Accounting for energy derivatives
Some contracts need to be analysed to ascertain whether they have to be treated as derivatives or, like "own-use" contracts, as executory contracts. At the Axpo Group, the corresponding accounting of the contracts is based on the allocation to a business model. Contracts concluded under the customer solution business model generally meet the criteria of a derivative and are managed on a portfolio basis. Therefore, all contracts of this business model are measured at fair value.
The production portfolio is managed by means of forward transactions and futures contracts, which are accounted for as executory contracts, like "own-use", or are designated as hedging instruments in a cash flow hedging relationship.
The distinction between business models and the subsequent definition of accounting for contracts is a discretionary decision by the management.

Estimation uncertainties

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 4,505.8 million (previous year: CHF 4,399.3 million; see Note 14 "Property, plant and equipment") and holds energy procurement and plant usage rights as well as concessions totalling CHF 608.8 million (previous year: CHF 647.6 million; see Note 15 "Intangible assets"). These assets are subject to an impairment test if there is any indication that the assets are impaired. 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, the development of the EUR/CHF exchange rate 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 2017/18 reporting year, changes in assumptions relating to the described parameters resulted in a net impairment of CHF –14.1 million (previous year: CHF 57.1 million; see Note 11 "Impairment losses, impairment reversals and provisions for onerous energy procurement contracts", Note 14 "Property, plant and equipment" and Note 15 "Intangible assets").

Transmission systems
The Swiss Electricity Supply Act (StromVG) entered into force on 1 January 2008. The law requires all transmission systems to be transferred to the national grid operator Swissgrid AG within five years. On 3 January 2013, on the basis of the non-cash

contribution agreements, transmission system owners EGL Grid AG, Nordostschweizerische Kraftwerke Grid AG and CKW Grid AG, and on 5 January 2015 additional facilities owned by Kraftwerke Linth-Limmern AG, Kraftwerke Sarganserland AG, Kraftwerke Vorderrhein AG and Axpo Power AG (grids) were transferred at the provisional transfer value (2012 tariff ruling by the Federal Electricity Commission, ElCom). The owners of the non-cash contribution were compensated in the form of shares in Swissgrid AG and loans to Swissgrid AG. The final evaluation of the transmission systems will be made as part of a new valuation and purchase price adjustment (valuation adjustment 2) with the participation of all former transmission system owners. This requires binding decisions for all open proceedings relevant for the valuation (tariff proceedings for the years 2009 to 2012, proceedings concerning cover differences in 2011 and 2012 as well as the proceedings for determining the asset value for the transfer of the transmission system to Swissgrid). Depending on the outcome of these pending proceedings, the definitive transfer values of the transmission systems may, in some cases, differ from the provisional transfer values.
In connection with the transfer of the transmission systems and the corresponding plants from the previous owners to Swissgrid, the method for determining the relevant value of the transfer was decreed on 20 October 2016 by ElCom. For Axpo, this has triggered an initial positive impact on earnings in the amount of CHF 163.4 million in the 2016/17 financial year; however, the cash settlement took place in early 2017.
Additionally, the final application of the valuation method for determining the relevant value in accordance with the ElCom ruling of 20 October 2016 is expected to have a further positive impact on earnings.
With respect to EGL Grid AG, ElCom issued a ruling on 10 April 2018 concerning coverage differences in 2009 and 2010 and the tariffs for the years 2011 and 2012. As a result, Swissgrid retroactively refunded grid usage fees in the amount of CHF 5.4 million to Axpo Solutions AG during the 2017/18 financial year.
In addition to the transmission systems transferred to Swissgrid on 5 January 2015, Kraftwerke Linth-Limmern AG and Kraftwerke Vorderrhein AG also own physical structures that are used by Swissgrid and the transmission grid. ElCom initiated proceedings on 10 August 2015 to determine the payment due for joint use of these structures from 2009 to 2014. Both the conclusion of the proceedings and the payment of the subsequent settlement of CHF 10.6 million to Kraftwerke Linth-Limmern AG and Kraftwerke Vorderrhein AG took place during the 2017/18 financial year.

Proceedings of the Federal Electricity Commission

On the basis of the Federal Court decision of 20 July 2016 concerning the calculation of electricity tariffs and the associated uncertainty regarding the method of calculation of production costs for the tariff years not yet assessed since 2008/09, a provision of CHF 96.4 million was recognised in the balance sheet as at 30 September 2018 (see Note 28 "Provisions"). Depending on the exact interpretation of this decision, the estimate may change in the future and the amount of the provision formed may be adjusted.

Receivables from state funds

Operators of nuclear power plants are required by law to contribute to two state-administered funds, the Decommissioning Fund for Nuclear Facilities and the Disposal Fund for Nuclear Power Plants (STENFO), for decommissioning and the disposal of nuclear waste. Payments to the funds 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 2018, they amounted to CHF 2,542.0 million (previous year: CHF 2,467.9 million; see Note 23 "Other receivables").
According to the provisions of the Ordinance on the Decommissioning and Disposal Fund for Nuclear Facilities (SEFV), operators have to pay for 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.

Valuation of energy derivatives

Financial assets and liabilities as well as derivatives are recognised in the balance sheet at their fair value. As at 30 September 2018, the Axpo Group has derivative financial instruments with positive and negative replacement values totalling CHF 4,020.7 million (previous year: CHF 1,803.4 million) and CHF 4,590.5 million (previous year: CHF 2,128.0 million), respectively. Wherever possible, the fair value applied to financial instruments is based on rates and prices quoted on active markets. The fair value of financial instruments for which no active market or official quoted prices exist is determined using valuation models, applying observable market data, if available, as input factors. If no observable market data are available, the input factors are estimated based on reasonable assumptions. Models always provide an estimation or approximation of a value which cannot be determined with certainty. The fair value obtained using this method reflects the assumptions of management and may vary depending on the choice of input factors and model. The actual realisable cash flows may therefore deviate from the model values based on estimates and assumptions (see Note 6 "Financial risk management").

Employee benefits

The majority of the employees of the Axpo Group are members of PKE-CPE Vorsorgestiftung Energie, a pension fund which meets the criteria of a defined benefit plan. The carrying value of the assets and liabilities of this pension fund are calculated using statistical and actuarial methods. In particular, the present value of the defined benefit obligation 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 30 "Employee benefits".

Beznau nuclear power plant

As operator of the Beznau nuclear power plant (KKB), Axpo Power AG is required to decommission the plant at the end of its operational life and to dispose of the radioactive waste. The valuation of the "Provisions for nuclear waste disposal" is significant for the assessment of the Axpo Group's balance sheet. Changes in complex cost estimates 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 nuclear power plants and for disposing of nuclear waste are performed every five years in accordance with the SEFV and reviewed by external experts. The most recent cost study was performed in 2016. A new cost breakdown structure based on international standards was applied for the first time in this cost study. Under this structure, not only the basic costs but also forecast inaccuracies as well as opportunities and risks are estimated and valued. On 15 December 2016, the results of the new, still unverified 2016 cost study were presented to the public at a STENFO press conference. Based on this still unverified 2016 cost study, STENFO's Administrative Commission ordered that fund provisions be built in December 2016 for the years 2017 to 2021. According to this provisional assessment, Axpo Power AG did not have to pay any further contributions for the Beznau nuclear power plant. In 2017, the 2016 cost study was examined by the Federal Nuclear Safety Inspectorate (ENSI) and external experts from Switzerland and abroad. Based on the results of the 2016 cost study and the inspections performed, STENFO's Administrative Commission submitted a request at the end of 2017 to set the amount of the decommissioning and disposal costs to the Federal Department of the Environment, Transport, Energy and Communications (DETEC). On 12 April 2018, DETEC ruled that the anticipated cost of decommissioning the nuclear power plants and disposing of the radioactive waste would be CHF 1.1 billion higher than stated in the request submitted by STENFO's Administrative Commission. DETEC assumed a higher cost scenario for each of the following aspects: "Settlements", "Separate geological repositories" and "Green field". The operators of the nuclear power plants have lodged appeals with the Federal Administrative Court against this cost ruling. In September 2018, STENFO's Administrative Commission issued a ruling on revised provisional fees for the years from 2017 to 2021 that will apply until a final decision has been reached regarding the fee assessment. In accordance with this revised provisional assessment, Axpo Power AG must pay CHF 2.8 million per year into the funds for KKB. The final fee assessment is not expected before the end of 2019, only after the definition of the amount of the decommissioning and disposal costs has taken legal effect, and only after the ongoing revision of the SEFV has come into effect.

Axpo factored findings from the 2016 cost study into calculations to determine the amount of the provisions for nuclear waste disposal. At this point in time, the review process has not provided Axpo with any information or indications that the provisions recognised are incorrect. An inflation rate of 1.5% and a discount rate of 3.5% have been factored into the provision calculations. These parameters are based on those of the SEFV for the calculation of fund contributions. As of the balance sheet date, the carrying amount of provisions for the post-operational phase, decommissioning and waste disposal amounts to CHF 2,899.9 million (previous year: CHF 2,812.2 million; see Note 28 "Provisions").

Following the disaster at the nuclear reactor in Fukushima in March 2011, ENSI requested that the operators of all Swiss nuclear power plants immediately provide additional proof of the plants' safety in the event of an earthquake. The Beznau nuclear power plant provided this proof within the time allotted and ENSI confirmed the seismic safety of the Beznau nuclear power plant in its final statement on July 2012. In a petition to ENSI dated 19 August 2015, local residents living near the Beznau nuclear power plant called the 2012 assessment into question. They demanded that the regulatory framework for nuclear power plants be applied differently when assessing seismic safety and ultimately, based on the change in practice requested, that the Beznau nuclear power plant be temporarily decommissioned with immediate effect due to insufficient seismic safety. In its final ruling regarding this petition on 27 February 2017, ENSI fully validated its current practice for assessing seismic safety and dismissed all of the residents' demands. The local residents filed a complaint against this ruling with the Federal Administrative Court. The proceedings are pending. In January 2018, the Federal Council began consultation regarding the amendment of key terms in the ordinance that stipulates how the seismic safety of nuclear power plants is assessed. The aim of this amendment is to increase legal certainty by specifying the applicable legal bases in keeping with the legislative aim, and by confirming tried-and-tested approaches to assessing seismic safety. An immediate decommissioning of the Beznau nuclear power plant would result in a substantial increase in the level of provisions. However, since Beznau nuclear power plant has always provided all proof of seismic safety in full compliance with ENSI's understanding of the regulatory framework for nuclear power plants and the intended revision of this ordinance confirms this approach, there is no need to adjust the provision.

Provision for onerous energy procurement contracts

The provision of CHF 1,300.2 million for onerous energy procurement contracts (previous year: CHF 1,445.6 million; see Note 28 "Provisions") covers identifiable losses from the procurement of energy from power-generation plants and long-term supply contracts. For the calculation of the provisions and the assumptions used therein, please refer to Note 11 "Impairment losses, impairment reversals and provisions for onerous energy procurement contracts".

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 and the 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.

Business model

The current customer solution business model for tailor-made contracts is based on a portfolio approach. All contracts of the customer solution portfolio are measured at fair value, as these contracts, portfolios and inventories are principally acquired with the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin. Further risks in this business are managed on a portfolio basis.
The business model for the management and sale of the company's own energy production reports the first sale of the production energy to the OTC market as a sale to customers. All subsequent contracts in the management chain, concluded for the management of own energy production, are considered as hedging instruments and are measured at fair value through profit or loss.

Capital management

The Group manages capital by setting a maximum risk tolerance relative to equity and liquidity. The Board of Directors of Axpo Holding AG approves the risk tolerance for the entire Group. The risk tolerance is based on the Group's ability to bear risks in relation to equity and liquidity. This overall capability is broken down and distributed among individual divisions for the purpose of allocating risk capital (e.g. in the form of trading limits for the Trading & Sales business area) and monitored accordingly. Compliance is monitored using gearing as the key performance indicator.

CHF million	30.9.2018	30.9.2017
Current financial liabilities	561.6	514.5
Non-current financial liabilities	4 276.7	4 176.5
Total eligible debt	**4 838.3**	**4 691.0**
Cash and cash equivalents	−1 304.8	−1 436.8
Time deposits	−1 014.0	−539.0
Available-for-sale financial assets	−1 932.0	−1 936.4
Other financial receivables	−793.6	−834.9
Total liquidity	**−5 044.4**	**−4 747.1**
Net assets	**−206.1**	**−56.1**

Gearing is an indicator of the company's debt and reflects the ratio between the company's net debt and equity. The gearing for the Axpo Group amounts to −4% (previous year: −1%). The indicator is negative because the calculation of the gearing for the Axpo Group resulted in net assets.
In addition, one subsidiary within the Axpo Group is subject to local supervisory authorities. The regulatory equity requirements which this company must meet were again complied with at all times in the 2016/17 and 2017/18 financial years.

Market price risks

Market price risks arise from price and exchange rate movements in respect of unhedged positions held in energy and financial transactions.
To hedge part of the expected future energy procurement and energy sales and to hedge currency and interest rate fluctuations, the Axpo Group enters into derivative financial instruments when necessary.

Energy price risks

The Axpo Group defines energy price risks as risks arising from changes in energy prices. In most of the countries where Axpo does business, the energy sector is characterised by wholesale markets with freely determined prices and intense competition for sales. The market risks that arise as a result of price developments on energy markets are particularly serious. 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 its 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 and re-distributors, the CKW Group also follows proprietary trading strategies to a very limited extent, as part 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.
Axpo Solutions is one of the world's leading energy traders. It trades on a decentralised basis via various trading hubs in Europe. Axpo Solutions is part of the Trading & Sales business area, where the Risk Management & Valuation department is tasked with monitoring and reporting energy price risks on a daily basis. 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 value-at-risk (VaR) and a volume limit. The total risk limit for energy trading is approved annually by the Axpo Solutions AG Board of Directors at the request of Executive Management and broken down by individual divisions, departments and books within the Trading & Sales business area.
The energy price risk of the production and distribution companies in the Axpo Group are hedged. Energy derivatives are designated as hedging instruments in a cash flow hedge and recognised in other comprehensive income until the realisation of the underlying. As at the reporting date, these derivatives had a contract volume of CHF 938.1 million (previous year: CHF 1,160.7 million) and the cash flow hedges were 100% effective during the reporting period.

The following table shows the expected amounts of reclassifications to profit or loss relating to cash flow hedges from energy hedging transactions:

CHF million	Effect on the income statement 30.9.2018	Contract value 30.9.2018	Effect on the income statement 30.9.2017	Contract value 30.9.2017
2017/18	0.0	0.0	–115.8	738.0
2018/19	–392.6	426.5	–99.5	339.5
2019/20	–131.6	225.1	–29.3	76.2
2020/21	–56.5	223.5	–1.7	7.0
2021/22	–14.3	61.9	0.0	0.0
2022/23	–0.1	1.1	0.0	0.0
Total	**–595.1**	**938.1**	**–246.3**	**1 160.7**

Sensitivity analysis of the energy price risk

The remaining energy price risks from trading and non-hedged energy from own power plants are quantified using the Value-at-Risk (VaR) method, assuming a holding period of five days and a confidence interval of 99%. VaR defines a potential loss which, with 99% probability, will not be exceeded, taking into account past market developments.

CHF million	30.9.2018	30.9.2017
VaR business area Trading & Sales	38.7	32.1
VaR business area CKW	0.4	0.3

Changing energy prices lead to higher positive and negative replacement values and higher or lower inventories held for trading as well as an increase in the related given and received credit support annexes (CSAs). This development combined with enhanced market volatility and an increase in contract volumes is also reflected in the higher Value-at-Risk.

Currency risk

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, and also from net investments in foreign businesses. The energy price, and hence most procurement and sales contracts, are denominated in euro, and prices are determined by reference to the energy price in euro. However, the production costs of energy-generating facilities, principally of power plants in Switzerland, are incurred in CHF. This results in a currency risk mainly against the euro and also to a lesser extent against the US dollar.
In accordance with the Group's policy on exchange rate risks, exposure to currency risk arising from the trading business, origination business and sales in the Nordic country companies and the subsidiaries in Italy is reduced mainly by means of forward contracts concluded by the foreign group companies concerned.

Exposure to currency risks arising from the Swiss subsidiaries' business transactions is reduced by balancing operating revenue and expenditure in foreign currencies. Remaining net positions in foreign currencies are hedged by means of hedging transactions such as currency forward transactions as part of liquidity planning, in close consultation with the operational group units (transaction risk).
As at the balance sheet date, derivatives had been designated as cash flow hedges with a contract volume of CHF 1,969.6 million (previous year: CHF 585.0 million).

Sensitivity analysis of the currency risks
A possible change in foreign exchange rates would, assuming that the other parameters remained the same, have had the following impact on the income statement and on equity:

CHF million	+/– change	30.9.2018 +/– effect on income statement	30.9.2018 +/– effect on equity	30.9.2017 +/– effect on income statement	30.9.2017 +/– effect on equity
CHF / USD foreign currency risk	10%	–4.0	0.0	–5.3	0.0
CHF / EUR foreign currency risk	10%	–40.0	–24.3	–41.5	–20.3

Interest rate risk
Financial assets and liabilities subject to variable interest rates, as well as cash and cash equivalents, expose the Group to a cash flow interest rate risk. Financial liabilities issued with mainly fixed interest rates do not expose the Group to any interest rate risk. It is Axpo Group's policy to manage interest rate expenses by means of variable and fixed-rate interest-bearing liabilities and interest-based derivatives in the form of interest rate swaps. Axpo Group Treasury monitors the ratio between variable and fixed-rate interest-bearing net debts on an ongoing basis.

Interest-bearing financial assets and liabilities
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 was as follows:

CHF million	Fixed rate 30.9.2018	Variable rate 30.9.2018	Fixed rate 30.9.2017	Variable rate 30.9.2017
Financial assets at fair value through profit or loss	0.0	0.5	0.0	0.2
Loans and receivables	1 655.0	1 569.4	1 175.3	1 693.6
Petty cash and cash at banks	0.0	1 220.9	0.0	1 372.9
Short-term investments	0.0	83.9	0.0	63.9
Other financial assets (non-current)	671.2	225.0	592.1	199.3
Financial receivables (current)	983.8	39.6	583.2	57.5
Available-for-sale financial assets	1 358.8	0.0	1 370.2	0.0
Financial liabilities at fair value through profit or loss	0.0	3.7	0.0	5.3
Financial liabilities measured at amortised cost	4 309.2	525.9	4 293.1	393.8
Net exposure	**–1 295.4**	**1 040.3**	**–1 747.6**	**1 294.7**

The production of energy and the 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.
Variable interest-bearing financial liabilities relating to the construction of wind farms in Germany and France expose the Axpo Group to an interest rate risk. This risk is reduced through the adequate use of derivative financial instruments in the form of interest rate swaps. These interest rate swaps were designated as hedging instruments in cash flow hedges and were 100% effective during the reporting period.

Sensitivity analysis of the interest rate risk
A possible change in interest rates would, assuming that the other parameters remained the same, have had the following impact on the income statement and on equity:

CHF million	+/– change	30.9.2018 +/– effect on income statement	30.9.2018 +/– effect on equity	30.9.2017 +/– effect on income statement	30.9.2017 +/– effect on equity
Interest rate risk	1%	10.7	0.0	14.5	0.0

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 actively managed individual (fund) positions, known as satellites. The portfolio structure 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.
In order to assess the market price risk for the entire portfolio, the Axpo Group applies a VaR calculation, which indicates the maximum loss that, with a probability of 95.0%, could be sustained over a period of one year based on statistical data. Unless any sustained impairment is identified, the potential loss of CHF −67.6 million (previous year: CHF −121.7 million) arising from fluctuations in the price of "available-for-sale financial assets" would only affect the equity of the Axpo Group.
The receivables from state funds are not a financial instrument according to IAS 32 and therefore are not part of the risk assessment.

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 and distributor to meet its contractual obligations. Cluster risks with treasury counterparties are avoided. In general, a sufficient minimum liquidity and an adequate staggering of maturities are required.
The Axpo Group controls credit risks via a credit risk management system defined per business area (Trading & Sales and CKW). 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.

The following table shows the carrying amounts of the financial instruments, grouped according to the categories defined in IAS 39:

CHF million	Notes	Carrying amount 30.9.2018	Carrying amount 30.9.2017
Loans and receivables		**5 752.9**	**5 051.1**
Other financial assets (non-current)	18	784.2	733.2
Other receivables (current and non-current)	23	670.8	387.8
Trade receivables	21	789.7	840.0
Financial receivables (current)	22	1 023.4	640.7
Revenues not yet invoiced	23	1 180.0	1 012.6
Cash and cash equivalents	24	1 304.8	1 436.8
Available-for-sale financial assets		**1 932.0**	**1 936.4**
Other financial assets (current and non-current)	18	1 932.0	1 936.4
Financial assets at fair value through profit or loss (held for trading)		**3 923.0**	**1 749.4**
Energy derivatives		3 909.6	1 736.6
Currency forward contracts		12.9	12.6
Other derivative financial instruments		0.5	0.2
Derivatives designated as hedges		**97.7**	**54.0**
Energy derivatives		61.7	52.3
Currency forward contracts		36.0	1.7
Total financial assets		**11 705.6**	**8 790.9**
./. Total available-for-sale shares and participation certificates		573.2	566.2
Maximum credit default risk		**11 132.4**	**8 224.7**

Credit risk concentration of trade receivables and revenues not yet invoiced by geographical area

CHF million	Carrying amount 30.9.2018	Carrying amount 30.9.2017
Western Europe	511.7	403.3
Southern Europe	730.4	690.9
Central Europe	614.0	633.0
Others	113.6	125.4
Total	**1 969.7**	**1 852.6**

Ageing analysis of trade receivables and their bad debt allowances

CHF million	Gross 30.9.2018	Bad debt allowance 30.9.2018	Gross 30.9.2017	Bad debt allowance 30.9.2017
Not yet due	541.1	–0.3	630.6	–0.3
Past due 1–60 days	224.0	–1.4	130.5	–4.0
Past due 61–150 days	10.0	–2.8	5.2	–2.7
Past due 151–360 days	17.3	–9.1	71.0	–10.0
Past due more than 360 days	98.8	–87.9	98.7	–79.0
Total	**891.2**	**–101.5**	**936.0**	**–96.0**

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

The following table shows the development of bad debt allowances in the 2016/17 and 2017/18 financial years:

	Trade receivables	
CHF million	General allowances	Specific allowances
Bad debt allowances as at 30.9.2016	**–11.9**	**–75.9**
Net increase	–1.2	–9.1
Uncollectible receivables written off	1.4	4.7
Currency effects	–0.4	–3.6
Bad debt allowances as at 30.9.2017	**–12.1**	**–83.9**
Net increase	–1.3	–14.4
Uncollectible receivables written off	4.4	4.2
Currency effects	0.1	1.5
Bad debt allowances as at 30.9.2018	**–8.9**	**–92.6**

All bad debt allowances relate to smaller receivables with various counterparties that were impaired. Due to the financial difficulties of these counterparties, the management of the Axpo Group no longer expects these receivables to be fully collectible.
Based on past experience, the Axpo Group does not expect any significant impairment losses on trade receivables not yet due.
The bad debt allowances consist of specific allowances and general allowances.
Regarding impairment losses and impairment reversals, please refer to Note 18 “Other financial assets”.

Cash and cash equivalents, financial assets and financial receivables

Time deposits and cash and cash equivalents are preferably held with financial institutions which have been rated at least BBB. The Axpo Group holds fund shares of short-dated securities from the global investment grade universe.

Derivative financial instruments

The creditworthiness of the transaction partners in the energy trading sector is promptly checked by Axpo and is assessed by their credit ratings on the basis of external and internal ratings. Interest and currency derivatives are only concluded with banks rated AAA to A.

Collateral

A significant portion of the energy transactions in the Axpo Group are concluded on the basis of framework agreements such as the EFET (European Federation of Energy Traders) General Agreement on Power or Gas, the ISDA (International Swaps and Derivatives Association) or the DRV (German Master Agreement for Financial Forward Transactions). In the event of the insolvency of a business partner, these provide for an offsetting of open transactions (see column “Additional netting potential”, table “Netting of positive and negative derivative financial instruments”). In addition, the credit risk is reduced by the collateral received. In the case of major credit risks, credit support annexes (CSAs) are attached to the framework agreements in which regular reciprocal margin payments are agreed as additional collateral, mostly in the form of cash. Since such collateral is not only received for transactions allocated to a trading book but also for off-balance-sheet items that are assigned to an “own use” book, the collateral cannot be meaningfully allocated to individual balance sheet items.

Financial securities received and delivered as at 30 September 2018

CHF million	Financial securities received	Financial securities delivered
Credit Support Annex (CSA)	497.9	232.4
Bank guarantee	520.1	0.0
Others	1 209.1	284.9
Total	**2 227.1**	**517.3**

Financial securities received and delivered as at 30 September 2017

CHF million	Financial securities received	Financial securities delivered
Credit Support Annex (CSA)	225.6	214.0
Bank guarantee	239.3	0.0
Others	837.8	222.6
Total	**1 302.7**	**436.6**

Guarantees and comfort letters issued within the Axpo Group are only disclosed in the separate statements of the company that granted them. In some countries, Axpo has joint liability in case of the default of another exchange participant no matter if this participant is a counterparty of Axpo or not. For known cases a liability was recognised.

Netting of positive and negative derivative financial instruments as at 30 September 2018

	Assets which are subject to legally enforceable netting agreements					Additional netting potential	
CHF million	Gross assets before balance sheet netting	Netting	Net assets after balance sheet netting	Assets that are not subject to master netting agreements or are not subject to legally enforceable master netting agreements	Total assets recognised on the balance sheet	Netting potential not reported on the balance sheet	Assets after recognition of the netting potential
Financial assets at fair value							
Financial assets at fair value through profit or loss (held for trading)							
Energy derivatives	7 760.2	–5 701.8	2 058.4	1 851.2	3 909.6	–675.9	3 233.7
Forward currency contracts	0.0	0.0	0.0	12.9	12.9	0.0	12.9
Other derivative financial instruments	0.0	0.0	0.0	0.5	0.5	0.0	0.5
Derivatives designated as hedges							
Energy derivatives	173.1	–113.4	59.7	2.0	61.7	–12.3	49.4
Forward currency contracts	0.0	0.0	0.0	36.0	36.0	0.0	36.0
Total	**7 933.3**	**–5 815.2**	**2 118.1**	**1 902.6**	**4 020.7**	**–688.2**	**3 332.5**

	Liabilities which are subject to legally enforceable netting agreements					Additional netting potential	
CHF million	Gross liabilities before balance sheet netting	Netting	Net liabilities after balance sheet netting	Liabilities that are not subject to master netting agreements or are not subject to legally enforceable master netting agreements	Total liabilities recognised on the balance sheet	Netting potential not reported on the balance sheet	Liabilities after recognition of the netting potential
Financial liabilities at fair value							
Financial liabilities at fair value through profit or loss (held for trading)							
Energy derivatives	7 670.9	–5 701.8	1 969.1	2 247.8	4 216.9	–638.2	3 578.7
Forward currency contracts	0.0	0.0	0.0	13.3	13.3	0.0	13.3
Other derivative financial instruments	0.0	0.0	0.0	3.1	3.1	0.0	3.1
Derivatives designated as hedges							
Energy derivatives	442.0	–113.4	328.6	17.4	346.0	–50.0	296.0
Forward currency contracts	0.0	0.0	0.0	10.6	10.6	0.0	10.6
Other derivative financial instruments	0.0	0.0	0.0	0.6	0.6	0.0	0.6
Total	**8 112.9**	**–5 815.2**	**2 297.7**	**2 292.8**	**4 590.5**	**–688.2**	**3 902.3**

Netting of positive and negative derivative financial instruments as at 30 September 2017

CHF million	Assets which are subject to legally enforceable netting agreements: Gross assets before balance sheet netting	Netting	Net assets after balance sheet netting	Assets that are not subject to master netting agreements or are not subject to legally enforceable master netting agreements	Total assets recognised on the balance sheet	Additional netting potential: Netting potential not reported on the balance sheet	Assets after recognition of the netting potential
Financial assets at fair value							
Financial assets at fair value through profit or loss (held for trading)							
Energy derivatives	3 021.8	–2 143.4	878.4	858.2	1 736.6	–329.6	1 407.0
Forward currency contracts	0.0	0.0	0.0	12.6	12.6	0.0	12.6
Other derivative financial instruments	0.0	0.0	0.0	0.2	0.2	0.0	0.2
Derivatives designated as hedges							
Energy derivatives	118.7	–71.1	47.6	4.7	52.3	–25.5	26.8
Forward currency contracts	0.0	0.0	0.0	1.7	1.7	0.0	1.7
Total	**3 140.5**	**–2 214.5**	**926.0**	**877.4**	**1 803.4**	**–355.1**	**1 448.3**

CHF million	Liabilities which are subject to legally enforceable netting agreements: Gross liabilities before balance sheet netting	Netting	Net liabilities after balance sheet netting	Liabilities that are not subject to master netting agreements or are not subject to legally enforceable master netting agreements	Total liabilities recognised on the balance sheet	Additional netting potential: Netting potential not reported on the balance sheet	Liabilities after recognition of the netting potential
Financial liabilities at fair value							
Financial liabilities at fair value through profit or loss (held for trading)							
Energy derivatives	2 972.7	–2 143.4	829.3	1 020.8	1 850.1	–316.5	1 533.6
Forward currency contracts	0.0	0.0	0.0	16.6	16.6	0.0	16.6
Other derivative financial instruments	0.0	0.0	0.0	4.1	4.1	0.0	4.1
Derivatives designated as hedges							
Energy derivatives	275.3	–71.1	204.2	12.3	216.5	–38.6	177.9
Forward currency contracts	0.0	0.0	0.0	39.5	39.5	0.0	39.5
Other derivative financial instruments	0.0	0.0	0.0	1.2	1.2	0.0	1.2
Total	**3 248.0**	**–2 214.5**	**1 033.5**	**1 094.5**	**2 128.0**	**–355.1**	**1 772.9**

If a framework agreement with a netting clause exists for a counterparty and if there is an enforceable legal right to offset and the intention to settle net, the positive and negative replacement values which fall due simultaneously (in the same calendar month) are netted. No netting is applied between derivative financial instruments which are "held for trading" and derivative financial instruments which are designated as hedging instruments. However, in the case of a default, values which do not fall due simultaneously would also be nettable, as well as offsetting replacement values "held for trading" and hedging instruments (see table "Netting of positive and negative derivative financial instruments", column "Additional netting potential").

Additionally, trade receivables from customers who are also suppliers are offset against trade payables, provided a netting arrangement has been agreed and there exists an enforceable legal right to offset and the intention to settle net or to settle simultaneously. The offset receivables and payables included in "Revenues not yet invoiced" and "Operating expenses not yet invoiced" amount to CHF 1,695.9 million (previous year: CHF 1,568.8 million; see Note 23 "Other receivables" and Note 29 "Other liabilities (current)").

Liquidity risk

Liquidity risk is the risk that arises if the Group is unable to meet its obligations on the due date. The Corporate Treasury department of the Axpo Group is responsible for liquidity management, which encompasses the planning, monitoring, provision and optimisation of liquidity. 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.

By analysing the liquidity effects of risks and by adopting a conservative financing strategy, Axpo ensures that the Group always has sufficient liquid funds to meet the payment obligations in a timely manner. Such obligations arise, in particular, from the financial liabilities which must be fulfilled.

The following table shows the contractual maturities (including interest rates) of the financial liabilities held by the Axpo Group. The future variable interest rates are determined based on the yield curve on the balance sheet date.

Maturity analysis of financial liabilities and derivative financial instruments as at 30 September 2018

CHF million	Carrying amount	Cash flows	At sight	< 3 mths	3–12 mths	1–5 years	> 5 years
Non-derivative financial liabilities, measured at amortised cost							
Trade payables [1]	581.0	581.0	0.0	580.5	1.2	–0.7	0.0
Financial liabilities (current and non-current)	4 838.3	5 677.5	0.0	480.7	129.5	2 110.4	2 956.9
Other liabilities (current and non-current) [2]	646.8	646.8	498.1	56.6	51.9	33.2	7.0
Operating expenses not yet invoiced	1 448.1	1 448.1	0.0	1 404.8	41.6	1.7	0.0
Total cash outflow		**8 353.4**	**498.1**	**2 522.6**	**224.2**	**2 144.6**	**2 963.9**
Derivative financial instruments							
Net carrying amount of energy derivatives	–591.6						
Gross cash inflow		26 488.8	10 251.1	3 355.9	5 785.5	6 477.5	618.8
Gross cash outflow		25 286.2	10 264.5	3 343.8	5 251.8	5 606.7	819.4
Net carrying amount of currency forward contracts	25.0						
Gross cash inflow		2 405.5	12.1	477.0	100.8	1 815.6	0.0
Gross cash outflow		2 397.3	11.7	482.0	104.3	1 799.3	0.0
Net carrying amount of other derivative financial instruments	–3.2						
Gross cash inflow		17.2	0.0	0.0	0.0	13.8	3.4
Gross cash outflow		19.9	0.0	0.0	0.7	15.9	3.3
Total net cash inflow (–) / outflow (+)		**–1 208.1**	**13.0**	**–7.1**	**–529.5**	**–885.0**	**200.5**

1) Negative amounts of trade payables result from received credit notes for which the time bucket does not correspond to the time bucket of the related trade payable.
2) Amounts at sight are mainly received credit support annexes. The cash in- and outflows are not predictable and depend on market movements.

Maturity analysis of financial liabilities and derivative financial instruments as at 30 September 2017

CHF million	Carrying amount	Cash flows	At sight	< 3 mths	3–12 mths	1–5 years	> 5 years
Non-derivative financial liabilities, measured at amortised cost							
Trade payables	579.6	579.6	0.0	604.7	−22.8	−2.6	0.3
Financial liabilities (current and non-current)	4 691.0	5 618.4	20.8	331.1	224.2	1 898.1	3 144.2
Other liabilities (current and non-current)	320.0	320.0	0.0	212.9	53.1	46.7	7.3
Operating expenses not yet invoiced	1 173.8	1 173.8	0.0	1 153.9	19.9	0.0	0.0
Total cash outflow		**7 691.8**	**20.8**	**2 302.6**	**274.4**	**1 942.2**	**3 151.8**
Derivative financial instruments							
Net carrying amount of energy derivatives	−277.7						
Gross cash inflow		21 104.0	9 348.9	2 377.4	4 547.6	4 230.2	599.9
Gross cash outflow		18 412.2	9 353.8	2 080.0	3 449.0	3 039.5	489.9
Net carrying amount of currency forward contracts	−41.8						
Gross cash inflow		857.0	0.8	289.6	292.7	273.9	0.0
Gross cash outflow		901.2	14.7	293.5	316.9	276.1	0.0
Net carrying amount of other derivative financial instruments	−5.1						
Gross cash inflow		18.6	0.0	0.0	0.0	17.7	0.9
Gross cash outflow		25.4	0.0	0.0	0.7	21.5	3.2
Total net cash inflow (–) / outflow (+)		**−2 640.8**	**18.8**	**−293.5**	**−1 073.7**	**−1 184.7**	**−107.7**

1) Negative amounts of trade payables result from received credit notes for which the time bucket does not correspond to the time bucket of the related trade payable.

Cash flows are not discounted for the maturity analysis. In accordance 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 under "Derivative financial instruments" in the above table relates to contracts with positive and negative replacement values.

In order to hedge its own energy production and long-term energy sales and purchase contracts, known as "own use" contracts, the Axpo Group enters into both energy sales and purchase contracts. These hedging transactions are included in the above maturity analysis. As contracts assigned to own use books are executory contracts, no cash flow is presented in the table above for these contracts, thus generating significant accounting mismatches. Further, in some cases, the Axpo Group enters into stack and roll hedges to hedge the purchase or sales volume of long-term contracts for a period of around 36 months. These hedges are assigned to trading books. Cash flows from these hedges are not presented in the same time period as cash flows from long-term contracts.

The Axpo Group has positive operating cash flow, sound liquid funds and short-term and long-term financial assets, which are not tied and therefore can be used to cover financial liabilities.

The Axpo Group has aggregated credit facilities of CHF 2,277.1 million at its disposal from banks and financial institutions (previous year: CHF 1,900.9 million). As at 30 September 2018, the Axpo Group is utilising CHF 1,326.3 million (previous year: CHF 1,191.8 million) of its credit facilities for guarantees and loans.

Net results from financial assets and liabilities

CHF million	Income statement 2017/18	Other comprehensive income 2017/18	Income statement 2016/17	Other comprehensive income 2016/17
Net profit/losses included in total revenues				
On financial assets and liabilities at fair value through profit or loss (held for trading)	194.8	0.0	19.4	0.0
On derivatives designated as hedges	–130.1	–442.1	71.0	–368.7
Net profit/losses included in other operating income				
On financial assets and liabilities at fair value through profit or loss (held for trading)	–42.4	0.0	1.8	0.0
Net profit/losses included in the financial result				
On financial assets and liabilities at fair value through profit or loss (held for trading)	1.5	0.0	–17.6	0.0
On derivatives designated as hedges	0.0	4.3	–10.2	17.9
On loans and receivables	–7.7	0.0	–13.8	0.0
On available-for-sale financial assets	0.5	–1.4	154.7	32.8
Interest income and expense				
Interest income from financial assets not accounted for at fair value through profit or loss	52.8	0.0	73.5	0.0
Interest expense from financial liabilities not accounted for at fair value through profit or loss	–120.0	0.0	–128.1	0.0
Currency effects on financial assets and liabilities				
Currency effects on financial assets and liabilities	0.1	0.0	35.1	0.0

The amounts shown in the column "Other comprehensive income" only include the fair value adjustments for the current financial year but not the results reclassified in the income statement. Other operating expenses contain net impairment provisions made for trade receivables amounting to CHF 15.7 million (previous year: CHF 10.3 million). Interest expense includes interest effects from derivatives which reduce interest expense.

Three-level hierarchy

The line item "Available-for-sale financial assets" includes equity, real estate and bond funds that partially invest in listed investments and partially in investments that are periodically traded through financial institutes. The fair value is the published exchange price, insofar as the financial instruments are traded on an active market. The fair value of non-quoted debt and equity instruments is determined by the fund manager. The fair value is equivalent to the net asset value established by the fund manager and the valuation is checked internally and adjustments are made where necessary.

The fair value of derivative financial instruments is dependent on the development of the underlying market factors. For the measurement of derivatives, prices from active markets, such as stock exchange prices, are used where possible. The relevant fair values are calculated and monitored at regular intervals. If there are no such prices available, fair value is determined using measurement methods accepted and customary in the markets. If available, observable market data are used as input factors. If no observable market data are available, company-specific planning assumptions are applied. 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 methods and assumptions on which the measurement of the derivative financial instruments used is based are as follows:

- Electricity, gas, oil, coal, certificates and currency forward contracts are measured at the balance sheet date based on forward prices. The prices used are prices noted at the respective exchanges or provided by various brokers. If no published prices are available, internal measurement models are used. In these cases fundamental prices based on internal demand-supply forecasts are applied. In order to account for the risks inherent in any transaction, risk adjustments are used, such as adjustments for credit risk (CVA and DVA), liquidity risk, cannibalisation effects of intermittent energy and others.
- Futures are not measured since, due to the exchange listing, they are offset daily via a margin account.

The following overview describes the key parameters used for the measurement of assets and liabilities at fair value. The individual levels are defined in accordance with IFRS 13 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 whose value is determined using valuation methods where significant input parameters are based on non-observable data, such as analyses of fundamental prices based on demand-supply forecasts. Generally, an increase in prices of these non-observable input data would increase (in case of a long buy) or decrease (in case of a short sell) the fair value of the Level 3 financial instruments.

Three-level hierarchy as at 30 September 2018

CHF million	Level 1	Level 2	Level 3	Fair value
Assets measured at fair value				
Financial assets at fair value through profit or loss (held for trading)				
Energy derivatives	16.3	8 648.6	308.9	8 973.8
Currency forward contracts	0.0	12.9	0.0	12.9
Other derivative financial instruments	0.0	0.5	0.0	0.5
Derivatives designated as hedges				
Energy derivatives	0.0	128.0	0.0	128.0
Currency forward contracts	0.0	36.0	0.0	36.0
Available-for-sale financial assets	1 294.4	613.5	24.1	1 932.0
Assets held for sale	0.0	1.4	0.0	1.4
Inventories	253.6	357.5	0.0	611.1
Total assets measured at fair value	**1 564.3**	**9 798.4**	**333.0**	**11 695.7**
Assets not measured at fair value				
Other financial assets (non-current)	0.0	773.2	0.0	773.2
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss (held for trading)				
Energy derivatives	75.1	8 883.7	322.3	9 281.1
Currency forward contracts	0.0	13.3	0.0	13.3
Other derivative financial instruments	0.0	3.1	0.0	3.1
Derivatives designated as hedges				
Energy derivatives	0.0	412.3	0.0	412.3
Currency forward contracts	0.0	10.6	0.0	10.6
Other derivative financial instruments	0.0	0.6	0.0	0.6
Total liabilities measured at fair value	**75.1**	**9 323.6**	**322.3**	**9 721.0**
Liabilities not measured at fair value				
Financial liabilities (non-current)	3 208.1	1 149.2	0.0	4 357.3

Three-level hierarchy as at 30 September 2017

CHF million	Level 1	Level 2	Level 3	Fair value
Assets measured at fair value				
Financial assets at fair value through profit or loss (held for trading)				
Energy derivatives	41.8	3 246.2	187.2	3 475.2
Currency forward contracts	0.0	12.6	0.0	12.6
Other derivative financial instruments	0.0	0.2	0.0	0.2
Derivatives designated as hedges				
Energy derivatives	0.0	101.4	0.0	101.4
Currency forward contracts	0.0	1.7	0.0	1.7
Available-for-sale financial assets	1 295.1	615.4	25.9	1 936.4
Inventories	22.6	399.2	0.0	421.8
Total assets measured at fair value	**1 359.5**	**4 376.7**	**213.1**	**5 949.3**
Assets not measured at fair value				
Other financial assets (non-current)	0.0	728.1	0.0	728.1
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss (held for trading)				
Energy derivatives	25.7	3 309.5	253.5	3 588.7
Currency forward contracts	0.0	16.6	0.0	16.6
Other derivative financial instruments	0.0	4.1	0.0	4.1
Derivatives designated as hedges				
Energy derivatives	0.0	265.6	0.0	265.6
Currency forward contracts	0.0	39.5	0.0	39.5
Other derivative financial instruments	0.0	1.2	0.0	1.2
Total liabilities measured at fair value	**25.7**	**3 636.5**	**253.5**	**3 915.7**
Liabilities not measured at fair value				
Financial liabilities (non-current)	3 175.8	1 108.3	0.0	4 284.1

The fair values of “Other financial assets (non-current)” and “Financial liabilities (non-current)” are equivalent to the net present value of the payments associated with these assets and liabilities, calculated using the current interest rates which apply to the loans, or the current bond price of bonds issued without including the interest accrued.
Standard forward contracts and derivatives in energy trading are recognised gross in the three-level hierarchy, before netting of positive and negative replacement values.

Movements in Level 3 instruments

The following table shows the movements in Level 3 financial instruments measured at fair value:

CHF million	Assets	Liabilities	Total
Balance as at 30.9.2016	**188.0**	**–211.5**	**–23.5**
Currency translation effect on opening balance	0.9	–1.0	–0.1
Additions due to change of business model	3.8	0.0	3.8
Purchases	18.4	0.0	18.4
Sales	–1.8	0.0	–1.8
Profit or loss recognised in the income statement	20.8	–57.9	–37.1
Profit or loss recognised in other comprehensive income	–1.1	0.0	–1.1
Transfer out of Level 3	–17.2	17.5	0.3
Currency translation effect on movements	1.3	–0.6	0.7
Balance as at 30.9.2017	**213.1**	**–253.5**	**–40.4**
Currency translation effect on opening balance	–1.3	2.4	1.1
Purchases	12.5	–4.2	8.3
Profit or loss recognised in the income statement	161.5	–172.9	–11.4
Profit or loss recognised in other comprehensive income	0.5	0.0	0.5
Transfer to Level 3	0.7	–3.3	–2.6
Transfer out of Level 3	–52.5	110.4	57.9
Currency translation effect on movements	–1.6	–1.2	–2.8
Balance as at 30.9.2018	**332.9**	**–322.3**	**10.6**

The table shows the financial instruments whose fair value is measured using valuation models in which significant parameters are based on non-observable market data. On initial recognition, financial instruments of this type are accounted for at fair value using the valuation model on day one, although this value may deviate from the transaction price. Any material deviation from the transaction price is accrued as a day-one profit or loss. The transfer from Level 3 to Level 2 relates to financial instruments whose measurement is now based on observable market data, and the transfer from Level 2 to Level 3 relates to financial instruments whose measurement is no longer based on observable market data. There were no transfers between Level 1 and 2 in the current financial year or the previous year.

A change in energy prices of +/– 10% would lead to an increase/decrease in fair value of Level 3 instruments of CHF –2.9 million (previous year: CHF –9.5 million) and CHF 2.2 million (previous year: CHF 7.8 million), respectively. In order to hedge long-term contracts assigned to Level 3, the Axpo Group enters into hedges possibly classified as Level 2. Thus the sensitivity analysis of Level 3 instruments does not include the offsetting effect from the hedging position.

Movements in day-one profits or losses

The following tables show the reconciliation of the changes in the accumulated deviations (movement in the deferred 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.

CHF million	Day-one loss	Day-one profit	Total
Balance as at 30.9.2016	**0.7**	**–85.9**	**–85.2**
Deferred profit/loss arising from new transactions	0.0	–18.1	–18.1
Profit or loss recognised in the income statement	–0.4	16.2	15.8
Currency translation effect	0.0	–0.7	–0.7
Balance as at 30.9.2017	**0.3**	**–88.5**	**–88.2**
Deferred profit/loss arising from new transactions	4.2	–12.5	–8.3
Profit or loss recognised in the income statement	–0.2	20.0	19.8
Currency translation effect	0.0	0.8	0.8
Balance as at 30.9.2018	**4.3**	**–80.2**	**–75.9**

The accrued day-one profits or losses are amortised on a straight-line basis until the underlying market of the contract becomes liquid and are recognised in the result from energy derivatives trading. They are also reclassified to the income statement if the transaction is settled.

Profits and losses on Level 3 instruments recognised in the income statement incl. day-one profits or losses

CHF million	Net sales 2017/18	Net sales 2016/17
Total profit or loss for the financial year recognised in the income statement	8.4	–17.5
Total profit or loss recognised in the income statement on financial instruments held at financial year end	83.4	13.8

7 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 the 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 purpose of allocating resources. No operating business areas have been combined to form the reporting segments.
The Assets business area 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, as well as infrastructure such as grids and substations. This business area is also responsible for optimising the power plant portfolio and developing new power plant projects.
The Trading & Sales business area encompasses the areas of energy trading, risk and portfolio management, customer service, 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 CKW business area 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 Avectris AG (which are not operating segments) as well as consolidation effects are combined under "Reconciliation".

Segment income statement

CHF million	Assets 2017/18	Assets 2016/17	Trading & Sales 2017/18	Trading & Sales 2016/17	CKW 2017/18	CKW 2016/17	Reconciliation 2017/18	Reconciliation 2016/17	Total 2017/18	Total 2016/17
Revenues from energy sales and grid usage by external customers	702.5	586.0	3 141.9	3 932.1	871.1	781.6	48.4	30.4	4 763.9	5 330.1
Revenues from energy sales and grid usage by other segments	1 103.6	951.2	78.9	74.4	5.1	17.2	–1 187.6	–1 042.8	0.0	0.0
Changes in inventories	2.9	–1.6	0.0	0.0	3.3	–1.9	–2.4	–0.8	3.8	–4.3
Capitalised production costs	27.3	36.8	0.0	0.0	20.5	21.3	1.5	1.6	49.3	59.7
Other operating income	44.4	147.9	37.8	–85.3	17.1	29.0	–66.4	90.2	32.9	181.8
Total income	**1 880.7**	**1 720.3**	**3 258.6**	**3 921.2**	**917.1**	**847.2**	**–1 206.5**	**–921.4**	**4 849.9**	**5 567.3**
Operating expenses	–1 612.1	–1 454.6	–3 019.1	–3 971.6	–766.4	–724.5	1 128.5	1 073.6	–4 269.1	–5 077.1
Share of profit of partner plants and other associates	15.4	56.9	0.3	–1.0	11.3	11.8	1.8	–0.6	28.8	67.1
Depreciation, amortisation and impairments	–201.1	–225.8	–9.5	–6.8	–59.4	–56.1	8.7	0.5	–261.3	–288.2
Earnings before interest and tax (EBIT)	**82.9**	**96.8**	**230.3**	**–58.2**	**102.6**	**78.4**	**–67.5**	**152.1**	**348.3**	**269.1**
Financial income									152.4	461.1
Financial expense									–290.1	–316.8
Earnings before tax (EBT)									**210.6**	**413.4**
Income tax expense									–79.4	–103.5
Result for the period									**131.2**	**309.9**

Segment assests and supplementary information

CHF million	Assets 2017/18	Assets 2016/17	Trading & Sales 2017/18	Trading & Sales 2016/17	CKW 2017/18	CKW 2016/17	Reconciliation 2017/18	Reconciliation 2016/17	Total 2017/18	Total 2016/17
Additions to non-current assets 1)	69.4	16.5	7.5	3.2	77.0	87.3	180.0	231.5	333.9	338.5
Investments in partner plants and other associates	1 128.7	1 041.6	6.3	6.6	292.8	286.4	74.6	53.7	1 502.4	1 388.3
Segment assets 2)	9 171.8	7 327.3	7 232.3	4 667.8	2 440.7	2 291.1	3 371.1	4 736.8	22 215.9	19 023.0
thereof "assets held for sale"	0.0	38.2	1.2	0.0	0.0	0.0	0.2	46.5	1.4	84.7

1) Additions to property, plant and equipment, intangible assets, investments in partner plants and other associates, investment properties and receivables from state funds.
2) The reconciliation item of segment assets includes assets not allocated (assets under construction, prepayments on assets under construction, not yet capitalised intangible assets, non-operative investments in other associates, derivatives (except energy derivatives), current and non-current financial receivables, investment properties, receivables from state funds, securities, and cash and cash equivalents).

Information by country

CHF million	Switzerland 2017/18	Switzerland 2016/17	Italy 2017/18	Italy 2016/17	Germany 2017/18	Germany 2016/17	Other countries 2017/18	Other countries 2016/17	Total 2017/18	Total 2016/17
Revenues from energy sales and grid usage	1 219.1	1 777.9	1 648.3	2 498.8	563.8	300.2	1 332.7	753.2	4 763.9	5 330.1
Non-current assets [1)]	8 839.0	8 607.3	294.8	315.8	57.3	63.4	154.7	96.4	9 345.8	9 082.9

1) Property, plant and equipment, intangible assets, investments in partner plants and other associates, investment properties and receivables from state funds

Information by product

CHF million	Energy 2017/18	Energy 2016/17	Grid usage 2017/18	Grid usage 2016/17	Result from energy derivatives trading 2017/18	Result from energy derivatives trading 2016/17	Other net revenue 2017/18	Other net revenue 2016/17	Total 2017/18	Total 2016/17
Revenues from energy sales and grid usage	3 502.2	4 414.6	605.4	580.2	194.8	19.4	461.5	315.9	4 763.9	5 330.1

Information about major customers

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

8 Expenses for energy procurement, grid usage and cost of goods purchased

CHF million	2017/18	2016/17
Expenses for energy procurement and grid usage from third parties and associates	–2 141.4	–3 125.0
Expenses for energy procurement and grid usage from partner plants (Notes 16 and 31)	–741.6	–740.9
Increase in provisions (excluding interest) for onerous energy procurement contracts (Note 28)	–9.6	–140.1
Reversal of provisions (excluding interest) for onerous energy procurement contracts (Note 28)	3.6	129.6
Cost of goods	–124.6	–50.2
Total	**–3 013.6**	**–3 926.6**

The interest on the provision for onerous energy procurement contracts is recognised in the financial results.
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 as well as exchange rates, led to a net change of CHF 6.0 million, recognised in the income statement, in the provision for onerous energy procurement contracts (provisions of CHF 9.6 million created and provisions of CHF 3.6 million released; see Note 5 "Estimation uncertainties and significant judgements in the application of accounting policies").
Expenses for energy procurement from quota transactions are not included in the above total since they are netted against any revenues also ceded. They amounted to CHF 388.3 million (previous year: CHF 362.8 million).

9 Personnel expenses

CHF million	2017/18	2016/17
Salaries and wages	–512.1	–486.6
Employee benefit expense for defined benefit plans (Note 30)	–63.8	–72.6
Employee benefit expense for defined contribution plans	–2.7	–2.0
Social security and other personnel expenses	–64.3	–61.3
Total	**–642.9**	**–622.5**
Number of employees at balance sheet date:		
Full-time equivalents	4 065	3 863
Apprentices	376	359
Total	**4 441**	**4 222**

10 Other operating expenses

CHF million	2017/18	2016/17
Creation of provisions for post-operation, decommissioning, disposal (Note 28)	–12.0	0.0
Charges, fees and capital taxes	–180.4	–154.1
Realised losses on sale of investments in subsidiaries and other associates	–1.0	–7.7
Other operating expenses	–205.8	–197.5
Total	**–399.2**	**–359.3**

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 the provisions and allowances for bad debts.

11 Impairment losses, impairment reversals and provisions for onerous energy procurement contracts

Allocation of impairment losses, impairment reversals and provisions for 2017/18

CHF million			Assets	Trading & Sales	CKW	Reconcilia-tion	**Total**
Production Switzerland	Property, plant and equipment	Impairment losses	–2.9				**–2.9**
		Impairment reversals	16.8	0.2		0.1	**17.1**
	Intangible assets	Impairment losses		–0.1			**–0.1**
Investments Switzerland	Other associates	Impairment losses			–2.5		**–2.5**
		Impairment reversals				20.4	**20.4**
Investments abroad	Other associates	Impairment losses	–0.5	–2.7			**–3.2**
		Impairment reversals	0.6				**0.6**
Assets held for sale	Property, plant and equipment	Impairment losses		–1.0		–0.8	**–1.8**
Total impairment losses/reversals on assets			**14.0**	**–3.6**	**–2.5**	**19.7**	**27.6**
Depreciation and amortisation on property, plant and equipment and intangible assets							**–288.9**
Total depreciation, amortisation and impairments							**–261.3**
Provisions for onerous contracts (net)			**–9.2**	**3.2**	**0.0**	**0.0**	**–6.0**

Allocation of impairment losses, impairment reversals and provisions for 2016/17

CHF million			Assets	Trading & Sales	CKW	Reconciliation	**Total**
Production Switzerland	Property, plant and equipment	Impairment losses	–224.1				**–224.1**
		Impairment reversals	150.6				**150.6**
	Intangible assets	Impairment reversals	6.0				**6.0**
Production abroad	Property, plant and equipment	Impairment reversals	5.2				**5.2**
	Intangible assets	Impairment losses		–1.0			**–1.0**
		Impairment reversals	8.4				**8.4**
Investments Switzerland	Other associates	Impairment reversals				12.7	**12.7**
	Goodwill	Impairment losses			–1.4		**–1.4**
Investments abroad	Other associates	Impairment losses	–4.3			–2.8	**–7.1**
	Goodwill	Impairment losses		–0.8			**–0.8**
Assets held for sale	Property, plant and equipment	Impairment reversals	0.5				**0.5**
Total impairment losses/reversals on assets			**–57.7**	**–1.8**	**–1.4**	**9.9**	**–51.0**
Depreciation and amortisation on property, plant and equipment and intangible assets							**–237.2**
Total depreciation, amortisation and impairments							**–288.2**
Provisions for onerous contracts (net)			**–23.4**	**0.5**	**–40.0**	**52.4**	**–10.5**

Wholesale prices on European energy forward markets rose again during the 2017/18 financial year, and the forecasts regarding future market prices are up slightly over the previous year. Impairments impacted the flexible domestic hydro power plants. At these power plants, higher production costs will lead to further impairments, despite the slight improvement in prices. Value recoveries for production in Switzerland are mainly attributable to slightly higher prices. In the previous year, value recoveries for production inside and outside Switzerland were mainly attributable to a reduction in production costs.
Goodwill is tested for impairment annually in the fourth quarter of the financial year or any time there is an indication of impairment. For property, plant and equipment, intangible assets (mainly rights for energy procurement and concessions) and other associates, an impairment test is only conducted if there is an indication of impairment.
All impairment tests are based on a value-in-use calculation using the discounted cash flow (DCF) method. The evaluation of provisions for onerous energy procurement contracts is also based on the DCF method consistent with the value-in-use calculation.

Value-in-use calculation – property, plant and equipment, intangible assets and other associates

The value-in-use calculations are performed for each power plant, associate investment or energy procurement / plant usage rights. The time horizon for the calculation extends over the concession period or the operating life of the asset. The value in use corresponds to the present value of cash flows based on the budget for the first three years. From the fourth year, the projected cash flows used for the determination of the value in use are based on various assumptions concerning market developments (see "Key assumptions").

Value-in-use calculation – partner plants and energy procurement contracts

The value-in-use calculations are performed for each partner plant or energy procurement contract. The time horizon for the calculation extends over the concession period or the term of the procurement contract and the operating life of the plant, respectively. The value in use corresponds to the present value of cash flows based on the budget for the first three years, and from the fourth year, the projected cash flows are based on various assumptions concerning market developments (see "Key assumptions").

Value-in-use calculation – goodwill

The value in use corresponds to the present value of the budgeted cash flows for five years and a residual value without taking into account any growth rate. The projected cash flows are based on past experience and various assumptions made by management concerning market developments (see “Key assumptions”).

Key assumptions

The significant assumptions used for the determination of the value in use and the evaluation of the provisions include forecasts regarding future electricity and gas prices, capital expenditures, the regulatory environment, growth rates, discount and exchange rates, and forecasts for the proportional annual expenses for energy procurement costs (only for power plants and energy procurement contracts).

Discount rates

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 determined based on the risk profile of the respective cash-generating unit. For the value-in-use calculation and the evaluation of the provision a different discount rate was used for each production type and country. For goodwill testing, a specific discount rate per subsidiary was applied.

	30.9.2018	30.9.2017
in %	After-tax real discount rate	After-tax real discount rate
Gas-fired combined-cycle power plants, Italy	4.7	4.4
Wind production, Italy	3.9	4.0
Wind production, France	3.2	3.2
Wind production, Germany	3.2	3.2
Wind production, Spain	4.1	4.1
Hydraulic plants, Switzerland	4.1–4.2	4.0
Nuclear power plants, Switzerland	4.7	4.6
Goodwill Axpo Italia S.p.A.	4.8	4.8
Goodwill Axpo Hydro Surselva AG	4.2	4.2

Sensitivities

For goodwill, changing the discount rates to the following values would cause the recoverable value to be exactly the same as the carrying amount:

in %	30.9.2018	30.9.2017
	Break-even after-tax real discount rate	Break-even after-tax real discount rate
Axpo Italia S.p.A.	7.7	11.9
Axpo Hydro Surselva AG	6.1	5.1

12 Financial result

CHF million	2017/18	2016/17
Interest income	59.3	74.0
Income from state funds	74.1	162.9
Income from investment properties	2.1	11.1
Net exchange rate gains	0.1	35.1
Other financial income	16.8	178.0
Total financial income	**152.4**	**461.1**
Interest expense	–165.5	–180.0
Interest and fund expense for nuclear provisions	–96.2	–94.6
Impairment losses financial investments	–12.2	–1.1
Investment property expense	–1.8	–3.2
Other financial expense	–14.4	–37.9
Total financial expense	**–290.1**	**–316.8**
Total	**–137.7**	**144.3**

Realised and unrealised exchange rate gains and losses as well as realised and unrealised gains from other financial instruments are reported net.
The interest expense of CHF 165.5 million (previous year: CHF 180.0 million) includes interest of CHF 44.6 million (previous year: CHF 48.0 million) on provisions for onerous energy procurement contracts and other provisions (see Note 28 "Provisions").

13 Income taxes

CHF million	2017/18	2016/17
Current income taxes	–43.0	–42.9
Deferred income taxes	–36.4	–60.6
Total income taxes	**–79.4**	**–103.5**

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, as well as charges and credits from previous periods.

Total income taxes directly recognised in other comprehensive income	**14.5**	**10.5**

Reconciliation of expected tax rate and effective tax rate

The expected tax expense of CHF –39.2 million (previous year: CHF –76.9 million) can be reconciled to the effective tax expense of CHF –79.4 million (previous year: CHF –103.5 million) as follows:

CHF million	2017/18	2016/17
Earnings before tax (EBT)	210.6	413.4
Expected tax rate (ordinary tax rate at head office)	18.6%	18.6%
Income tax at expected tax rate	**–39.2**	**–76.9**
Non-tax-deductible expenses	–35.3	–14.1
Effect from previous periods	–7.1	–4.2
Effect of tax rate changes	0.0	–8.4
Effect of income not subject to tax or tax privileged	18.8	13.4
Unrecorded tax-loss carry forward	–17.8	–31.4
Usage of unaccounted tax-loss carry forwards from previous reporting years	20.7	47.2
Earnings taxable at different tax rates	–2.0	27.2
Effect of impairment/impairment reversal of investments	0.0	–33.5
Reassessment of deferred tax assets	–16.8	–23.5
Other effects	–0.7	0.7
Total income taxes (current and deferred)	**–79.4**	**–103.5**

The ordinary tax rate at the head office comprises direct federal tax (8.5%) and cantonal and municipal taxes of the Canton of Aargau (14.4%). Due to the deductibility of both taxes from taxable income, this results in an effective ordinary tax rate for the head office of 18.6% (previous year: 18.6%).

Deferred taxes by origin of temporary differences

CHF million	Assets 30.9.2018	Liabilities 30.9.2018	Assets 30.9.2017	Liabilities 30.9.2017
Property, plant and equipment	382.3	69.1	402.1	71.0
Intangible assets	0.9	82.6	0.5	93.8
Investments	7.6	17.2	10.8	24.0
Positive derivative financial instruments (current and non-current)	2.1	76.0	0.3	58.2
Other assets (non-current)	0.0	13.8	0.0	17.6
Trade receivables	18.1	0.8	13.9	0.9
Other receivables (current)	19.4	17.1	13.9	39.1
Provisions (current and non-current)	5.4	451.8	2.3	442.8
Negative derivative financial instruments (current and non-current)	126.2	12.6	87.9	0.0
Other liabilities (non-current)	5.2	1.1	36.7	1.5
Other liabilities (current)	2.7	3.4	1.2	3.5
Tax-loss carry forward	57.1	0.0	75.2	0.0
Deferred taxes, gross	**627.0**	**745.5**	**644.8**	**752.4**
Offsetting of assets and liabilities	–575.0	–575.0	–584.7	–584.7
Deferred taxes, net	**52.0**	**170.5**	**60.1**	**167.7**

As in the previous year, as at 30 September 2018, there were no temporary differences associated with investments in subsidiaries, for which no deferred tax liabilities were recognised.

Expiry dates of tax-loss carry forwards not capitalised

CHF million	30.9.2018	30.9.2017
Expiring in the following year	44.7	35.9
Expiring within 2 to 5 years	2 552.2	1 323.8
Expiring in more than 5 years	564.3	1 749.0
Total	**3 161.2**	**3 108.7**

14 Property, plant and equipment

CHF million	Power plants	Distribution systems	Land and buildings	Other property, plant and equipment	Assets under construction	Total
Acquisition cost						
Balance as at 30.9.2016	**8 958.5**	**3 457.2**	**570.5**	**246.5**	**2 686.7**	**15 919.4**
Additions (investments)	1.4	4.4	0.5	4.9	276.1	287.3
Disposals	–137.7	–42.0	–2.2	–23.0	–0.5	–205.4
Adjustments to acquisition costs IFRIC 1	13.0	0.0	0.0	0.0	0.0	13.0
Reclassification to/from “assets held for sale”	–1.6	0.0	–32.9	0.2	0.0	–34.3
Reclassifications	113.7	142.4	25.1	–12.1	–263.3	5.8
Currency translation effect	66.2	0.0	0.4	0.7	2.1	69.4
Balance as at 30.9.2017	**9 013.5**	**3 562.0**	**561.4**	**217.2**	**2 701.1**	**16 055.2**
Change in consolidation scope	0.0	0.0	1.7	1.0	0.0	2.7
Additions (investments) [1]	25.5	4.7	0.9	6.2	220.9	258.2
Disposals	–32.2	–38.3	–2.0	–17.8	–0.9	–91.2
Adjustments to acquisition costs IFRIC 1	12.4	0.0	0.0	0.0	0.0	12.4
Reclassification to/from “assets held for sale”	2.5	0.0	15.5	–0.1	0.0	17.9
Reclassifications [2]	2 364.1	86.8	28.5	20.7	–2 427.7	72.4
Currency translation effect	–17.9	0.0	–0.1	–0.4	–0.7	–19.1
Balance as at 30.9.2018	**11 367.9**	**3 615.2**	**605.9**	**226.8**	**492.7**	**16 308.5**
Accumulated depreciation						
Balance as at 30.9.2016	**–7 792.7**	**–2 042.0**	**–292.3**	**–187.9**	**–1 256.4**	**–11 571.3**
Depreciation in reporting period	–79.0	–75.6	–13.2	–17.7	–0.2	–185.7
Impairment losses	–10.5	0.0	0.0	0.0	–213.6	–224.1
Impairment reversals	67.7	2.9	12.5	4.1	68.6	155.8
Disposals	135.2	38.1	2.2	22.3	0.0	197.8
Reclassification to/from “assets held for sale”	0.2	0.0	19.1	0.0	0.0	19.3
Reclassifications	–35.3	–21.3	0.0	17.8	36.2	–2.6
Currency translation effect	–42.8	–0.1	0.0	–0.2	–2.0	–45.1
Balance as at 30.9.2017	**–7 757.2**	**–2 098.0**	**–271.7**	**–161.6**	**–1 367.4**	**–11 655.9**
Depreciation in reporting period	–117.7	–78.5	–13.3	–19.8	0.0	–229.3
Impairment losses	–1.7	0.0	0.0	–0.1	–1.1	–2.9
Impairment reversals	16.8	0.0	0.3	0.0	0.0	17.1
Disposals	13.7	37.4	1.4	16.6	0.0	69.1
Reclassification to/from “assets held for sale”	–0.9	0.0	–3.7	0.1	0.0	–4.5
Reclassifications	–1 170.3	–3.7	–6.5	0.5	1 171.8	–8.2
Currency translation effect	11.3	0.0	0.0	0.1	0.5	11.9
Balance as at 30.9.2018	**–9 006.0**	**–2 142.8**	**–293.5**	**–164.2**	**–196.2**	**–11 802.7**
Carrying amount as at 1.10.2016	1 165.8	1 415.2	278.2	58.6	1 430.3	4 348.1
Carrying amount as at 30.9.2017	**1 256.3**	**1 464.0**	**289.7**	**55.6**	**1 333.7**	**4 399.3**
Carrying amount as at 1.10.2017	1 256.3	1 464.0	289.7	55.6	1 333.7	4 399.3
Carrying amount as at 30.9.2018	**2 361.9**	**1 472.4**	**312.4**	**62.6**	**296.5**	**4 505.8**

1) Investments amounting to CHF 41.3 million did not flow in cash as at 30.9.2018.
2) The reclassification relates to built wind farms of the Volkswind Portfolio which were previously accounted for as work in progress in inventories.

The line item "Adjustments to acquisition costs IFRIC 1" contains an amount of CHF 12.2 million (previous year: CHF 12.3 million), or CHF 0.2 million (previous year: CHF 0.7 million) not recognised in profit or loss, which is related to the allocation of acquisition costs of the Beznau nuclear power plant and wind farms in Italy and France. These changes in estimate were taken into account without affecting profit or loss both in accordance with IFRIC 1 in property, plant and equipment and in the provisions for nuclear waste disposal and other provisions (see Note 28 "Provisions").
Reclassifications totalling CHF 2,427.7 million (previous year: CHF 263.3 million) from assets under construction to power plants, distribution systems, land and buildings and other property, plant and equipment were made in the year under review.
In the 2017/18 financial year, property, plant and equipment with a carrying amount of CHF 15.6 million was transferred from the "held for sale" category back to property, plant and equipment since a sale is unlikely within the next 12 months. In addition, property, plant and equipment with a carrying amount of CHF 2.2 million (prior year: CHF 15.0 million) were classified as "held for sale" and reclassified to "assets held for sale" in 2017/18 (see Note 19 "Assets held for sale").
The line "Disposals" in the category "Power plants" contains a reversal of provisions of CHF 18.2 million, which was not recognised in the income statement, in connection with a settlement arising from a deviating regulation of the cost distribution method. The costs of Nagra are to be borne by the operators of nuclear power plants. This adjustment, which is not recognised in the income statement, was taken into account both in property, plant and equipment and in the same amount in provisions for nuclear waste disposal (see Note 28 "Provisions").

Capital commitments
Long-term contractual obligations of CHF 446.2 million (previous year: CHF 434.9 million) were assumed in connection with the acquisition of property, plant and equipment (including nuclear fuel rods). Property, plant and equipment of CHF 196.5 million (previous year: CHF 129.0 million) was pledged as collateral for financial liabilities. The majority of the pledged property, plant and equipment is related to the wind farms in France and Germany.

Assets under construction
Advance payments to contractors and suppliers included in assets under construction amounted to CHF 12.7 million (previous year: CHF 503.2 million).

Capitalised borrowing costs
In the 2017/18 financial year, no borrowing costs were capitalised (previous year: CHF 18.3 million at a borrowing rate of between 0.2% and 2.05%).

15 Intangible assets

CHF million	Energy procurement rights, rights of use for facilities and concessions	Goodwill	Other	Total
Acquisition cost				
Balance as at 30.9.2016	**2 794.9**	**378.2**	**456.3**	**3 629.4**
Additions (investments)	0.4	0.0	14.9	15.3
Disposals	–5.5	–0.4	–3.0	–8.9
Reclassifications	151.0	0.0	–156.2	–5.2
Currency translation effect	18.7	4.1	2.5	25.3
Balance as at 30.9.2017	**2 959.5**	**381.9**	**314.5**	**3 655.9**
Change in consolidation scope	0.0	0.0	16.3	16.3
Additions (investments)	0.0	0.0	32.7	32.7
Disposals	–18.4	0.0	–1.4	–19.8
Reclassifications	9.6	0.0	–11.3	–1.7
Currency translation effects	–4.1	–1.3	–1.1	–6.5
Balance as at 30.9.2018	**2 946.6**	**380.6**	**349.7**	**3 676.9**
Accumulated amortisation				
Balance as at 30.9.2016	**–2 281.5**	**–274.6**	**–276.0**	**–2 832.1**
Amortisation in reporting period	–45.5	0.0	–6.0	–51.5
Impairment losses	–1.0	–2.2	0.0	–3.2
Impairment reversals	14.4	0.0	0.0	14.4
Disposals	2.4	0.4	2.0	4.8
Reclassifications	3.0	0.0	0.1	3.1
Currency translation effects	–3.7	–0.2	–2.3	–6.2
Balance as at 30.9.2017	**–2 311.9**	**–276.6**	**–282.2**	**–2 870.7**
Amortisation in reporting period	–49.4	0.0	–10.2	–59.6
Impairment losses	0.0	0.0	–0.1	–0.1
Disposals	18.3	0.0	1.3	19.6
Reclassifications	3.6	0.0	–0.2	3.4
Currency translation effects	1.6	0.4	0.8	2.8
Balance as at 30.9.2018	**–2 337.8**	**–276.2**	**–290.6**	**–2 904.6**
Carrying amount as at 1.10.2016	513.4	103.6	180.3	797.3
Carrying amount as at 30.9.2017	**647.6**	**105.3**	**32.3**	**785.2**
Carrying amount as at 1.10.2017	647.6	105.3	32.3	785.2
Carrying amount as at 30.9.2018	**608.8**	**104.4**	**59.1**	**772.3**

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 million	30.9.2018	30.9.2017
Axpo Italia S.p.A.	77.1	78.0
Axpo Hydro Surselva AG	27.3	27.3
Total	**104.4**	**105.3**

16 Investments in partner plants and other associates

CHF million	Partner plants	Other associates	Total
Carrying amount as at 30.9.2017	**887.8**	**500.5**	**1 388.3**
Additions	23.9	19.1	43.0
Disposals	–0.6	–17.0	–17.6
Impairment losses	0.0	–5.7	–5.7
Impairment reversals	0.0	21.0	21.0
Reclassification negative investment value	0.0	56.0	56.0
Dividend	–33.7	–12.9	–46.6
Share of profit	35.8	–7.0	28.8
Cash flow hedges (other comprehensive income)	0.0	3.6	3.6
Currency translation differences (other comprehensive income)	0.0	1.5	1.5
Remeasurement of defined benefit plans (other comprehensive income)	34.9	5.0	39.9
Deferred taxes (other comprehensive income)	–7.7	–1.2	–8.9
Currency translation effect	0.0	–0.9	–0.9
Carrying amount as at 30.9.2018	**940.4**	**562.0**	**1 502.4**

All significant partner plants and other associates are measured using uniform principles in accordance with IFRS. Where no financial statements prepared in accordance with IFRS were available, a reconciliation to IFRS accounts was prepared. The reporting date of certain partner plants and other associates deviates from that of the Axpo Group. The most recent financial statements available for these companies were used for the preparation of the consolidated financial statements of the Axpo Group. Adjustments were made in the consolidated financial statements for the effect of significant transactions and events which took place between the balance sheet date of the most recent financial statements and 30 September.
In the year under review, the line "Additions" includes capital increases at various associates. Among others, the share capital of Trans Adriatic Pipeline AG was increased by CHF 16.0 million (pro rata) and that of Aarekraftwerk Klingnau AG by CHF 23.9 million (pro rata). The line "Disposals" includes the capital reduction at Società EniPower Ferrara S.r.l. of CHF 17.2 million (pro rata) in the 2017/18 financial year. Furthermore, two companies were liquidated.
The amount of CHF 56.0 million in the line "Reclassification negative investment value" relates to the investments in Global Tech I Offshore GmbH (CHF 34.3 million) and Società EniPower Ferrara S.r.l. (CHF 21.7 million). The application of the equity method led to negative carrying amounts at 30 September 2018 which were reclassified to the impairment allowances on the loans to the two associates (see Note 18 "Other financial assets"). The loans form part of the net investments in the two associates. The negative carrying amounts mainly resulted from a negative share in result (Global Tech I Offshore GmbH) and a capital repayment and dividend distribution (Società EniPower Ferrara S.r.l.).

Partner plants

Shareholders in partner plants have obliged themselves reciprocally within the scope of the partnership agreements to pay the pro rata annual costs (incl. interest and repayment of loans). The proportional annual costs for the Axpo Group amount to CHF 741.6 million (previous year: CHF 740.9 million). These costs are included in expenses for energy procurement costs and cost of goods purchased (see Note 8 "Expenses for energy procurement, grid usage and cost of goods"). Details of the equity-accounted partner plants are given in the annual reports of the individual partner plants.
Owners of nuclear power plants have a limited obligation to make additional contributions to the decommissioning and disposal funds in the event that one of the primary obligated parties is unable to meet its payment obligations.
The Axpo Group has material investments in the nuclear partner plants Kernkraftwerk Leibstadt AG and Kernkraftwerk Gösgen-Däniken AG. A list of partner plants and other associates can be found in Note 35 "Investments".

The tables below show the key figures of the partner plants referred to above. These figures are the figures that appear in the companies' financial statements, reconciled to IFRS:

Financial information of material partner plants and other associates

CHF million	Gross value 30.9.2018		Gross value 30.9.2017	
	Kernkraftwerk Leibstadt AG	Kernkraftwerk Gösgen-Däniken AG	Kernkraftwerk Leibstadt AG	Kernkraftwerk Gösgen-Däniken AG
Balance sheet				
Non-current financial receivables	1.9	1.0	2.5	1.2
Receivables from state funds	1 943.2	2 026.8	1 857.1	1 968.2
Other fixed assets	2 347.7	1 229.4	2 406.5	1 258.2
Cash and cash equivalents and current financial receivables	177.3	82.4	70.4	112.3
Other current receivables	254.6	169.0	204.3	141.9
Total assets	**4 724.7**	**3 508.6**	**4 540.8**	**3 481.8**
Non-current financial liabilities	325.0	130.0	400.0	136.3
Non-current provisions	3 390.6	2 938.6	3 344.5	2 845.4
Non-current other liabilities	58.3	55.7	98.9	87.5
Current financial liabilities	284.6	0.0	0.0	0.0
Current provisions	135.3	33.9	131.9	36.7
Current other liabilities	57.7	39.6	121.3	95.9
Equity	473.2	310.8	444.2	280.0
Total equity and liabilities	**4 724.7**	**3 508.6**	**4 540.8**	**3 481.8**
Share (in %)	34.63%	35.95%	34.63%	35.95%
Carrying amount of the investment	**163.9**	**111.7**	**153.8**	**100.7**
Dividends received	8.6	6.3	8.6	6.3

CHF million	Gross value 2017/18		Gross value 2016/17	
	Kernkraftwerk Leibstadt AG	Kernkraftwerk Gösgen-Däniken AG	Kernkraftwerk Leibstadt AG	Kernkraftwerk Gösgen-Däniken AG
Income statement				
Income	519.9	397.5	488.2	402.5
Expenses	–497.3	–378.8	–461.9	–383.8
Profit	**22.6**	**18.7**	**26.3**	**18.7**
Statement of comprehensive income				
Other comprehensive income	31.2	29.6	44.5	46.6
Total comprehensive income	53.8	48.3	70.8	65.3
Share (in %)	34.63%	35.95%	34.63%	35.95%
Share of profit	7.8	6.7	9.1	6.7
Share of other comprehensive income	10.8	10.6	15.4	16.8
Share of total comprehensive income	18.6	17.3	24.5	23.5

The tables below show the aggregated key financial figures for the other, individually immaterial, investments in partner plants and other associates (pro rata):

Financial information of partner plants and other associates as at 30.9.2018

CHF million	Individually disclosed investments, aggregated	Partner plants	Other associates	Total
Carrying amount of the investments	275.6	664.8	562.0	1 502.4
Balance sheet				
Non-current financial receivables	1.0	28.7	23.3	53.0
Receivables from state funds	1 401.6	0.0	0.0	1 401.6
Other fixed assets	1 255.0	1 969.8	1 871.6	5 096.4
Cash and cash equivalents and current financial receivables	91.0	69.5	208.0	368.5
Other current receivables	148.9	52.8	155.6	357.3
Total assets	**2 897.5**	**2 120.8**	**2 258.5**	**7 276.8**
Non-current financial liabilities	159.3	1 052.2	1 241.0	2 452.5
Non-current provisions	2 230.6	51.1	86.6	2 368.3
Non-current other liabilities	40.2	9.9	70.6	120.7
Current financial liabilities	98.6	131.4	90.4	320.4
Current provisions	59.0	66.2	23.5	148.7
Current other liabilities	34.2	145.9	161.1	341.2
Equity	275.6	664.1	585.3	1 525.0
Total equity and liabilities	**2 897.5**	**2 120.8**	**2 258.5**	**7 276.8**
Income statement				
Income	322.9	517.7	662.1	1 502.7
Expenses	–308.4	–496.4	–669.1	–1 473.9
Profit	**14.5**	**21.3**	**–7.0**	**28.8**
Statement of comprehensive income				
Total other comprehensive income	21.4	5.8	8.9	36.1
Total comprehensive income	35.9	27.1	1.9	64.9

Financial information of partner plants and other associates as at 30.9.2017

CHF million	Individually disclosed investments, aggregated	Partner plants	Other associates	Total
Carrying amount of the investments	254.5	633.3	500.5	1 388.3
Balance sheet				
Non-current financial receivables	1.3	50.9	3.5	55.7
Receivables from state funds	1 350.7	0.0	0.0	1 350.7
Other fixed assets	1 285.7	2 083.5	1 923.8	5 293.0
Cash and cash equivalents and current financial receivables	64.8	89.2	153.0	307.0
Other current receivables	121.7	38.9	267.6	428.2
Total assets	**2 824.2**	**2 262.5**	**2 347.9**	**7 434.6**
Non-current financial liabilities	187.5	1 109.9	1 302.8	2 600.2
Non-current provisions	2 181.1	159.1	94.6	2 434.8
Non-current other liabilities	65.7	22.4	58.8	146.9
Current financial liabilities	0.0	236.5	80.9	317.4
Current provisions	58.9	4.9	21.1	84.9
Current other liabilities	76.5	96.4	192.7	365.6
Equity	254.5	633.3	597.0	1 484.8
Total equity and liabilities	**2 824.2**	**2 262.5**	**2 347.9**	**7 434.6**
Income statement				
Income	313.8	531.1	560.3	1 405.2
Expenses	–298.0	–510.9	–529.2	–1 338.1
Profit	**15.8**	**20.2**	**31.1**	**67.1**
Statement of comprehensive income				
Total other comprehensive income	32.2	8.4	17.9	58.5
Total comprehensive income	48.0	28.6	49.0	125.6

17 Subsidiaries with material non-controlling interests

A list of subsidiaries can be found in Note 35 “Investments”. The Axpo Group holds the CKW Group and Kraftwerke Linth-Limmern AG, which have material non-controlling interests. The tables below summarise the financial information of these subsidiaries. The information represents amounts as included in the subsidiaries’ financial statements, reconciled to IFRS values before intercompany eliminations:

Financial information (before intercompany eliminations)

CHF million	2017/18		2016/17	
	CKW Group	Kraftwerke Linth-Limmern AG	CKW Group	Kraftwerke Linth-Limmern AG
Non-controlling interests (in %)	19%	15%	19%	15%
Balance sheet				
Non-current assets	1 620.7	2 672.2	1 522.5	2 665.9
Current assets	820.0	87.0	768.6	90.9
Non-current liabilities	554.7	2 248.1	563.0	2 185.7
Current liabilities	319.4	145.7	256.0	206.3
Equity	1 566.6	365.4	1 472.1	364.8
Equity attributable to the non-controlling interests	297.7	54.8	279.7	54.7
Income statement				
Total income	917.1	177.8	847.2	103.3
Profit for the period	80.8	5.8	66.7	5.6
Profit for the period attributable to the non-controlling interests	15.4	0.9	12.7	0.8
Statement of comprehensive income				
Total comprehensive income	111.2	5.8	129.1	5.6
Total comprehensive income attributable to the non-controlling interests	21.1	0.9	24.5	0.8
Dividends paid to the non-controlling interests	–1.0	–0.8	–0.7	–0.8
Cash flow statement				
Cash flow from operating activities	144.6	94.6	133.9	33.5
Cash flow from investing activities	–205.5	–13.3	–55.0	–5.1
Cash flow from financing activities	–18.3	–81.3	8.0	–28.3

18 Other financial assets

CHF million	30.9.2018	30.9.2017
Available-for-sale financial assets	1 932.0	1 936.4
Loans	666.1	756.4
Impairment allowances on loans	–111.9	–58.2
Time deposits	230.0	35.0
Total	**2 716.2**	**2 669.6**

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 and loans of an equity nature with related parties with different maturities and variable rates of interest.
The time deposits are invested in financial institutions and cantons and have maturities of up to 24 months and an interest rate of between –0.5% and +0.02% (previous year: between –0.42% and –0.07%). Time deposits due for repayment within 12 months after the balance sheet date are recognised in current financial receivables (see Note 22 "Financial receivables (current)").

Non-current loan receivables (carrying amount > CHF 10 million) from related parties outstanding at the balance sheet date

CHF million	Maturity date	Interest rate 30.9.2018	Carrying amount 30.9.2018	Carrying amount 30.9.2017
Global Tech I Offshore Wind GmbH	31.12.2030	6.0% and 10.0%	28.2	75.1
Società EniPower Ferrara S.r.l.	20.06.2023	0.93% [1]	54.0	91.2
Swissgrid AG	05.01.2024	3.41% and 3.93%	176.3	281.8
Terravent AG	31.03.2042	0.75%	19.9	21.3
Trans Adriatic Pipeline AG	12.02.2038	1.75% [2]	138.5	95.8
Total			**416.9**	**565.2**

1) Variable interest rate linked to 6-month EURIBOR plus 1.2%.
2) Variable interest rate linked to 12-month euro interest rate for cross-border shareholder loans.

As part of the transfer of transmission systems to Swissgrid in 2013, 70% of the related compensation took the form of loans to Swissgrid AG. 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. A partial early repayment of CHF 52.8 million was made in 2017/18 and a further partial repayment of CHF 52.8 million is planned within the next 12 months. This portion is reported under current financial receivables (see Note 22 "Financial receivables (current)").
The increase in the impairment allowances on loans relates to the reclassification of the negative carrying amounts of the investments in Global Tech I Offshore Wind GmbH and Società EniPower Ferrara S.r.l. of CHF 56 million (see Note 16 "Investments in partner plants and other associates").

19 Assets held for sale

CHF million	30.9.2018	30.9.2017
Property, plant and equipment (Note 14)	1.4	15.7
Investment properties	0.0	3.2
Investments in partner plants and other associates	0.0	65.8
Total assets held for sale	**1.4**	**84.7**

Items of property, plant and equipment with a net carrying amount of CHF 2.2 million (previous year: CHF 15.2 million) were reclassified to "Assets held for sale" during the 2017/18 financial year. Additionally, items of property, plant and equipment held for sale with a net carrying amount of CHF 15.6 million (previous year: CHF 0.2 million) were reclassified back to property, plant and equipment since these had not been sold within 12 months and a sale is not likely at this time.
The investments in Elektrizitätswerk des Kantons Schaffhausen AG (EKS) and GeoEnergie Taufkirchen with a net carrying amount of CHF 65.8 million as at 30 September 2017 and investment properties with a net carrying amount of CHF 3.2 million as at 30 September 2017, included in the previous year under "Assets held for sale", were sold in the 2017/18 financial year.
All assets held for sale are expected to be sold within the next 12 months.

20 Inventories

CHF million	30.9.2018	30.9.2017
Nuclear fuel	99.3	99.2
Certificates held for own use	4.9	3.4
Work in progress	90.6	133.4
Materials	86.8	80.2
Inventories of other energy sources held for own use	1.5	1.0
Gas inventories held for trading	279.8	184.3
Certificates held for trading	331.3	237.5
Impairment provisions	–97.4	–110.4
Total	**796.8**	**628.6**

Wind farms from the Volkswind Group portfolio which are developed with the intention of selling them are presented as "Work in progress" in inventories.
Certificates and gas inventories acquired for resale in the near term with a view to generating a profit from fluctuations in price or dealer's margin are measured at fair value less cost to sell.
Certificates, nuclear fuel, work in progress, materials and inventories of other energy sources that are intended for own use are measured at the lower of cost or fair value.

21 Trade receivables

CHF million	30.9.2018	30.9.2017
Trade receivables	891.2	936.0
Impairment allowances for bad debts	–101.5	–96.0
Total	**789.7**	**840.0**

The necessary allowances for bad debts were calculated based on past experience and based on an assessment of individual receivables. A detailed analysis of trade receivables and allowances for bad debts is presented in Note 6 "Financial risk management".

22 Financial receivables (current)

CHF million	30.9.2018	30.9.2017
Time deposits	784.0	504.0
Other current financial receivables	239.4	136.7
Total	**1 023.4**	**640.7**

Time deposits are invested in financial institutions and cantons and have a maturity of up to 12 months and an interest rate of between –0.65% and 0.00% (previous year: between –0.61% and 0.08%). Other current financial receivables include current account balances due from related parties and short-term loans.

23 Other receivables

CHF million	30.9.2018	30.9.2017
Receivables from state funds	2 542.0	2 467.9
Receivables from pension plans	4.8	4.2
Other (financial instruments)	60.2	66.7
Other (non-financial instruments)	64.8	58.7
Impairment allowances on other receivables (financial instruments)	–38.3	–38.1
Total non-current other receivables	**2 633.5**	**2 559.4**
Accrued income and prepaid expenses (financial instruments)	3.4	3.0
Accrued income and prepaid expenses (non-financial instruments)	52.2	53.1
Advance payments to suppliers	66.8	72.8
Revenues not yet invoiced (financial instruments)	1 180.0	1 012.6
Other (financial instruments)	645.5	356.2
Other (non-financial instruments)	104.1	144.1
Total current other receivables	**2 052.0**	**1 641.8**
Total	**4 685.5**	**4 201.2**

Receivables from state funds relate to the Decommissioning Fund for Nuclear Facilities and the Disposal Fund for Nuclear Power Plants. The fair value of the state funds at the balance sheet date was CHF 2,542.0 million (previous year: CHF 2,467.9 million). As at the balance sheet date, the provisions for decommissioning and disposal of nuclear waste totalled CHF 2,899.9 million (previous year: CHF 2,812.2 million). The impact of the change in receivables from state funds on the income statement is explained in Note 12 "Financial result".

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 also suppliers are set off against trade payables, provided a netting arrangement has been agreed. The netted receivables and payables included in "Revenues not yet invoiced" and "Operating expenses not yet invoiced" total CHF 1,695.9 million (previous year: CHF 1,568.8 million; see Note 29 "Other liabilities (current)").

The line item "Other (financial instruments)" of the current other receivables mainly contains credit support annexes delivered. The credit support annexes received are reported in Note 29 "Other liabilities (current)" (see also Note 6 "Financial risk management").

24 Cash and cash equivalents

CHF million	30.9.2018	30.9.2017
Petty cash and cash at banks	1 220.9	1 372.9
Time deposits	83.9	63.9
Total	**1 304.8**	**1 436.8**

Short-term investments are available within 90 days. At the end of the reporting period, cash and cash equivalents held in Swiss francs and euros amounted to CHF 721.3 million (previous year: CHF 1,064.8 million) and CHF 349.5 million (previous year: CHF 287.7 million), respectively.

25 Equity

Share capital

The share capital of CHF 370 million consists of 37,000,000 fully paid-in registered shares with a nominal value of CHF 10 per share.

Retained earnings

The retained earnings consist of legal and statutory reserves, undistributable profits of previous years and accumulated remeasurements on pension liabilities. The calculation of the maximum distributable part of the retained earnings is based on the statutory financial statements of Axpo Holding AG.

Own shares

Shares held by Axpo or its group companies are deducted from equity at their acquisition cost. As at 30 September 2018, Centralschweizerische Kraftwerke AG owns its own registered shares with a nominal value of CHF 29,692 (previous year: CHF 29,692).

Other reserves

CHF million	Reserves from hedge accounting	Unrealised gains and losses	Foreign currency translation reserves	**Total**
Balance as at 30.9.2016	**93.0**	**233.7**	**–408.5**	**–81.8**
Foreign currency translation	9.9		65.1	**75.0**
Available-for-sale financial assets (non-current)				
Fair value adjustments		33.3		**33.3**
Gains (–)/losses (+) transferred to the income statement		–145.0		**–145.0**
Cash flow hedges				
Fair value adjustments	–348.1			**–348.1**
Gains (–)/losses (+) transferred to the income statement	–66.4			**–66.4**
Deferred tax / income tax thereon	71.8	8.8		**80.6**
Total comprehensive income, net of tax	**–332.8**	**–102.9**	**65.1**	**–370.6**
Balance as at 30.9.2017	**–239.8**	**130.8**	**–343.4**	**–452.4**
Foreign currency translation			–2.2	**–2.2**
Available-for-sale financial assets (non-current)				
Fair value adjustments		–0.7		**–0.7**
Gains (–)/losses (+) transferred to the income statement		–9.1		**–9.1**
Cash flow hedges				
Fair value adjustments	–430.7			**–430.7**
Gains (–)/losses (+) transferred to the income statement	154.5			**154.5**
Deferred tax / income tax thereon	57.4	0.9		**58.3**
Total comprehensive income, net of tax	**–218.8**	**–8.9**	**–2.2**	**–229.9**
Balance as at 30.9.2018	**–458.6**	**121.9**	**–345.6**	**–682.3**

Reserves from hedge accounting

Reserves from hedge accounting comprise unrealised changes in the value of cash flow hedging instruments in the amount of the effective portion of the hedge which are not yet realised in the income statement since the transaction underlying the hedge has not yet been recognised as income.

Unrealised gains or losses

The changes in fair value on available-for-sale investments are recognised in unrealised gains or losses until their realisation or until an impairment booking is necessary.

Foreign currency translation reserve

The foreign currency translation reserve contains the currency differences from the translation of financial statements in foreign currencies of subsidiaries and associates.

26 Financial liabilities

CHF million	Bonds	Loans	Other financial liabilities	Total
Balance as at 30.9.2017	**3 787.6**	**388.9**	**514.5**	**4 691.0**
Change in consolidation scope	0.0	0.5	0.8	1.3
Increase	46.2	112.1	1 937.2	2 095.5
Interest	2.5	0.0	0.0	2.5
Repayment	0.0	–18.3	–1 925.8	–1 944.1
Reclassifications	–30.0	–5.1	37.8	2.7
Currency translation effect	–5.4	–2.5	–2.7	–10.6
Balance as at 30.9.2018	**3 800.9**	**475.6**	**561.8**	**4 838.3**
Maturities as at 30.9.2017				
Due within 1 year	0.0	0.0	514.5	514.5
Due within 1 to 5 years	1 161.4	210.4	0.0	1 371.8
Due in more than 5 years	2 626.2	178.5	0.0	2 804.7
Total	**3 787.6**	**388.9**	**514.5**	**4 691.0**
Maturities as at 30.9.2018				
Due within 1 year	0.0	0.0	561.6	561.6
Due within 1 to 5 years	1 508.3	245.8	0.2	1 754.3
Due in more than 5 years	2 292.6	229.8	0.0	2 522.4
Total	**3 800.9**	**475.6**	**561.8**	**4 838.3**

Other financial liabilities include the financing of the wind farms built for sale, which are reported under inventories as “work in progress”. This position further contains the loans to St. Galler Kantonalbank AG with a carrying amount of CHF 15.0 million and a privately placed bond with a carrying amount of CHF 30.0 million, which are due for repayment within the next 12 months. Other financial liabilities also include current account liabilities.

Bonds outstanding at the balance sheet date

CHF million	Maturity date	Effective interest rate 30.9.2018	Carrying amount 30.9.2018	Carrying amount 30.9.2017
Axpo Holding AG, CHF 429.8 million nominal value, 2.625% fixed rate	26.02.2020	3.16%	428.7	428.0
Axpo Holding AG, CHF 350 million nominal value, 1.75% fixed rate	29.05.2024	1.79%	349.2	349.1
Axpo Holding AG, CHF 300 million nominal value, 3.125% fixed rate	26.02.2025	3.25%	298.1	297.8
Kraftwerke Linth-Limmern AG, CHF 170 million nominal value, 0.5% fixed rate	09.09.2021	0.53%	169.8	169.8
Kraftwerke Linth-Limmern AG, CHF 200 million nominal value, 2.75% fixed rate	10.03.2022	2.97%	198.7	198.4
Kraftwerke Linth-Limmern AG, CHF 170 million nominal value, 1.5% fixed rate	06.12.2022	1.56%	169.6	169.5
Kraftwerke Linth-Limmern AG, CHF 200 million nominal value, 2.75% fixed rate	09.06.2023	2.87%	199.0	198.8
Kraftwerke Linth-Limmern AG, CHF 245 million nominal value, 2.0% fixed rate	11.12.2023	2.05%	244.4	244.2
Kraftwerke Linth-Limmern AG, CHF 270 million nominal value, 1.25% fixed rate	11.09.2024	1.31%	269.2	269.0
Kraftwerke Linth-Limmern AG, CHF 175 million nominal value, 2.375% fixed rate [1]	10.12.2026	2.47%	175.2	129.0
Kraftwerke Linth-Limmern AG, CHF 125 million nominal value, 2.875% fixed rate	30.06.2031	3.11%	122.2	122.0
Kraftwerke Linth-Limmern AG, CHF 150 million nominal value, 2.875% fixed rate	27.03.2042	2.90%	149.4	149.3
Kraftwerke Linth-Limmern AG, CHF 160 million nominal value, 3.0% fixed rate	02.04.2048	2.97%	160.8	160.8
Kraftwerke Linth-Limmern AG, CHF 200 million nominal value, 3.0% fixed rate	27.09.2052	3.01%	199.7	199.7
Total			**3 134.0**	**3 085.4**

1) In March 2018, the bond was increased from CHF 130.0 million to CHF 175.0 million.

All bonds listed above are carried at amortised cost using the effective interest method and are listed on the SIX Swiss Exchange. The fair value of the fixed-interest bonds outstanding on the balance sheet date amounts to CHF 3,208.1 million (previous year: CHF 3,175.8 million).

In addition to the bonds listed above, there are financial liabilities from private placements with a total carrying amount of CHF 666.9 million (previous year: CHF 702.2 million) with maturities of 2 to 23 years (previous year: 2 to 24 years) and an interest rate of 0.43% to 3.875% (previous year: 1.1% to 3.875%). As at the balance sheet date, the fair value of the privately placed bonds was CHF 664.4 million (previous year: CHF 705.7 million).

Non-current loans (carrying amount > CHF 10 million) outstanding at the balance sheet date

CHF million	Maturity date	Interest rate 30.9.2018	Carrying amount 30.9.2018	Carrying amount 30.9.2017
Bremer Landesbank	30.12.2031	1.45%	20.1	0.0
Bremer Landesbank	30.12.2033	2.80%	13.6	0.0
Bremer Landesbank	30.12.2032	2.20%	14.2	0.0
Glarner Kantonalbank	30.10.2025	1.50%	35.0	35.0
Graubündner Kantonalbank	17.08.2027	2.08%	13.0	13.0
Graubündner Kantonalbank	02.08.2022	2.42%	20.0	20.0
Graubündner Kantonalbank	22.09.2030	1.64%	15.0	15.0
Hera S.p.A.	30.05.2025	1.20%	16.5	19.5
Pax, Schweizerische Lebensversicherungs-Gesellschaft AG	13.08.2020	2.25%	20.0	20.0
PostFinance AG	16.09.2022	1.15%	20.0	20.0
PostFinance AG	20.03.2028	1.57%	22.0	0.0
St. Galler Kantonalbank AG	30.08.2019	1.18%	0.0	15.0
St. Galler Kantonalbank AG	17.04.2023	1.94%	15.0	15.0
Zürcher Kantonalbank	19.03.2025	1.50%	15.0	0.0
Total			**239.4**	**172.5**

In addition to the above-listed loans from Bremer Landesbank, there were other non-current financial liabilities, related to wind farms, outstanding. At the balance sheet date they amount to CHF 83.2 million (previous year: CHF 86.0 million), with interest rates ranging from 0.00% to 5.65% (previous year: 1.5% to 5.65%). These loans are being repaid in tranches until 2033 at the latest.

27 Other liabilities (non-current)

CHF million	30.9.2018	30.9.2017
Assigned energy procurement and usage rights	68.9	73.3
Pension liability (Note 30)	19.1	207.4
Other (financial instruments)	40.3	54.1
Other (non-financial instruments)	161.3	165.5
Total	**289.6**	**500.3**
Maturities at the end of the financial year: 1)		
Due within 1 year	4.3	4.0
Due within 1 to 5 years	115.5	130.3
Due in more than 5 years	169.8	366.0
Total	**289.6**	**500.3**

1) In the case of 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 the income statement on a straight-line basis over the life of the relevant usage rights.
Furthermore, the day-one profit resulting from long-term contracts, which is measured based on partially unobservable input data, is recognised under other non-current liabilities (financial instruments) (see Note 6 “Financial risk management”).

28 Provisions

CHF million	Post-operation, decommissioning, disposal	Onerous energy procurement contracts	Other provisions	Total
Balance as at 30.9.2017	**2 812.2**	**1 445.6**	**197.0**	**4 454.8**
Change in consolidation scope	0.0	0.0	−2.5	−2.5
Increase 1)	42.4	9.6	101.9	153.9
Interest	96.2	40.0	4.6	140.8
Reversal 2)	−18.2	−3.6	−12.3	−34.1
Usage	−32.7	−191.0	−22.9	−246.6
Reclassifications	0.0	−0.4	0.6	0.2
Currency translation effect	0.0	0.0	−1.6	−1.6
Balance as at 30.9.2018	**2 899.9**	**1 300.2**	**264.8**	**4 464.9**
Current portion of provisions	58.3	196.1	52.6	307.0
Non-current portion of provisions	2 841.6	1 104.1	212.2	4 157.9
Total	**2 899.9**	**1 300.2**	**264.8**	**4 464.9**

1) The line item “Increase” of the “Post-operation, decommissioning, disposal” provision and “Other provisions” contains amounts of CHF 12.2 million and CHF 2.3 million not recognised in profit or loss which are related to the allocation of the acquisition costs of the Beznau nuclear power plant and wind farms in France, respectively. IFRIC 1 was applied to reverse the provision. CHF 12.4 million was capitalised under “Power plants” (see Note 14 “Property, plant and equipment”) and CHF 2.1 million under “Work in progress” (see Note 20 “Inventories”).
2) In August 2016, the operating companies of nuclear power plants agreed among themselves on a cost distribution methodology for Nagra's costs that deviated from the Nagra financing agreement, with the aim of finally settling the past by 31 December 2015 and transferring future practice to a new contractual basis. The new contractual basis resulted in a compensation for costs incurred by the contracting parties in the 2017/18 financial year. As a result, the provision for “Post-operation, decommissioning, disposal” which was created in accordance with IFRIC 1, was not reduced by CHF 18.2 million in the line “Reversal” through profit or loss. Instead, the CHF 18.2 million were booked under “Power plants” (see Note 14 “Property, plant and equipment”) as “Disposals”.

Expected cash outflows from provisions

CHF million	Post-operation, decommissioning, disposal	Onerous energy procurement contracts	Other provisions	Total
Due within 1 year	58.3	196.1	52.6	307.0
Due in 1 to 5 years	173.4	379.2	178.4	731.0
Due in more than 5 years	2 668.2	724.9	33.8	3 426.9
Total	**2 899.9**	**1 300.2**	**264.8**	**4 464.9**

Provisions for "Post-operation, decommissioning, disposal"
Provisions for "Post-operation, decommissioning, 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 post-operation obligations and fuel in the last reactor core which can no longer be used. Provisions were compounded using an interest rate of 3.5%.

Provisions for "Onerous energy procurement contracts"
The provision of CHF 1,300.2 million for "Onerous energy procurement contracts" covers identifiable losses from the procurement of electricity from power-generation plants and from long-term supply contracts. See Note 11 "Impairment losses, impairment reversals and provisions for onerous energy procurement contracts" for details on the valuation.

"Other provisions"
On the basis of the Federal Court ruling of 20 July 2016 concerning the calculation of electricity tariffs and the associated uncertainty regarding the method of calculation of production costs for the tariff years not yet assessed since 2008/09, a provision of CHF 96.4 million (previous year: CHF 80.2 million) has been recognised in the balance sheet of the CKW Group as at 30 September 2018. The provision is recognised in the CKW segment. For further information, please see Note 5 "Estimation uncertainties and significant judgements in the application of accounting policies".
The item "Other provisions" also includes provisions of CHF 33.2 million for onerous energy sales contracts in the retail business. The related procurement contracts are measured at fair value. The item also includes provisions of CHF 27.4 million for storage contracts resulting from lost arbitration proceedings, personnel obligations and the cost of dismantling wind farms.

29 Other liabilities (current)

CHF million	30.9.2018	30.9.2017
Accrued expenses and deferred income (non-financial instruments)	63.5	38.8
Accrued expenses and deferred income (financial instruments)	46.4	45.5
Operating expenses not yet invoiced	1 448.1	1 173.8
Advance payments from customers	61.1	49.2
Other (financial instruments)	560.1	220.4
Other (non-financial instruments)	65.9	35.2
Total	**2 245.1**	**1 562.9**

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 also suppliers are set off against trade payables, provided a netting arrangement has been agreed. The offset receivables and payables included in revenues not yet invoiced and operating expenses not yet invoiced amount to CHF 1,695.9 million (previous year: CHF 1,568.8 million; see Note 23 "Other receivables"). The line item Other (financial instruments) mainly contains credit support annexes received. The credit support annexes delivered are reported in Note 23 "Other receivables" (see also Note 6 "Financial risk management").

30 Employee benefits

The Axpo Group has several pension plans in accordance with national legislation in each country. Most companies belong to the PKE-CPE Vorsorgestiftung Energie pension foundation, a legally independent pension fund which qualifies as a defined benefit plan under IAS 19. In addition, there are only insignificant defined benefit and defined contribution plans.
PKE-CPE Vorsorgestiftung Energie is a pension fund with the legal form of a foundation and pension fund under the Swiss Civil Code (ZGB) and the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG). The objective of the foundation is to provide occupational benefits in accordance with the BVG and its ordinances, protecting the employees of the affiliated companies and their families and survivors against the financial consequences of old age, invalidity and death. The pension fund is an independent, all-inclusive pension fund, and the contributions and benefits exceed the minimum legal requirements. The Board of Trustees is the most senior governing body of PKE-CPE Vorsorgestiftung Energie. It is composed of an equal number of employee and employer representatives of the affiliated companies and constitutes itself. The pension fund regulations and the organisational regulations define the benefits provided by PKE-CPE Vorsorgestiftung Energie and their financing, the organisation and administration, and the relationship with the affiliated companies and with the active insured members and the pensioners.

The employer and employee contributions are defined as a percentage of the insured salary. The old-age pension is determined by multiplying the balance of the retirement savings capital at retirement with the conversion rate defined in the regulations. The employee may draw the pension benefits as a lump-sum payment. The invalidity pension and the spouse's pension are defined as a percentage of the insured salary. The plan assets are invested by PKE-CPE Vorsorgestiftung Energie jointly for all affiliated companies which share the actuarial and the investment risks of the pension fund. The Board of Trustees is responsible for the investment of the plan assets. The organisation of the investment activities and the related competencies are specified in the investment regulations and investment strategy. The pension fund is exposed to actuarial and investment risks. The investments are made such that the benefits can be paid when they come due. In the event of underfunding, the Board of Trustees, in collaboration with the recognised actuarial expert, implements suitable measures to eliminate the underfunding. If necessary, the interest rate on the retirement savings capital, the benefits in excess of the minimum requirement under BVG and their financing may be adjusted to bring them into line with the funds available. If other measures are not sufficient, PKE-CPE Vorsorgestiftung Energie may require the employer to pay additional contributions to eliminate the underfunding.
Due to increasing life expectancy, persistently low interest rates and the subdued growth of forecasted returns, the Board of Trustees has agreed on various measures to ensure the financial stability of PKE-CPE Vorsorgestiftung Energie. The key components of the measures are the reduction of the conversion rate and the introduction of additional obligatory employer contributions. Furthermore, the active members will receive a special capital contribution to their individual retirement assets of 13%. The financial impact of the compensation measures was netted against the effect of the reduction of the conversion rate. This resulted in a net change in the income statement of zero. The remaining part of the financial impact of the compensation measures represents a supplementary interest that is treated as actuarial loss and recognised in comprehensive income.

Pension liability according to the balance sheet

CHF million	30.9.2018	30.9.2017
Present value of defined benefit obligation as at 30.9.	2 604.1	2 685.1
Fair value of plan assets as at 30.9.	2 585.5	2 477.7
Pension liability recognised in the balance sheet as at 30.9.	**18.6**	**207.4**
thereof recognised as separate asset	–0.5	0.0
thereof recognised as separate liability (Note 27)	19.1	207.4

Pension costs in income statement

CHF million	2017/18	2016/17
Current service cost	61.2	70.1
Interest expense on defined benefit obligation	16.1	5.5
Interest income on plan assets	–14.8	–4.4
Administration cost excluding asset management cost	1.3	1.4
Pension cost in income statement (Note 9)	**63.8**	**72.6**
thereof service cost and administration cost	62.5	71.5
thereof net interest expense/(income)	1.3	1.1

Pension costs in other comprehensive income

CHF million	2017/18	2016/17
Actuarial (gains)/losses on defined benefit obligation	–123.3	–138.9
(Gains)/losses on plan assets excluding interest income	–87.1	–198.0
Pension cost recognised in other comprehensive income	**–210.4**	**–336.9**

Change in pension liability reported in the balance sheet

CHF million	2017/18	2016/17
Pension liability as at 1.10.	207.4	513.9
Pension cost recognised in the income statement	63.8	72.6
Pension cost recognised in other comprehensive income	–210.4	–336.9
Employer contributions	–42.4	–42.2
Effect of business combinations	0.2	0.0
Pension liability as at 30.9.	**18.6**	**207.4**

Change in the fair value of plan assets

CHF million	2017/18	2016/17
Fair value of plan assets as at 1.10.	2 477.7	2 328.0
Interest income on plan assets	14.8	4.4
Employer contributions	42.4	42.2
Employee contributions	26.4	25.7
Benefits paid in/(out)	–71.1	–120.6
Gains/(losses) on business combinations	8.2	0.0
Return on plan assets excluding interest income	87.1	198.0
Fair value of plan assets as at 30.9.	**2 585.5**	**2 477.7**

Change in the present value of the defined benefit obligation

CHF million	2017/18	2016/17
Present value of defined benefit obligation as at 1.10.	2 685.1	2 841.9
Interest expense on defined benefit obligation	16.1	5.5
Current service cost	61.2	70.1
Employee contributions	26.4	25.7
Benefits paid in/(out)	–71.1	–120.6
Effect of business combinations	8.4	0.0
Administration cost excluding asset management cost	1.3	1.4
Actuarial (gains)/losses on defined benefit obligation	–123.3	–138.9
Present value of defined benefit obligation as at 30.9.	**2 604.1**	**2 685.1**

Breakdown of defined benefit obligation

CHF million	30.9.2018	30.9.2017
Present value of defined benefit obligation for active members	1 309.6	1 288.7
Present value of defined benefit obligation for pensioners	1 294.5	1 396.4

Actuarial gains/losses on defined benefit obligation

CHF million	2017/18	2016/17
Actuarial (gains)/losses on defined benefit obligation from		
changes in financial assumptions	–92.3	–137.2
changes in demographic assumptions	–77.9	–35.7
experience adjustments	46.9	34.0
Actuarial (gains)/losses on defined benefit obligation	**–123.3**	**–138.9**

Actuarial assumptions

	30.9.2018	30.9.2017
Discount rate for active members	1.0	0.7
Discount rate for pensioners	0.8	0.5
Expected future salary increase	0.5	0.5
Expected future pension increase	0.0	0.0

The discount rate is determined on the basis of the return from Swiss and foreign corporate bonds that are listed on the Swiss Stock Exchange (SIX). Only institutions whose bonds are rated with one of the two highest credit quality categories (AAA and AA) are considered. Wage growth is based on the long-term expectations of Axpo. Additionally, wage increases according to valid collective working agreements or other contractual commitments are considered. In the financial year 2017/18, life expectancy was calculated for the first time using a projection of future mortality improvement according to the Continuous-Mortality-Investigation (CMI) model based on observed actual mortality data in Switzerland. A future mortality improvement rate of 1.25% is used for the calculation. The initial application of the CMI model resulted in a reduction of the net pension liabilities of CHF 77.9 million, which was recorded in comprehensive income as a change in estimate. In the prior year, the calculation of life expectancy was based on the BVG 2015 generation tables.

Sensitivities of the key actuarial assumptions

The calculation of the defined benefit obligation is especially sensitive to changes in the discount rate, assumptions regarding salary trends and changes in life expectancy. The discount rate was reduced by 0.25% and the expected salary change was increased by the same figure. Sensitivity to mortality rates was calculated by reducing/raising the mortality rate by a fixed factor such that the life expectancy for the majority of age categories was raised/reduced by approximately one year. The following table summarises the present value of the defined benefit obligation which would result from applying the above-mentioned assumptions:

CHF million	30.9.2018	30.9.2017
Discount rate (–0.25% change)	2 694.8	2 786.7
Discount rate (+0.25% change)	2 518.9	2 589.9
Salary trend (–0.25% change)	2 596.4	2 675.6
Salary trend (+0.25% change)	2 611.8	2 694.8
Life expectancy (–1 year change)	2 521.3	2 594.0
Life expectancy (+1 year change)	2 685.5	2 774.9

Estimate of employer and employee contributions for subsequent period

CHF million	30.9.2018	30.9.2017
Expected employer contributions	42.4	40.9
Expected employee contributions	26.5	25.4

Major categories of plan assets

CHF million	30.9.2018	30.9.2017
Cash and cash equivalents	10.6	59.4
Equity instruments	1 042.5	977.7
Debt instruments	745.4	710.4
Real estate	135.1	147.5
Others	278.4	235.2
Total plan assets at fair value (quoted market price)	**2 212.0**	**2 130.2**
Real estate	373.5	347.5
Total plan assets at fair value (non-quoted market price)	**373.5**	**347.5**
Total plan assets at fair value	**2 585.5**	**2 477.7**

Maturity profile of the defined benefit obligation

	30.9.2018	30.9.2017
Weighted average duration of defined benefit obligation in years	13.4	14.5

31 Transactions with related parties

Based on their shareholdings, the Canton of Zurich (18.3%), Electricity Utilities of 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 35 “Investments”. Transactions between the Axpo Group and PKE-CPE Vorsorgestiftung Energie are shown in Note 30 “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 Executive Board and other key parties.
The principal terms and conditions governing relationships with related parties are explained under “Intragroup transactions” in Note 3 “Consolidation principles”.

Transactions between the Axpo Group and related parties in 2017/18

CHF million	Shareholders	Partner plants	Associates
Total income			
Revenues from energy sales and grid usage	434.5	36.3	164.6
Other operating income	–2.4	6.8	17.6
Operating expenses			
Expenses for energy procurement, grid usage and cost of goods purchased	–15.9	–741.6	–258.8
Expenses for materials and third-party supplies	–2.0	–1.4	–9.6
Other operating expenses	–14.4	0.1	–0.6
Financial result			
Financial result	–3.0	–26.7	25.4
Income tax			
Income tax expense	0.8	0.0	0.0

Open positions with related parties at the balance sheet date

CHF million	Shareholders	Partner plants	Associates
Non-current assets			
Intangible assets	15.2	17.2	9.0
Positive replacement values	35.6	0.8	18.6
Other financial assets	105.0	80.5	472.0
Current assets			
Trade receivables	44.0	2.3	24.7
Financial receivables	90.0	114.5	64.7
Positive replacement values	11.7	0.5	14.8
Other receivables	11.6	62.0	23.0
Cash and cash equivalents	223.0	0.0	0.0
Liabilities (non-current)			
Financial liabilities	80.5	0.0	0.0
Negative replacement values	29.0	0.9	17.0
Other liabilities	17.9	3.6	20.4
Liabilities (current)			
Trade payables	1.4	16.3	17.0
Financial liabilities[1]	0.3	291.7	6.0
Current tax liabilities	1.3	0.0	0.0
Negative replacement values	32.6	1.7	7.3
Other liabilities	10.1	59.0	38.1

1) The financial liabilities to partner plants are short-term current account liabilities with an interest rate of CHF 1W LIBOR.

Transactions between the Axpo Group and related parties in 2016/17

CHF million	Shareholders	Partner plants	Associates
Total income			
Revenues from energy sales and grid usage	485.4	38.9	133.3
Other operating income	2.4	7.4	146.3
Operating expenses			
Expenses for energy procurement, grid usage and cost of goods purchased	–23.0	–740.9	–262.1
Expenses for materials and third-party supplies	–1.0	–1.3	–0.4
Other operating expenses	–10.4	0.1	–5.0
Financial result			
Financial result	–4.3	–13.1	48.6
Income tax			
Income tax expense	–9.9	0.0	0.0

Open positions with related parties at the balance sheet date

CHF million	Shareholders	Partner plants	Associates
Non-current assets			
Intangible assets	17.0	12.1	9.0
Positive replacement values	5.5	0.0	8.6
Other financial assets	5.0	83.1	613.5
Current assets			
Assets held for sale	0.0	0.0	65.8
Trade receivables	22.2	6.7	12.4
Financial receivables	110.0	24.6	13.4
Current tax assets	0.3	0.0	0.0
Positive replacement values	1.5	1.3	10.2
Other receivables	11.6	112.0	13.0
Cash and cash equivalents	494.5	0.0	0.0
Liabilities (non-current)			
Financial liabilities	69.0	0.0	0.0
Negative replacement values	28.6	2.9	5.8
Other liabilities	19.2	4.0	20.5
Liabilities (current)			
Trade payables	2.0	23.2	18.3
Financial liabilities[1)]	2.0	168.2	3.7
Current tax liabilities	1.5	0.0	0.0
Negative replacement values	9.3	4.7	3.0
Other liabilities	6.0	16.1	37.5

1) The financial liabilities to partner plants are short-term current account liabilities with an interest rate of CHF 1W LIBOR.

Remuneration to the Board of Directors and Executive Board

CHF million	2017/18	2016/17
Board of Directors		
Current employee benefits	1.2	1.3
Total	**1.2**	**1.3**
Executive Board		
Current employee benefits	3.8	3.8
Pension fund contributions	0.8	0.8
Total	**4.6**	**4.6**

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 27 "Remuneration paid to the Board of Directors and the Executive Board" of the separate financial statements of Axpo Holding AG.

32 Pledged assets

CHF million	30.9.2018	30.9.2017
Investments	2.3	0.0
Property, plant and equipment	196.5	129.0
Inventories	62.4	104.3
Other	166.8	158.2
Total	**428.0**	**391.5**

Pledged property, plant and equipment are related to the wind farms in France and Germany built for own use, whereas pledged inventories are related to the wind farms in France and Germany built for sale. The line item "Other" is mainly related to pledged cash.

33 Contingent liabilities and contingent assets

CHF million	30.9.2018	30.9.2017
Liabilities to capital payments	123.3	166.7
Delivery and purchase commitments	446.2	434.9
Other contingent liabilities	6.5	19.3
Total	**576.0**	**620.9**

In the event of a claim, power plant operators that are affiliated with 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 4.6 million (previous year: CHF 4.6 million). In the 2017/18 financial year, an insurance policy was concluded with the European ELINI insurance pool with an additional contribution requirement of CHF 1.8 million (previous year: CHF 1.8 million).
Owners of nuclear power plants have a limited subsequent payment obligation to the decommissioning and disposal funds 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 364.8 million (previous year: CHF 395.1 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.
The Canton of Glarus and the Axpo Group are currently engaged in a dispute regarding the relative responsibilities of the parties, as set forth in the memorandum of association for the construction and operation of the Linth-Limmern power plants, and the share of costs to be borne by each for the Limmern pumped-storage power plant (PSW Limmern) stage of expansion. The Axpo Group is of the opinion that the costs are to be covered in the same ratio as the respective parties' shareholdings, whereby the Canton of Glarus believes that the costs are to be borne by Axpo in full. If the court rules against Axpo, Axpo will have to bear the costs of PSW Limmern alone and yet could also realise 100% of the proceeds.

There is 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.
In the past financial year, Axpo decided to participate in an amnesty offered by the Italian government, which was available to all tax payers for the legal cases related to VAT for the financial years 2006 to 2009. The amnesty represents a definitive ascertainment that Italian suppliers erroneously charged VAT to Axpo Solutions AG. Therefore, Axpo Solutions AG will reclaim the incorrectly invoiced VAT from the different suppliers. Up to now the incorrectly invoiced VAT has been reclaimed from group-internal and associated suppliers only. These companies are reclaiming the tax repaid to Axpo Solutions AG from the Italian tax authority. As a result, a contingent asset in the amount of EUR 15.8 million against the Italian tax authority from group-internal reclaims arose for Axpo Solutions Group.
With the entry into force of the new Energy Act (EnG) on 1 January 2018, the operators of large-scale hydroelectric power plants that have to sell their power on the market for less than the full generation costs (including a return on equity) are entitled to a market premium. To assert a claim for a market premium, Axpo had to submit an application containing the complete documents by no later than 31 May. The Swiss Federal Office for Energy sent the first ruling for the 2018 market premium to the applicants on 8 November 2018. It states that the proportion of the market premium, to which Axpo is entitled, amounts to CHF 32.5 million. Since requests for market premiums in financial year 2018 exceeded the amount of the available funds, the market premium was reduced by a provisional factor of 0.85 on a straight-line basis for all eligible recipients. The applicants may appeal against this ruling through the Federal Administrative Court within 30 days. The Axpo management is currently examining its legal options regarding an appeal. Axpo has neither recognised a receivable nor a respective earning in the 2017/18 financial year as the first ruling was received during the new financial year, it is not yet legally binding and the uncertainty regarding the amount of the market premium is material.
In connection with a gas procurement contract, a court of first instance acknowledged Axpo's claim with respect to the direct damage it suffered due to the counterparty's breach. A compensation of EUR 14.8 million plus interest was awarded to Axpo, which has not yet been recognised in the income statement. However, the court did not uphold the main point of Axpo's claim and the compensation awarded was lower than the damage amount sought. The counterclaim filed by the counterparty was dismissed by the court in full. Axpo has the right to appeal the decision reached by the first instance within six months of the ruling's disclosure. Axpo's management is currently evaluating its options.
There were contingent assets of around CHF 10 million in the previous year for compensation in connection with the transfer of the transmission grid and the corresponding plants to Swissgrid. Both the conclusion of the proceedings and the payment of the subsequent settlement of CHF 10.6 million to Kraftwerke Linth-Limmern AG and Kraftwerke Vorderrhein AG took place during the 2017/18 financial year (see Note 5 "Estimation uncertainties and significant judgements in the application of accounting policies").
For obligations in connection with partner plants, please refer to Note 16 "Investments in partner plants and other associates".

34 Events after the balance sheet date

There were no events after the balance sheet date which would have to be disclosed.

35 Investments

	Domicile	Balance sheet date	Currency	Registered capital in millions	Share of votes in %	Share of capital in %	Purpose
Group companies							
Avectris AG	Baden	30.09.	CHF	0.1	65.6	65.6	D
Axpo AG	Baden	30.09.	CHF	0.1	100.0	100.0	S
Axpo Power AG	Baden	30.09.	CHF	360.0	100.0	100.0	P
Axpo Grid AG	Baden	30.09.	CHF	0.1	100.0	100.0	N
Axpo Hydro AG	Baden	30.09.	CHF	0.1	100.0	100.0	P
Axpo Hydro Surselva AG	Domat/Ems	30.09.	CHF	0.1	100.0	100.0	P
Axpo Kleinwasserkraft AG	Baden	30.09.	CHF	11.0	100.0	100.0	P
Axpo Kompogas AG	Baden	30.09.	CHF	30.3	100.0	100.0	P
Axpo Kompogas Engineering AG	Baden	30.09.	CHF	2.5	100.0	100.0	S
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	97.1	97.1	P
Berom AG	Brügg	30.06.	CHF	0.4	66.8	66.8	D
Fricompost Freiburgische Grünentsorgungs-gesellschaft AG	Hauterive	30.09.	CHF	0.5	100.0	100.0	S
Kompogas Utzenstorf AG	Utzenstorf	30.09.	CHF	2.3	59.3	59.3	P
Kompogas Winterthur AG	Winterthur	30.09.	CHF	4.0	52.0	52.0	P
Axpo Suisse AG	Baden	30.09.	CHF	0.1	100.0	100.0	V
Axpo Tegra AG	Domat/Ems	30.09.	CHF	2.1	100.0	100.0	P
Axpo WZ-Systems AG	Lupfig	30.09.	CHF	0.4	80.0	80.0	D
BLUnet Schweiz AG	Lupfig	30.09.	CHF	0.1	100.0	100.0	D
Elblox AG [1)]	Baden	30.09.	CHF	0.1	96.0	96.0	D
Kraftwerk Eglisau-Glattfelden AG	Glattfelden	30.09.	CHF	20.0	100.0	100.0	P
Kraftwerk Fätschbach AG	Glarus Süd	30.09.	CHF	1.0	100.0	100.0	P
Kraftwerk Löntsch AG	Glarus	30.09.	CHF	9.0	100.0	100.0	P
Kraftwerk Rüchlig AG	Aarau	30.09.	CHF	20.0	100.0	100.0	P
Kraftwerke Ilanz AG	Ilanz	30.09.	CHF	50.0	85.0	85.0	P
Kraftwerke Linth-Limmern AG	Glarus Süd	30.09.	CHF	350.0	85.0	85.0	P
Kraftwerke Sarganserland AG	Pfäfers	30.09.	CHF	50.0	98.5	98.5	P
Kraftwerke Vorderrhein AG	Disentis/Mustér	30.09.	CHF	80.0	81.5	81.5	P
KWWB Villnachern AG	Villnachern	30.09.	CHF	7.0	100.0	100.0	P
Axpo Services AG	Baden	30.09.	CHF	0.1	100.0	100.0	D
Axpo Solutions AG [2)]	Baden	30.09.	CHF	1 567.0	100.0	100.0	V
Albula-Landwasser Kraftwerke AG	Filisur	30.09.	CHF	22.0	75.0	75.0	P
Axpo Albania sh.a.	Tirana (AL)	31.12.	ALL	19.2	100.0	100.0	V
Axpo BH d.o.o.	Sarajevo (BA)	31.12.	BAM	1.0	100.0	100.0	V
Axpo d.o.o. Beograd	Belgrade (RS)	30.09.	RSD	49.3	100.0	100.0	V
Axpo International SA	Luxembourg (LU)	30.09.	EUR	3.8	100.0	100.0	D
Axpo Austria GmbH	Vienna (AT)	30.09.	EUR	0.04	100.0	100.0	V
Axpo Benelux SA	Brussels (BE)	30.09.	EUR	0.5	100.0	100.0	V
Axpo Bulgaria EAD [3)]	Sofia (BG)	31.12.	BGN	4.4	100.0	100.0	D
Axpo CKW France SAS	Paris (FR)	30.09.	EUR	26.4	60.0	60.0	D
Axpo Deutschland GmbH	Leipzig (DE)	30.09.	EUR	3.5	100.0	100.0	V
Axpo New Energy GmbH	Düsseldorf (DE)	30.09.	EUR	0.03	100.0	100.0	V
Axpo Energy Romania S.A.	Bucharest (RO)	30.09.	RON	12.0	100.0	100.0	V
Axpo France SAS	Lyon (FR)	30.09.	EUR	0.4	100.0	100.0	V
Axpo Gen Hellas S.A.	Athens (GR)	30.09.	EUR	0.8	100.0	100.0	I
Axpo Hungary Kft. [4)]	Budapest (HU)	30.09.	HUF	3.0	96.7 [5)]	96.7 [5)]	V

1) Formation in the 2017/18 financial year.
2) Change of company name to Axpo Solutions AG (formerly Axpo Trading AG).
3) Change of company name to Axpo Bulgaria EAD (formerly Axpo Bulgaria Services EAD).
4) In liquidation.
5) Axpo Solutions AG, Baden, holds a direct share of 3.3%.

	Domicile	Balance sheet date	Currency	Registered capital in millions	Share of votes in %	Share of capital in %	Purpose
Group companies							
Axpo Iberia S.L.	Madrid (ES)	30.09.	EUR	0.5	100.0	100.0	V
Axpo Energia Portugal, Unipessoal LDA	Lisbon (PT)	30.09.	EUR	0.1	100.0	100.0	V
Axpo Tunisia S.L.	Tunis (TN)	30.09.	TND	0.2	100.0	100.0	V
Axpo Italia S.p.A.	Genoa (IT)	30.09.	EUR	3.0	100.0	100.0	V
Axpo Energy Solutions Italia S.p.A.	Genoa (IT)	30.09.	EUR	2.0	100.0	100.0	V
Axpo Gas Service Italia S.r.l.	Genoa (IT)	30.09.	EUR	0.1	100.0	100.0	V
Axpo Netherlands BV	Amsterdam (NL)	30.09.	EUR	0.1	100.0	100.0	V
Axpo Polska Sp.z.o.o.	Warsaw (PL)	30.09.	PLN	1.3	100.0	100.0	V
Axpo Renewable Germany GmbH	Leipzig (DE)	30.09.	EUR	0.03	100.0	100.0	S
Volkswind GmbH	Ganderkesee (DE)	30.09.	EUR	0.03	100.0	100.0	D
Achte Volkswind GmbH & Co. KG	Ganderkesee (DE)	30.09.	EUR	0.01	100.0	100.0	P
Dritte Volkswind GmbH & Co. KG	Ganderkesee (DE)	30.09.	EUR	0.5 [6)]	100.0	100.0	P
Erste Volkswind GmbH & Co. KG	Ganderkesee (DE)	30.09.	EUR	0.3	100.0	100.0	P
Volkswind GmbH & Co. Wehrbleck KG [7)]	Ganderkesee (DE)	30.09.	EUR	0.01	100.0	100.0	P
Ferme éolienne d'Antezant la Chappelle SAS [8)]	Strasbourg (FR)	30.09.	EUR	0.02	100.0	100.0	I
Ferme éolienne d'Arcy-Précy SAS	Strasbourg (FR)	30.09.	EUR	0.02	100.0	100.0	I
Ferme éolienne d'Availles Thouarsais-Irais SAS	Strasbourg (FR)	30.09.	EUR	0.02	100.0	100.0	P
Ferme éolienne de Benet SAS	Strasbourg (FR)	30.09.	EUR	0.04	100.0	100.0	P
Ferme éolienne de la Chapelle Laurent SAS	Strasbourg (FR)	30.09.	EUR	0.04	100.0	100.0	P
Ferme éolienne de la Grande Pièce SAS	Strasbourg (FR)	30.09.	EUR	0.04	100.0	100.0	P
Ferme éolienne de la Haute Epine SAS	Strasbourg (FR)	30.09.	EUR	0.04	100.0	100.0	P
Ferme éolienne de Leigné Les Bois SAS	Strasbourg (FR)	30.09.	EUR	0.04	100.0	100.0	I
Ferme éolienne de Lusseray-Paizay le Tort SAS	Strasbourg (FR)	30.09.	EUR	0.02	100.0	100.0	P
Ferme éolienne de Quesnoy-sur-Airaines 3 SAS	Strasbourg (FR)	31.12.	EUR	0.04	60.0	60.0	P
Ferme éolienne des Buissons SAS	Strasbourg (FR)	30.09.	EUR	0.02	100.0	100.0	P
Ferme éolienne des Hauts Prés SAS	Strasbourg (FR)	30.09.	EUR	0.04	100.0	100.0	I
Ferme éolienne du Mont de Trême SAS	Strasbourg (FR)	30.09.	EUR	0.02	100.0	100.0	I
Ferme éolienne du Val de Noye 1 SAS	Strasbourg (FR)	30.09.	EUR	0.04	100.0	100.0	P
Ferme éolienne du Val de Noye 2 SAS	Strasbourg (FR)	30.09.	EUR	0.04	100.0	100.0	P
Le Champ Eolien de Saint Martin SAS	Strasbourg (FR)	30.09.	EUR	0.04	100.0	100.0	P
Natur-Energie GmbH & Co. Wehrbleck I KG	Ganderkesee (DE)	30.09.	EUR	0.04 [9)]	100.0	100.0	P
PBS Gesellschaft zur Nutzung regenerativer Energie mbH & Co. KG	Coesfeld (DE)	31.12.	EUR	0.1	66.7	66.7	P
PBS Verwaltungsgesellschaft zur Nutzung regenerativer Energie mbH	Coesfeld (DE)	31.12.	EUR	0.03 [9)]	66.7	66.7	S
Siebte Volkswind GmbH & Co. KG	Ganderkesee (DE)	30.09.	EUR	0.6	100.0	100.0	P
Vierte Volkswind GmbH & Co. KG	Prinzhöfte (DE)	30.09.	EUR	0.1	100.0	100.0	P
Volkswind Construction SARL	Strasbourg (FR)	30.09.	EUR	0.002	100.0	100.0	D
Volkswind Foncier SARL	Strasbourg (FR)	30.09.	EUR	0.002	100.0	100.0	S
Volkswind France SAS	Paris (FR)	30.09.	EUR	0.3	100.0	100.0	D
Volkswind GmbH & Co. Harlingerode KG	Ganderkesee (DE)	30.09.	EUR	0.3	100.0	100.0	P
Volkswind Immenrode GmbH	Ganderkesee (DE)	30.09.	EUR	0.03	100.0	100.0	P

6) Of which EUR 0.4 million paid in.
7) Formation in the 2017/18 financial year.
8) As a result of project progress, the company is fully consolidated as a group company (previously included as an associated company using the equity method).
9) Of which EUR 0.01 million paid in.

	Domicile	Balance sheet date	Currency	Registered capital in millions	Share of votes in %	Share of capital in %	Purpose
Group companies							
Volkswind NT GmbH	Ganderkesee (DE)	30.09.	EUR	0.03	100.0	100.0	S
Volkswind Service GmbH	Ganderkesee (DE)	30.09.	EUR	0.3	100.0	100.0	D
Volkswind Service France SAS	Strasbourg (FR)	30.09.	EUR	0.1	100.0	100.0	D
Volkswind Winnigstedt GmbH	Ganderkesee (DE)	30.09.	EUR	0.03	100.0	100.0	P
Wind Triangel GmbH & Co. Gevensleben KG	Ganderkesee (DE)	30.09.	EUR	0.2 10)	100.0	100.0	P
Windkraft Domnitz GmbH	Egeln (DE)	30.09.	EUR	0.03	75.0	75.0	P
Zweite Volkswind GmbH & Co. KG	Prinzhöfte (DE)	30.09.	EUR	0.5	100.0	100.0	P
Axpo Servizi Produzione Italia S.p.A.	Genoa (IT)	30.09.	EUR	0.3	100.0	100.0	D
Axpo Slovensko, s.r.o.	Bratislava (SK)	30.09.	EUR	0.1	100.0	100.0	V
Axpo Turkey Enerji A.S.	Istanbul (TR)	30.09.	TRY	13.9	100.0	100.0	V
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 EOOD	Sofia (BG)	31.12.	BGN	8.2	100.0	100.0	V
Parc éolien de St Riquier 2 SAS	Strasbourg (FR)	30.09.	EUR	0.2	100.0	100.0	P
Parc éolien Plaine Dynamique SAS	Strasbourg (FR)	30.09.	EUR	0.02	100.0	100.0	P
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	P
Consorzio Energie Rinnovabili	Naples (IT)	30.09.	EUR	0.02	49.0	49.0	P
Axpo Kosovo L.L.C.	Pristina (KOS)	31.12.	EUR	0.1	100.0	100.0	V
Axpo MK dooel Skopje	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	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.	Zagreb (HR)	30.09.	HRK	0.8	100.0	100.0	V
Axpo U.S. LLC	Wilmington DE (US)	30.09.	USD	44.0	100.0	100.0	V
Energia de la Zarza S.L.	Madrid (ES)	30.09.	EUR	0.1	100.0	100.0	I
Limited Liability Company "Axpo Ukraine" 11)	Kiev (UA)	31.12.	UAH	29.4	100.0	100.0	V
Centralschweizerische Kraftwerke AG 12)	Lucerne	30.09.	CHF	3.0	81.1	81.1	V
Axpo CKW France SAS	Paris (FR)	30.09.	EUR	26.4	40.0	40.0	D
CKW Conex AG	Lucerne	30.09.	CHF	1.0	100.0	100.0	D
Elektro-Fürst Holding AG	Hägendorf	30.09.	CHF	0.3	100.0	100.0	D
B+S Control GmbH	Hägendorf	30.09.	CHF	0.02	100.0	100.0	D
Fürst Hägendorf AG	Hägendorf	30.09.	CHF	0.1	100.0	100.0	D
Fürst Liegenschaften AG	Hägendorf	30.09.	CHF	0.1	100.0	100.0	D
Fürst Lostorf AG	Lostorf	30.09.	CHF	0.1	100.0	100.0	D
Fürst Reiden AG	Reiden	30.09.	CHF	0.1	100.0	100.0	D
Teltech GmbH	Niederwangen b. Bern	30.09.	CHF	0.02	100.0	100.0	D
SicuroCentral AG	Lucerne	30.09.	CHF	0.1	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
Kraftwerk Bristen AG	Silenen	30.09.	CHF	6.0	60.0	60.0	P
Kraftwerk Gurtnellen AG	Gurtnellen	30.09.	CHF	8.0	70.0	70.0	P
Kraftwerk Schächen AG	Bürglen UR	30.09.	CHF	6.0	51.0	51.0	P
Kraftwerk Schächental AG	Spiringen	30.09.	CHF	0.5	56.0	56.0	P
Elektrizitätswerk Schwyz AG	Schwyz	30.09.	CHF	3.0	89.9	89.9	V
Steiner Energie AG	Malters	30.09.	CHF	0.5	100.0	100.0	V
VoltControl Solutions AG	Lucerne	30.09.	CHF	0.2	51.0	51.0	D

10) Of which EUR 0.0 million paid in.
11) Formation in the 2017/18 financial year.
12) Registered shares with a nominal value of CHF 29,692 held as treasury shares.

	Domicile	Balance sheet date	Currency	Registered capital in millions	Share of votes in %	Share of capital in %	Purpose
Significant associated companies (partner plants)							
Aarekraftwerk Klingnau AG	Klingnau	30.09.	CHF	40.0	60.0	60.0	P
AG Kraftwerk Wägital	Schübelbach	30.09.	CHF	15.0	50.0	50.0	P
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern	Lucerne	31.12.	CHF	90.0	46.0 [13)]	41.4 [13)]	P
Electra-Massa AG	Naters	31.12.	CHF	20.0	13.8	13.8	P
Elektrizitätswerk Rheinau AG	Rheinau	30.09.	CHF	20.0	50.0	50.0	P
ENAG Energiefinanzierungs AG	Schwyz	31.12.	CHF	100.0	75.1 [13)]	58.2 [13)]	P
Engadiner Kraftwerke AG	Zernez	30.09.	CHF	140.0	30.0	30.0	P
Etrans AG	Laufenburg	31.12.	CHF	7.5	42.3	42.3	N
Forces Motrices de Mauvoisin SA	Sion	30.09.	CHF	100.0	68.3	68.3	P
Grande Dixence SA	Sion	31.12.	CHF	300.0	13.3	13.3	P
Kernkraftwerk Gösgen-Däniken AG	Däniken	31.12.	CHF	350.0 [15)]	37.5 [13)]	36.0 [13)]	P
Kernkraftwerk Leibstadt AG	Leibstadt	31.12.	CHF	450.0	52.7 [13)]	34.6 [13)14)]	P
Kernkraftwerk-Beteiligungsgesellschaft AG	Berne	31.12.	CHF	150.0	33.3	33.3	P
Kraftwerk Göschenen AG	Göschenen	30.09.	CHF	60.0	50.0	50.0	P
Kraftwerk Reckingen AG	Küssaberg (DE)	31.12.	EUR	1.2	20.0	20.0	P
Kraftwerk Rupperswil-Auenstein AG	Aarau	30.09.	CHF	12.0	45.0	45.0	P
Kraftwerk Ryburg-Schwörstadt AG	Rheinfelden	30.09.	CHF	30.0	13.5	13.5	P
Kraftwerk Sarneraa AG	Alpnach	30.09.	CHF	2.0	18.0	18.0	P
Kraftwerk Schaffhausen AG	Schaffhausen	30.09.	CHF	10.0	30.0	30.0	P
Kraftwerk Tschar AG	Obersaxen Mundaun	30.09.	CHF	9.2	51.0	51.0	P
Kraftwerke Hinterrhein AG	Thusis	30.09.	CHF	100.0	19.5	19.5	P
Kraftwerke Mattmark AG	Saas-Grund	30.09.	CHF	90.0	66.7 [13)]	58.3 [13)]	P
Kraftwerke Zervreila AG	Vals	31.12.	CHF	50.0	21.6	21.6	P
Officine Idroelettriche della Maggia SA	Locarno	30.09.	CHF	100.0	30.0	30.0	P
Officine Idroelettriche di Blenio SA	Blenio	30.09.	CHF	60.0	17.0	17.0	P
Rheinkraftwerk Neuhausen AG	Neuhausen	31.12.	CHF	1.0	40.0	40.0	P
Rheinkraftwerk Säckingen AG	Bad Säckingen (DE)	31.12.	EUR	5.0	25.0	25.0	P

13) Due to the disposal or acquisition of sub-holdings, the effective financially relevant equity interests in the partner plants deviates from the percentage of capital and voting rights held.

14) The direct share of capital held by Axpo in Kernkraftwerk Leibstadt AG is 34.6%. 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 in Kernkraftwerk Leibstadt AG is 38.3%.

15) Of which CHF 290.0 million paid in.

	Domicile	Balance sheet date	Currency	Registered capital in millions	Share of votes in %	Share of capital in %	Purpose
Significant associated companies (other associates)							
Albula Netz AG	Filisur	31.12.	CHF	1.7	33.3	60.0	N
Alleanza Luce&Gas S.p.A.	Villanova Di Castenaso (IT)	31.12.	EUR	5.0	5.0	5.0	D
BiEAG Biomasse Energie AG	Hünenberg	30.09.	CHF	5.4	40.4	74.1	P
BV Kompostieranlage Oensingen AG	Oensingen	30.09.	CHF	0.3	50.0	50.0	P
Centrale Eolienne Canet – Pont de Salars SAS	Paris (FR)	31.12.	EUR	0.1	49.0	49.0	P
Centrale Eolienne Gueltas Noyal-Pontivy SAS	Paris (FR)	31.12.	EUR	0.8	49.0	49.0	P
Centrale Eolienne Patay SAS	Paris (FR)	31.12.	EUR	0.1	49.0	49.0	P
Centrale Eolienne Saint Barnabé SAS	Paris (FR)	31.12.	EUR	0.1	49.0	49.0	P
Centrale Eolienne Ségur SAS	Paris (FR)	31.12.	EUR	0.1	49.0	49.0	P
Eolienne de Saugueuse S.à.r.l.	Paris (FR)	31.12.	EUR	0.001	49.0	49.0	P
Ferme Eolienne de Chambon Puyravault SAS	Paris (FR)	31.12.	EUR	0.001	50.0	50.0	I
Ferme éolienne de Fontenay-Le-Comte et xanton-Chassenon SAS	Strasbourg (FR)	31.12.	EUR	0.02	40.0	40.0	I
Global Tech I Offshore Wind GmbH	Hamburg (DE)	31.12.	EUR	1.0	24.1	24.1	P
Gold Energy-Comercializadora de Energía, S.A.	Vila Real (PT)	31.12.	EUR	1.5	25.0	25.0	V
Grischelectra AG	Chur	30.09.	CHF	1.0[16]	20.0	20.0	V
IEL Exploitation 28 Sarl	Saint Brieuc (FR)	31.12.	EUR	0.001	25.0	25.0	P
Kompogas Bioriko AG	Klingnau	30.09.	CHF	0.1	50.0	50.0	P
KW Seedorf AG	Seedorf UR	30.09.	CHF	1.0	20.0	20.0	P
NIS AG	Sursee	31.12.	CHF	1.0[17]	25.0	25.0	S
Ökopower AG	Ottenbach	31.12.	CHF	0.5	50.0	50.0	S
Parc Eolien de Varimpré SAS	Paris (FR)	31.12.	EUR	0.04	49.0	49.0	P
Parc Eolien des Vatines SAS	Paris (FR)	31.12.	EUR	0.8	49.0	49.0	P
Parc Eolien du Clos Bataille SAS	Paris (FR)	31.12.	EUR	0.4	49.0	49.0	P
Parque Eólico la Peñuca S.L.	Ponferrada (ES)	31.12.	EUR	3.3	46.0	46.0	P
Realta Biogas AG	Cazis	30.09.	CHF	0.7	41.7	41.7	P
Repower AG	Brusio	31.12.	CHF	7.4	12.7	12.7	V
Società EniPower Ferrara S.r.l.	San Donato Milanese (IT)	31.12.	EUR	140.0	49.0	49.0	P
Sogesa SA	Le Chable	30.09.	CHF	2.0	30.0	30.0	V
SV Kompostieranlage Bellach AG	Bellach	30.09.	CHF	0.1	50.0	50.0	S
Swissgrid AG	Aarau	31.12.	CHF	318.1	37.6	37.6	N
Terravent AG	Lucerne	30.09.	CHF	15.0	25.0	25.0	S
Trans Adriatic Pipeline AG	Baar	31.12.	CHF	1 054.2	5.0	5.0	I
Windpark Lindenberg AG	Beinwil (Freiamt)	30.09.	CHF	0.1	25.0	25.0	P
Zwilag Zwischenlager Würenlingen AG	Würenlingen	31.12.	CHF	5.0	24.3	24.3	S

16) Of which CHF 0.2 million paid in.
17) Of which CHF 0.8 million paid in.

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

Share of votes in %:
Direct legal share of voting rights

Share of capital in %:
Direct share of capital (including sub-participations)

KPMG

Statutory Auditor's Report

To the General Meeting of Axpo Holding AG, Baden

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Axpo Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of balance sheet as at 30 September 2018 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 7 to 72) give a true and fair view of the consolidated financial position of the Group as at 30 September 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards, Our responsibilities under those provisions and standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Valuation of property, plant and equipment (PPE), intangible assets, energy procurement contracts as well as investments in partner plants

Classification and valuation of energy derivatives

Completeness and accuracy of provisions for the decommissioning and nuclear waste disposal

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Valuation of property, plant and equipment (PPE), intangible assets, energy procurement contracts as well as investments in partner plants

Key Audit Matter

As at 30 September 2018, the company recognised net impairment reversals and net provisions amounting to CHF 21.6 million in total, whereas the item "Depreciation, amortisation and impairments" was credited with CHF 27.6 million and the item "Expenses for energy procurement, grid usage and cost of goods purchased" was debited with CHF 6.0 million The carrying amounts of PPE and intangible assets recovered CHF 14.1 million.

Axpo Group owns PPE, intangible assets, energy procurement contracts and investments in partner plants whose profitability and valuation depend on various valuation parameters. Especially future energy prices, expected production costs, developments in exchange rates of foreign currencies, the useful lives and discount rates estimates are subject to considerable discretion.

In this respect, Management assesses every year whether there are indications for impairments or impairment reversals, or provision requirements due to significant changes that could influence the relevant valuation parameters.
Should there be such indications, the carrying value is compared to the recoverable amount (value in use) or the expected loss.
The value in use or expected loss is determined by modeling the discounted cash flows based on the estimated valuation parameters.

Our response

Our audit procedures consisted, amongst others, of assessing the methodological and mathematical accuracy of the model used for the valuation and of determining the adequacy of the assumptions made for material valuation parameters.

We critically reviewed Management's judgment regarding the presence of signs of impairment.

For PPE, intangible assets, energy procurement contracts and investments in partner plants where there were signs of impairment, we performed the following audit procedures on samples selected for their qualitative and quantitative aspects:

- Challenged the robustness of the most important parameters used to calculate the recoverable amount or expected loss, especially by comparing the future expected energy prices, foreign currency rates and the discounting interest rates with data of external studies and market data. Management also uses these parameters to identify signs of value impairments or impairment reversals.
- Reconciled the cost estimates used with budget figures, and performed a retrospective analysis of prior-year cost estimates to determine their accuracy;
- Verified the useful lives used for the valued PPE and intangible assets by reconciling these with Axpo-internal accounting policies;
- Examined the contractual and concession durations of valued energy procurement contracts and investments in partner plants;
- Recalculated the differences between carrying value and recoverable value or expected loss, and assessed whether any resulting value impairment or impairment reversal as well as the creation or release of provisions have been recognised correctly in the financial accounting.

For further information on PPE, intangible assets, energy procurement contracts as well as investments in partner plants, please consult the following sections of the notes to the consolidated financial statements:

— Notes 4, 5, 8, 11, 14, 15, 16 and 28

Classification and valuation of energy derivatives

Key Audit Matter

The replacement values of energy derivatives as at 30 September 2018 are disclosed in the line item “Derivative financial instruments” in non-current assets with CHF 1‘808.6 million and in current assets with CHF 2’212.1 million, as well as in the non-current liabilities with CHF 1‘890.7 million and current liabilities with CHF 2‘699.8 million.

Fluctuations in the replacement values as well as the settlement of the relevant contracts affect the income statement, other comprehensive income and equity, depending on their classification as “own-use” contracts, as energy trading transactions or hedges. Moreover, the classification of derivative financial instruments influences the presentation and disclosure requirements of such contracts.

For subsequent valuation of the energy derivatives as at balance sheet date, models with observable input parameters are used. The definition of such input parameters and the use of suitable valuation models are subject to considerable discretion. Moreover, the assessment of an energy derivative’s purpose is decisive for its correct classification and is also subject to considerable discretion.

The valuation is based on the complete and correct recording of all contractual parameters. The recording of the contract is subject to operational risk in the business workflows that stem from the organisational structure of Axpo Group and the numerous energy products traded.

Our response

Our audit procedures are based on sample tests inspected and the assessment of documents used for the periodic valuation of energy derivatives. Among other things, our audit procedures included on a sample basis the following:

- Examination of the calculation methods implemented in the models in regard to consistency and adequacy as well as the use of adequate energy rate curves;
- Evaluation of mathematical accuracy of valuation calculations of energy derivatives;
- Testing of controls implemented to ensure the complete and accurate recording of energy derivatives; we thereby focused on the segregation of duties and the reconciliation of internal contractual data with external confirmations as well as on the IT controls relevant to the business workflows for energy derivatives and interfaces between the IT solutions used in the information flow.

For further information on Energy derivatives refer to the following:

— Notes 4, 5 and 6

Completeness and accuracy of provisions for the decommissioning and nuclear waste disposal

Key Audit Matter

As at 30 September 2018, Axpo Group discloses provisions in the amount of CHF 4’464.9 million. Of these, CHF 2’899.9 million are earmarked for future obligations in regard to the decommissioning and nuclear waste disposal.

By law, Axpo Group is obliged to decommission its nuclear power plants at the end of their operating life and to adequately dispose of the nuclear waste. The future costs for this are re-estimated periodically by swissnuclear (swisselectric’s nuclear power task force). Its findings are submitted to the administrative commission of the nuclear disposal fund. The temporary cost contributions are calculated on this basis. The last cost analysis took place in 2015 – 2016 (2016 cost analysis) which serves as the basis for the provisions recorded for the decommissioning and nuclear waste disposal in the 2017/18 consolidated financial statements. The provisioning budget contained in the 2016 cost analysis as well as its modeling and mathematical accuracy are reviewed by an external expert. Moreover, the Federal Nuclear Safety Inspectorate (ENSI) as well as the experts involved review whether the costs in the cost analysis were estimated realistically and in sufficient detail, and whether these were presented transparently. Based on this, the Swiss Federal Department for the Environment, Transport, Energy and Communication (UVEK) proposes the final amounts to the administrative commission.

The costs defined by the Federal Department of Environment, Transport, Energy and Communications (UVEK) were higher by CHF 1.1 billion. The overall costs serve to determine the annual contributions to the operators of the decommissioning and nuclear waste disposal fund. The operators of the nuclear plants have appealed to the Federal Administrative Court against this order.

The cost estimates and due to this, the provisions’ accuracy and completeness, are subject to significant uncertainty because of the long-term horizon as well as the partially missing empirical data especially in the area of waste disposal.

Our response

For our audit, we primarily rely on the 2016 cost analysis prepared by swissnuclear as well as its methodological review by the external expert. During our audit, we assessed the expertise of swissnuclear as well as of the external expert.

Specifically, we performed the following audit procedures, among others:

- Reconciliation of the amounts, creation and use of provisions in the financial accounting as at balance sheet date with the amounts stated in the cost analysis and their recording in accordance with IFRS requirements;
- Reconciliations of the use of the current provision for nuclear waste disposal by inspecting invoices on a sample basis;
- Critical appraisal of the disclosure to the provisions in the consolidated financial statements in accordance with the requirements of IFRS;

Further information on the provisions for the decommissioning and nuclear waste disposal refer to the following:

— Notes 4, 5 and 28

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Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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

Daniel Haas Licensed Audit Expert Auditor in Charge	Silvan Jurt Licensed Audit Expert

Zurich, 10 December 2018

KPMG AG, Badenerstrasse 172, P.O. Box, CH-8036 Zurich

Income statement of Axpo Holding AG

CHF million	Notes	2017/18	2016/17
Income			
Income from investments	3	202.6	917.5
Income from the sale of investments	4	12.5	0.0
Financial income	5	113.8	262.7
Income from services and licences		0.0	17.3
Total income		**328.9**	**1 197.5**
Expenses			
Financial expenses		–130.6	–118.6
Personnel expenses		–0.5	0.0
Other operating expenses		–8.7	–11.7
Impairments/impairment reversals on investments	6	20.9	–873.7
Total expenses		**–118.9**	**–1 004.0**
Net profit for the year		**210.0**	**193.5**

Balance sheet of Axpo Holding AG

CHF million	Notes	30.09.2018	30.09.2017
Assets			
Cash and cash equivalents		598.8	825.6
Trade receivables	7	0.0	0.3
Current financial receivables	8	1 123.8	559.3
Current derivatives (positive replacement values)	9	100.9	240.3
Other receivables	10	13.9	15.4
Accrued income and prepaid expenses	11	1.1	0.5
Total current assets		**1 838.5**	**1 641.4**
Other financial assets	12	2 072.2	1 852.2
Non-current derivatives (positive replacement values)	13	93.9	139.7
Investments	14	3 616.1	3 634.7
Total non-current assets		**5 782.2**	**5 626.6**
Total assets		**7 620.7**	**7 268.0**
Equity and liabilities			
Trade payables	15	0.4	0.5
Current interest-bearing liabilities	16	2 300.2	1 573.4
Current derivatives (negative replacement values)	17	96.2	169.2
Other current liabilities	18	0.1	0.1
Accrued expenses and deferred income	19	18.9	21.0
Total current liabilities		**2 415.8**	**1 764.2**
Bonds	20	1 076.0	1 074.8
Loan liabilities	21	585.0	1 050.0
Non-current derivatives (negative replacement values)	22	71.6	116.7
Total non-current liabilities		**1 732.6**	**2 241.5**
Total liabilities		**4 148.4**	**4 005.7**
Share capital	23	370.0	370.0
Statutory capital reserves (capital contribution reserves)		2 633.0	2 633.0
Voluntary retained earnings		63.0	63.0
Accumulated profit	24	406.3	196.3
Total equity		**3 472.3**	**3 262.3**
Total equity and liabilities		**7 620.7**	**7 268.0**

Notes to the statutory financial statements of Axpo Holding AG

1 General information

Axpo Holding AG is a public limited company incorporated under Swiss law with its registered office in Baden. The annual average number of full-time employees was 1 (previous year: 0).

2 Accounting policies

The annual financial statements are prepared in accordance with Swiss law. The Board of Directors of Axpo Holding AG approved these statutory financial statements on 10 December 2018 and are still to be approved by the Annual General Meeting on 18 January 2019. The policies applied in the statutory financial statements are presented below unless otherwise required by law. The option to create and release hidden reserves was exercised in order to ensure the long-term growth of the company.

Foreign currency translation
For more information about foreign currency translation, see “Foreign currency exchange rates” in Note 3 “Consolidation principles” of the consolidated financial statements of the Axpo Group.

Cash pooling
Axpo Holding AG has a cash pooling system (zero balancing). The short-term financial receivables and current interest-bearing payables from group companies are transferred daily to the account of Axpo Holding AG at the pool bank. The balance per group company or associated company is recognised under receivables from or liabilities to group companies and related parties.

Trade receivables
Trade receivables are recorded at their nominal value less bad debt allowances.

Derivatives (replacement values)
Derivative financial instruments are used to hedge foreign currency positions. The financial derivatives that are open on the balance sheet date are measured at stock market value or at fair value on the balance sheet date. The positive and negative derivative financial instruments are recognised in the corresponding balance sheet items.

Financial assets
Loan receivables are recognised at their nominal value less any impairments. Securities are measured at the lower of cost or fair value.

Investments
Investments in subsidiaries and associates are recognised at cost, subject to any value adjustments required.

Liabilities
Liabilities are recognised at nominal value.

Transactions with shareholders as well as investments and group companies
The investors of Axpo Holding AG are recognised as “shareholders”. “Investments and group companies” includes all fully consolidated group companies, equity-accounted associates of Axpo Holding AG and significant investments of shareholders.

Waiver of cash flow statement and additional information in the notes
Since the Axpo Group has prepared its consolidated financial statements in accordance with a recognised accounting standard (IFRS), as stipulated by law, it has dispensed with the presentation of additional information on interest-bearing liabilities and audit fees in the notes as well as a cash flow statement.

3 Income from investments

CHF million	2017/18	2016/17
Dividend income from		
Elektrizitätswerk des Kantons Schaffhausen AG, Schaffhausen	0.0	1.2
Axpo Power AG, Baden	180.0	900.0
Centralschweizerische Kraftwerke AG, Lucerne	14.4	9.6
Axpo Services AG, Baden	3.0	3.0
Third parties	5.2	3.7
Total	**202.6**	**917.5**

4 Income from the sale of investments

In the 2017/18 financial year, the investment in Elektrizitätswerk des Kantons Schaffhausen AG was sold. This resulted in a profit of CHF 12.5 million.

5 Financial income

Financial income mainly includes interest income, realised and unrealised gains on financial investments, foreign exchange gains and gains on derivatives. In the previous year, various securities were reallocated due to a strategy change in the securities portfolio. This resulted in a realised gain on financial investments of approximately CHF 100 million in the 2016/17 financial year. Gains on currency derivatives in the 2017/18 financial year were CHF 87 million lower than in the previous year. Furthermore, currency gains increased by CHF 36 million.

6 Impairment losses and impairment reversals on investments

The value of the investment in Repower AG was revised upward by CHF 20.9 million due to the increase in fair value in the 2017/18 financial year.

7 Trade receivables

CHF million	30.09.2018	30.09.2017
Shareholders	0.0	0.1
Investments and group companies	0.0	0.2
Total	**0.0**	**0.3**

8 Current financial receivables

CHF million	30.09.2018	30.09.2017
Third parties	560.0	310.0
Investments and group companies	563.8	249.3
Total	**1 123.8**	**559.3**

This position contains loans with a remaining term to maturity of less than 12 months.

9 Current derivatives (positive replacement values)

CHF million	30.09.2018	30.09.2017
Third parties	0.8	0.3
Investments and group companies	100.1	240.0
Total	**100.9**	**240.3**

Current derivative financial instruments mainly consist of the positive replacement value for currency forward contracts with a maturity of less than twelve months, open on the balance sheet date. They are used to hedge foreign currency positions. Non-current positive derivatives are shown in a separate balance sheet line item as well as in Note 13.

10 Other current receivables

CHF million	30.09.2018	30.09.2017
Third parties	12.7	14.4
Investments and group companies	1.2	1.0
Total	**13.9**	**15.4**

11 Accrued income and prepaid expenses

CHF million	30.09.2018	30.09.2017
Investments and group companies	1.1	0.5
Total	**1.1**	**0.5**

12 Other financial assets

CHF million	30.09.2018	30.09.2017
Third parties	35.0	0.0
Investments and group companies	319.6	125.0
Securities	1 717.6	1 727.2
Total	**2 072.2**	**1 852.2**

The remaining term to maturity of the loan receivables and time deposits is more than 12 months. Securities mainly consist of collective investment instruments (bank in-house funds and investment funds).

13 Non-current derivatives (positive replacement values)

CHF million	30.09.2018	30.09.2017
Third parties	15.2	0.8
Investments and group companies	78.7	138.9
Total	**93.9**	**139.7**

The current derivative financial instruments (positive replacement values) are stated in Note 9.

14 Investments

The overview in Note 35 of the consolidated financial statements of the Axpo Group sets out the details of Axpo Holding AG's direct or indirect equity interests in subsidiaries and associates.

15 Trade payables

CHF million	30.09.2018	30.09.2017
Third parties	0.3	0.2
Investments and group companies	0.1	0.3
Total	**0.4**	**0.5**

16 Current interest-bearing liabilities

CHF million	30.09.2018	30.09.2017
Investments and group companies	2 300.2	1 573.4
Total	**2 300.2**	**1 573.4**

This item includes loan liabilities due in less than 12 months and current account liabilities.

17 Current derivatives (negative replacement values)

CHF million	30.09.2018	30.09.2017
Third parties	4.3	22.1
Investments and group companies	91.9	147.1
Total	**96.2**	**169.2**

Current derivative financial instruments mainly consist of the negative replacement value for currency forward contracts with a maturity of less than 12 months, open on the balance sheet date. They serve to hedge foreign currency positions. Non-current derivatives are shown in a separate balance sheet line item as well as in Note 22.

18 Other current liabilities

CHF million	30.09.2018	30.09.2017
Third parties	0.1	0.1
Total	**0.1**	**0.1**

19 Accrued expenses and deferred income

CHF million	30.09.2018	30.09.2017
Third parties	15.6	15.1
Investments and group companies	3.3	5.9
Total	**18.9**	**21.0**

20 Bonds

CHF million		30.09.2018	30.09.2017
Bonds outstanding at the balance sheet date:	Nominal value		
2.625% bond 26.2.2010 – 26.2.2020	429.8	428.7	428.0
3.125% bond 26.2.2010 – 26.2.2025	300.0	298.1	297.8
1.750% bond 28.7.2016 – 29.5.2024	350.0	349.2	349.0
Total		**1 076.0**	**1 074.8**

21 Loan liabilities

CHF million	30.09.2018	30.09.2017
Due dates:		
Remaining term to maturity 1–5 years	585.0	1 050.0
Total	**585.0**	**1 050.0**
of which:		
Investments and group companies	585.0	1 050.0

22 Non-current derivatives (negative replacement values)

CHF million	30.09.2018	30.09.2017
Third parties	4.5	9.1
Investments and group companies	67.1	107.6
Total	**71.6**	**116.7**

The current derivatives (negative replacement values) are stated in Note 17.

23 Share capital

CHF million		30.09.2018	30.09.2017
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 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**

24 Accumulated profit/loss

CHF million	30.09.2018	30.09.2017
Result for the year	210.0	193.5
Profit carried forward	196.3	2.8
Total	**406.3**	**196.3**

25 Changes in equity

CHF million	Share capital	Statutory capital reserves	Voluntary retained earnings	Accumulated profit/loss	Total equity
As at 30.9.2015	**370.0**	**2 663.0**	**538.0**	**360.7**	**3 901.7**
Result for the year 2015/16				–832.9	–832.9
As at 30.9.2016	**370.0**	**2 663.0**	**538.0**	**–472.2**	**3 068.8**
Partial release of voluntary retained earnings			–475.0	475.0	
Result for the year 2016/17				193.5	193.5
As at 30.9.2017	**370.0**	**2 633.0**	**63.0**	**196.3**	**3 262.3**
Result for the year 2017/18				210.0	210.0
As at 30.9.2018	**370.0**	**2 633.0**	**63.0**	**406.3**	**3 472.3**

26 Collateral provided for third-party liabilities

CHF million	30.09.2018	30.09.2017
Guarantees	1 476.8	1 226.1
Sureties	93.2	95.4
Other delivery and acceptance obligations	0.6	0.7
Total	**1 570.6**	**1 322.2**

27 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 31 of the consolidated financial statements (in accordance with IFRS) as a result of differing measurement approaches. The amounts disclosed include all remuneration 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 2017/18 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). Remuneration that was not paid out directly to individual members of the Board of Directors but to their employers is also included in the following amounts.

Remuneration paid to members of the Board of Directors in the 2017/18 financial year

Name CHF thousand	Function	Remuneration for director-ship (fixed) [1]	Pension benefits [2]	Total
Thomas Sieber	Chairman of the Board of Directors Member of the Audit and Finance Committee (until GM 2018), Compensation and Nominations Committee, Strategy Committee	300	77	377
Dorothée Deuring	Member of the Board of Directors Member of the Audit and Finance Committee	80	6	86
Roland Eberle	Member of the Board of Directors Chairman of the Strategy Committee	75	6	81
Hanspeter Fässler	Member of the Board of Directors Member of the Strategy Committee, Chairman of the Compensation and Nominations Committee	96	7	103
Köbi Frei	Member of the Board of Directors (until GM 2018) Chairman of the Compensation and Nominations Committee	30	0	30 [3]
Rudolf Hug	Vice Chairman of the Board of Directors Chairman of the Audit and Finance Committee	146	8	154
Stefan Kessler	Member of the Board of Directors (from GM 2018) Member of the Audit and Finance Committee	67	5	72
Stephan Kuhn	Member of the Board of Directors (from GM 2018) Member of the Compensation and Nominations Committee	65	0	65 [4]
Peter Kreuzberg	Member of the Board of Directors Member of the Audit and Finance Committee Corporate Risk Council	82	13	95
Robert Marti	Member of the Board of Directors (until GM 2018) Member of the Compensation and Nominations Committee	24	1	25 [5]
Roger Wüthrich-Hasenböhler	Member of the Board of Directors Member of the Strategy Committee	77	6	83
Total		**1 042**	**129**	**1 171**

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 and pension funds are shown under pension benefits.
3) CHF 30 thousand of the remuneration was paid to the employer. Left January 2018.
4) CHF 65 thousand of the remuneration was paid to the employer.
5) CHF 17 thousand of the remuneration was paid to the employer. Left January 2018.

Remuneration paid to members of the Board of Directors in the 2016/17 financial year

Name CHF thousand	Function	Remuneration for director-ship (fixed) [1]	Pension benefits [2]	Total
Thomas Sieber	Chairman of the Board of Directors Member of the Audit and Finance Committee, Compensation and Nominations Committee, Strategy Committee	300	68	368
Stephan Attiger	Member of the Board of Directors (until GM 2017) Member of the Strategy Committee	36	0	36 [3]
Ueli Betschart	Member of the Board of Directors (until GM 2017) Member of the Audit and Finance Committee, Corporate Risk Council	42	2	44
Dorothée Deuring	Member of the Board of Directors (from GM 2017) Member of the Audit and Finance Committee	49	4	53
Reto Dubach	Member of the Board of Directors (until GM 2017) Member of the Strategy Committee	38	0	38 [4]
Roland Eberle	Member of the Board of Directors Chairman of the Strategy Committee	66	5	71
Hanspeter Fässler	Member of the Board of Directors (from GM 2017) Member of the Strategy Committee, Member of the Compensation and Nominations Committee	45	3	48
Andreas Frank	Member of the Board of Directors (until GM 2017) Member of the Audit and Finance Committee	41	3	44
Köbi Frei	Member of the Board of Directors Member of the Compensation and Nominations Committee (from GM 2017)	73	0	73 [5]
Rudolf Hug	Vice Chairman of the Board of Directors Chairman of the Audit and Finance Committee	158	10	168
Markus Kägi	Member of the Board of Directors (until GM 2017) Member of the Strategy Committee	35	0	35 [6]
Peter Kreuzberg	Member of the Board of Directors (from GM 2017) Member of the Audit and Finance Committee Corporate Risk Council	49	4	53
Robert Marti	Member of the Board of Directors Member of the Compensation and Nominations Committee	65	1	66 [7]
Peter Reinhard	Member of the Board of Directors (until GM 2017) Chairman of the Compensation and Nominations Committee	36	3	39
Carmen Walker Späh	Member of the Board of Directors (until GM 2017) Member of the Compensation and Nominations Committee	33	0	33 [8]
Ernst Werthmüller	Member of the Board of Directors (until GM 2017) Member of the Audit and Finance Committee	41	0	41 [9]
Roger Wüthrich-Hasenböhler	Member of the Board of Directors (from GM 2017) Member of the Strategy Committee	42	3	45
Total		**1 149**	**106**	**1 255**

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 and pension funds are shown under pension benefits.
3) CHF 36 thousand of the remuneration was paid to the employer. Left March 2017.
4) CHF 36 thousand of the remuneration was paid to the employer. Left March 2017.
5) CHF 73 thousand of the remuneration was paid to the employer.
6) CHF 35 thousand of the remuneration was paid to the employer. Left March 2017.
7) CHF 52 thousand of the remuneration was paid to the employer.
8) CHF 33 thousand of the remuneration was paid to the employer. Left March 2017.
9) CHF 41 thousand of the remuneration was paid to the employer. Left March 2017.

Remuneration to Executive Board members and the highest-paid member

CHF thousand	Andrew Walo CEO		Total for Executive Board	
	2017/18	2016/17	2017/18	2016/17
Gross salaries (fixed)	650	650	2 427	2 400
Gross salaries (variable) [1] [4]	302	303	1 257	1 376
Non-cash benefits [2]	7	9	54	47
Pension benefits [3]	234	219	838	807
Total	**1 193**	**1 181**	**4 576**	**4 630**

1) Gross salaries (variable) include variable salary components that are dependent on the achievement of company targets and individual objectives. These are the figures for the 2017/18 financial year, which are based on the provisional target assessment and the forecast of the results of the corporate financial targets. The payments will be made in the following financial year.
2) Private use of company vehicles and SBB rail pass.
3) Employer contributions to the AHV/IV, the company pension fund, occupational and non-occupational accident insurance, and sick pay insurance are shown under pension benefits. The amount of pension benefits rose due to an age-based increase in pension fund contributions.
4) The total for the Group Executive Board includes the remuneration of U. Erkens as CFO a.i. (Member of the Group Executive Board) from 1 April 2018. At that time, M. Schwab (formerly CFO) took over the function of CEO CKW (Member of the Group Executive Board). The remuneration of F. Graf (CEO CKW until 31 March 2018) was paid for the period until the end of the employment relationship on 31 May 2018 are disclosed as part of this item.

Expenses for performing directorships on behalf of Axpo are also compensated as part of 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. This remuneration totals CHF 175,557 (previous year: CHF 253,746) and was 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 2017/18 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 securities, loans, advances or credits to the members of the Board of Directors and the Executive Board or related parties.

27 Significant events after the balance sheet date

There were no significant events after the balance sheet date that would have an impact on the carrying amounts of the assets or liabilities or that would have to be disclosed at this point.

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	196 317 283
Reported net profit	210 026 057
Total	**406 343 340**
Profit to be carried forward	406 343 340
Total	**406 343 340**

Statutory Auditor's Report

To the General Meeting of Axpo Holding AG, Baden

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Axpo Holding AG, which comprise the balance sheet as at 30 September 2018, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 79 to 89) for the year ended 30 September 2018 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit 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 internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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

Daniel Haas Licensed Audit Expert Auditor in Charge	Silvan Jurt Licensed Audit Expert

Zurich, 10 December 2018

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

Impressum

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