

Letter to the shareholders of Axpo Holding AG

Interim report 2018/19

Key figures

for the first half of 2018/19

in CHF million	First half of 2018/19 ¹⁾	First half of 2017/18
Income statement		
Total income	2,551	2,538
EBIT		
Earnings before interest and tax (EBIT)	403	259
as % of total income	15.8%	10.2%
Result for the period		
Result for the period	435	196
as % of total income	17.1%	7.7%
Cash flow and investments		
Cash flow from operating activities	-239	48
Net investments in non-current assets (excl. loan receivables)	-112	-39
Free cash flow	-351	9
Balance sheet		
Total assets	20,972	19,820
Equity incl. non-controlling interests	5,690	5,352
as % of total assets	27.1%	27.0%
Employees (full-time equivalents)		
Number of employees on 31 March	4,580	4,339

¹⁾The Axpo Group uses IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" for the first time for the 2018/19 financial year. The previous year's figures have not been adjusted accordingly.

Axpo increases earnings before interest and tax, profitable international business

The Axpo Group achieved a gratifying result in the first half of the 2018/19 financial year. The good operating performance in the reporting period (1 October 2018 to 31 March 2019) was primarily attributable to higher electricity production, international activities and persistent cost discipline. The planned takeover of French photovoltaic company Urbasolar means that Axpo is strengthening its exposure to renewable energies and has obtained a platform for further growth in the international solar business.

The Axpo Group had a good start to the 2018/19 financial year. Total income in the first half of 2018/19 remained at the previous year's level at CHF 2,551 million (first half of 2017/18: CHF 2,538 million). Earnings before interest and tax (EBIT) rose by 55.4% to CHF 403 million. The increased availability of the two nuclear power plants, Beznau and Leibstadt, and the very good trading result more than offset the further decline in electricity prices. These low prices result from hedging transactions in 2016.

The positive performance of the Axpo Group led to a strengthening of its balance sheet

The result for the period increased by CHF 239 million to CHF 435 million. The financial result reported a slight change compared to the previous year, from CHF –39 million to CHF –34 million. An increase in funds tied down in net working capital and lower electricity prices prompted

a decline in operating cash flow in the first half, from CHF 48 million to CHF –239 million compared with the same period of the previous year. At CHF 112 million, net investments were at the previous year's level (CHF 119 million, not taking into account the disposal of two ownership interests amounting to CHF 80 million). This results in a drop in free cash flow, from CHF 9 million in the previous year to CHF –351 million for the reporting period. The overall positive performance of the Axpo Group led to a strengthening of its balance sheet. Thus the equity ratio increased to 27.1%, compared to 22.4% on 30 September 2018.

Long-term supply contracts for non-subsidised renewable energies

In implementing its strategy, the Axpo Group has further expanded its profitable business areas abroad. Its focus is on the tailor-made customer business for energy solutions (origination) and business with power purchase agreements (PPAs). Often, it is only these long-term supply contracts with wind park or photovoltaic operators that allow the expansion of renewable energies without subsidies. With its operational and trading skills, Axpo plays a leading role across Europe in this new business area. In the first half of 2018/19, several PPAs were signed in the Nordics together with additional contracts in Poland, Spain and France. In Italy, Axpo also operates in the

55.4%

Earnings before interest and tax (EBIT) rose by 55.4% to CHF 403 million during the reporting period.

end customer business and now has more than 300,000 delivery points from which customers can be supplied with energy.

Benefiting from the photovoltaic potential

In the business area of renewable energies, the Axpo Group has a successful and profitable wind farm developer in Volkswind, which brought around 28 MW on stream in France in the first half of 2018/19 and another 24 MW of wind power in April. Following the successful establishment of the wind business via the Volkswind subsidiary, Axpo seeks to increase its exposure to the economically interesting photovoltaic market. Accordingly, Axpo has decided to take over the French photovoltaic company Urbasolar, one of France's most important businesses in the solar energy industry. Since its establishment in 2006, the company has built a total of 367 plants with an installed capacity of 350 MW. Urbasolar's portfolio comprises a development pipeline of more than 1,000 MW and services in the areas of maintenance, servicing and asset management. Urbasolar currently has 160 employees. Just like successful subsidiary Volkswind, Urbasolar will be able to operate commercially and flexibly under the umbrella of the Axpo Group.

In Switzerland, Axpo is expanding its position as the number one for renewable energies

Axpo is strong not only in the renewable energies business internationally, it is also the largest producer of renewable energies in Switzerland with its portfolio of hydro power and biomass. In the past first half, the Axpo subsidiary CKW, which is active in the end customer business, further expanded its installed photovoltaic capacity. Over the past seven years, CKW has installed solar power plants with a total capacity of almost 25 MWp.

Actively seizing the opportunities provided by the digital transformation

Axpo seeks to take strategic advantage of the opportunities provided by the digital transformation to manage the existing

business areas more efficiently and develop new, profitable business areas. And so Axpo is focusing on new kinds of acoustic sensors for the preventative maintenance of hydro power turbines, where data are evaluated using innovative algorithms (machine learning), as well as developing a big data platform in Spain for the efficient operation of wind farms.

The planned takeover of Urbasolar means that Axpo is strengthening its exposure to renewable energies and has obtained a platform for further growth in the international solar business

Another project combines the strategic thrusts of Axpo in the areas of renewable energies and digital transformation: following a successful pilot project in Wuppertal, Axpo subsidiary Elblox launched a platform for trading green electricity based on blockchain technology in the first half of the financial year. In Switzerland, Avectris, which is positioning itself as a leading IT service provider for Swiss SMEs, took over the Swiss IT service provider Comicro, established more than 40 years ago, in early April. Through this step Avectris is expanding its own professional services competencies in the IT infrastructure segment and supplementing its portfolio to include IT training. The merger marks an important milestone in the further implementation of the Avectris growth strategy.



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Since its establishment in 2006, Urbasolar has built a total of 367 plants with an installed capacity of 350 MW.

Axpo named world's best energy trader once again

Axpo's strong position in the international energy sector is demonstrated by its excellent results in the key energy trading ranking. Within the industry, the survey among customers and business partners conducted by trade magazines "Risk" and "Energy Risk" has long been considered the most important yardstick for evaluating energy traders. Around 1,500 participants assess the products and services of companies on the basis of criteria such as price, innovation, flexibility, market making, reliability and integrity. This year Axpo was once again named the world's best energy trader.

Changes on the Board of Directors: Martin Keller newly elected

At an Extraordinary General Meeting of Axpo Holding AG on 11 April 2019, Martin Keller, a businessman from Nussbaumen, was elected to the Board of Directors of Axpo Holding AG for the current term running from 2019 until 2021, having been nominated by the canton of Aargau. He replaces Rudolf Hug, who resigned at the Annual General Meeting on 18 January 2019.

The Axpo Group is in an excellent position to continue benefiting from business areas abroad that are not dependent on electricity prices

Electricity revenues to rise from 2020

The electricity production of the current financial year, which was hedged at the low prices of 2016, will weigh on earnings to the tune of CHF 150 million compared with the previous year. In operational terms, therefore, Axpo expects the second half to be challenging. Moreover, the results of the Axpo Group may be influenced by the development of medium-term electricity price expectations and the capital markets. As announced previously, Axpo stands to benefit from the pick-up in electricity prices in Europe from the 2019/20 financial year onwards because it fixed some of its sales prices three years in advance.

The further development of electricity prices in Europe remains uncertain, as does that of the CHF/EUR exchange rate. In the face of such uncertainties it is all the more important to ensure that the Axpo strategy, geared to growth, optimisation and diversification, is implemented purposefully. In this process Axpo is focusing on organic growth and selective acquisitions, as demonstrated by the planned takeover of French company Urbasolar in the photovoltaic segment. The Axpo Group is in an excellent position to continue benefiting from business areas abroad that are not dependent on electricity prices. The digital transformation presents opportunities to open up profitable business areas and make existing areas more efficient. In line with the Group strategy, Axpo plans to expand the area for customer-specific energy solutions and PPAs further and to make targeted investments in the profitable development and operation of renewable energy forms such as wind and photovoltaics.



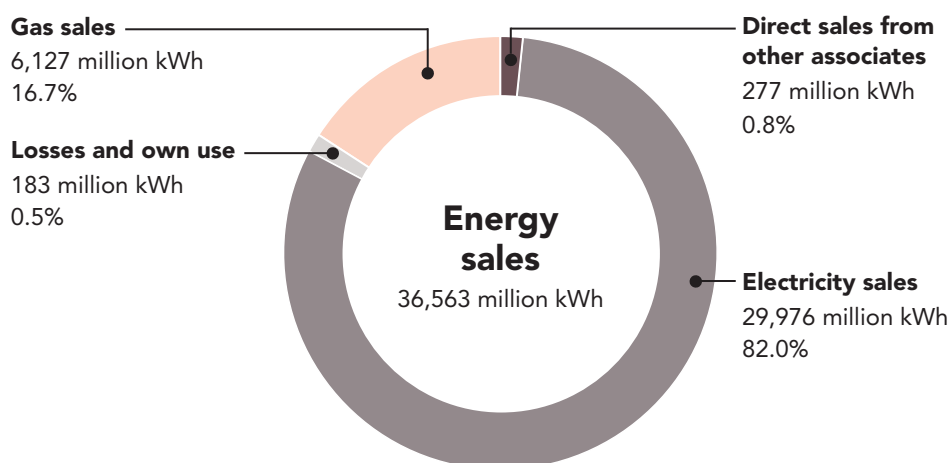
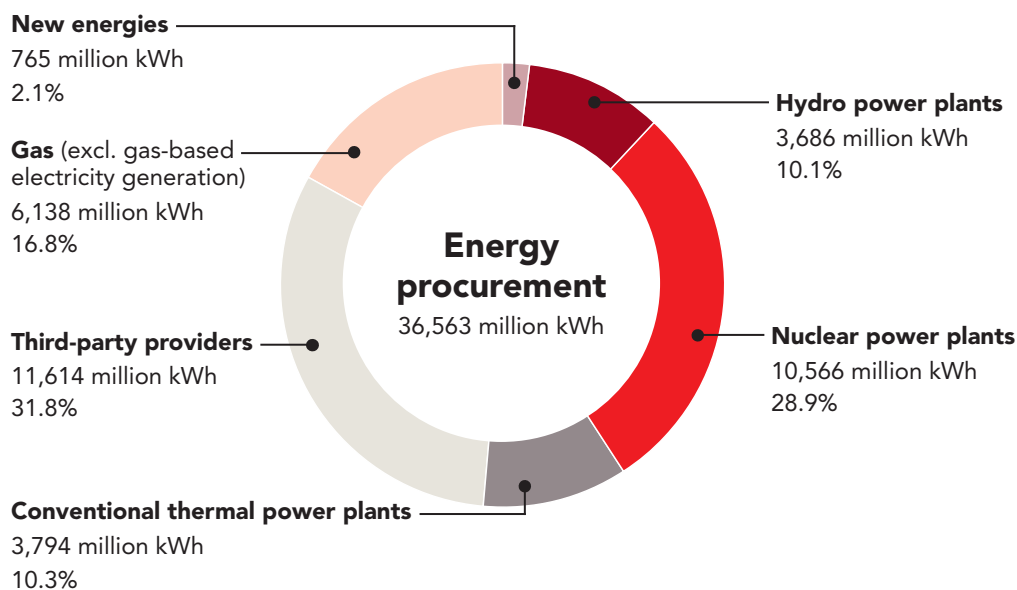
Thomas Sieber
Chairman of the Board of Directors



Andrew Walo
CEO

Key figures

Energy statistics for the first half of 2018/19



Segment reporting for the first half of 2018/19¹⁾

in CHF million	Assets		Trading & Sales		CKW		Reconciliation ²⁾		Axpo Group	
	First half of 2018/19	First half of 2017/18	First half of 2018/19	First half of 2017/18	First half of 2018/19	First half of 2017/18	First half of 2018/19	First half of 2017/18	First half of 2018/19	First half of 2017/18
Total income	1,080	982	1,793	1,675	402	456	-724	-575	2,551	2,538
Operating expenses	-755	-786	-1,647	-1,629	-328	-375	700	602	-2,030	-2,188
Share of profit of partner plants and other associates	24	33	0	0	6	7	2	2	32	42
Depreciation, amortisation and impairments	-107	-102	-3	-7	-29	-28	-11	4	-150	-133
Earnings before interest and tax (EBIT)	242	127	143	39	51	60	-33	33	403	259

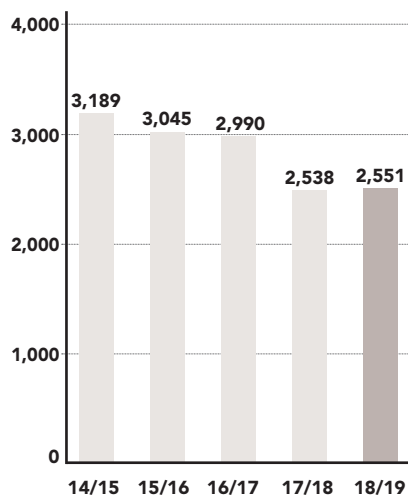
¹⁾ The Axpo Group uses IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" for the first time for the 2018/19 financial year. The previous year's figures have not been adjusted accordingly.

²⁾ "Reconciliation" includes Axpo Holding AG, Axpo Services AG and Avectris AG, together with the effects of consolidation.

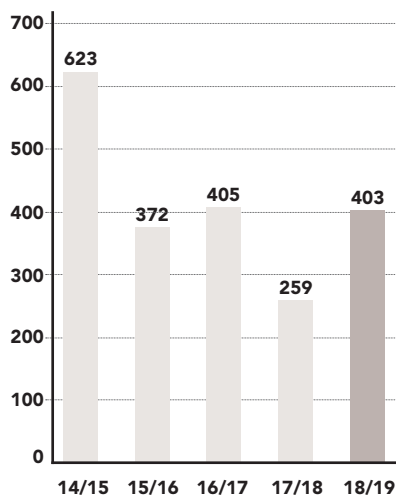
Five-year development – half-year comparison of key Group figures¹⁾

The following graphs show the development of the key financial figures for the Axpo Group over the past five years:

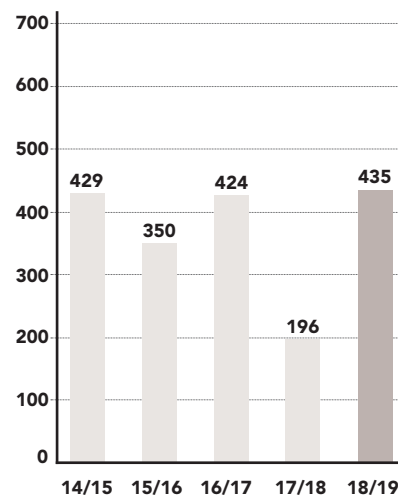
Total income
In CHF million



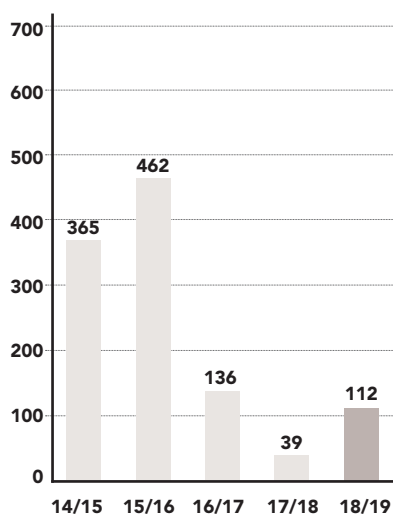
Earnings before interest and tax (EBIT)
in CHF million



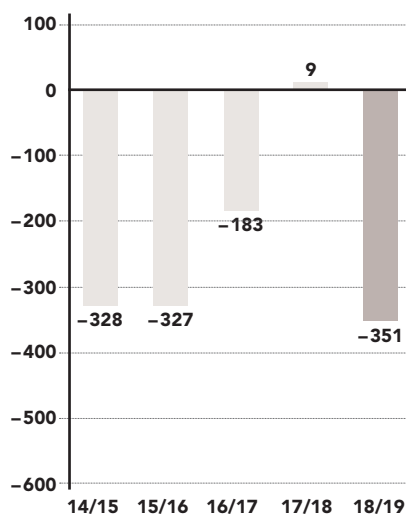
Result for the period
In CHF million



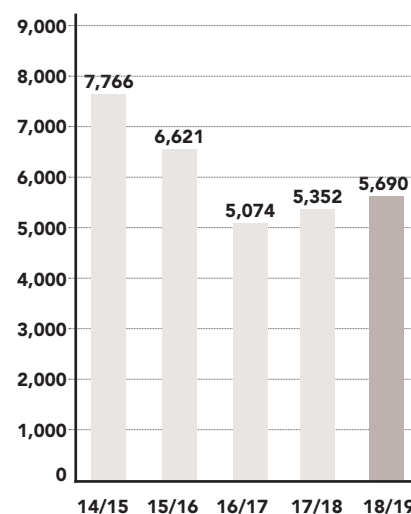
Net investment in non-current assets
(excl. loans) in CHF million



Free cash flow
in CHF million



Equity incl. non-controlling interests
in CHF million



¹⁾The Axpo Group uses IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" for the first time for the 2018/19 financial year. The previous year's figures have not been adjusted accordingly.

Consolidated income statement

in CHF million	First half ¹⁾ of 2018/19	First half of 2017/18
Revenues from energy sales and grid usage	2,472.2	2,502.7
Change in inventories	8.4	0.1
Capitalised production costs	18.6	24.5
Other operating income	51.3	11.1
Total income	2,550.5	2,538.4
Expenses for energy procurement, grid usage and goods purchased	-1,421.4	-1,587.4
Expenses for materials and third-party supplies	-131.0	-74.0
Personnel expenses	-323.6	-313.8
Other operating expenses	-153.1	-212.4
Share of profit of partner plants and other associates	32.0	41.7
Earnings before interest, tax, depreciation and amortisation (EBITDA)	553.4	392.5
Depreciation, amortisation and impairments	-150.4	-133.2
Earnings before interest and tax (EBIT)	403.0	259.3
Financial income	141.5	105.7
Financial expense	-175.8	-144.9
Earnings before tax	368.7	220.1
Income tax expense	66.4	-24.1
Result for the period	435.1	196.0
Attributable to:		
Axpo Holding shareholders	420.7	183.8
Non-controlling interests	14.4	12.2

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Consolidated balance sheet

in CHF million	31.03.2019 ¹⁾	30.09.2018	31.03.2018
Assets			
Property, plant and equipment	4,473.3	4,505.8	4,576.7
Intangible assets	757.2	772.3	792.0
Investments in partner plants and other associates	1,506.6	1,502.4	1,460.1
Derivative financial instruments	1,065.0	1,808.6	581.3
Other financial assets	2,235.7	2,716.2	2,754.9
Investment properties	24.1	23.3	39.9
Other receivables	2,717.7	2,633.5	2,637.5
Deferred tax assets	80.8	52.0	54.2
Total non-current assets	12,860.4	14,014.1	12,896.6
Assets held for sale	0.0	1.4	3.3
Inventories	411.1	796.8	515.4
Trade receivables	1,124.8	789.7	877.2
Financial receivables	1,034.9	1,023.4	624.7
Current tax assets	20.0	21.6	12.4
Derivative financial instruments	2,013.9	2,212.1	1,533.7
Other receivables	2,188.9	2,052.0	1,869.5
Cash and cash equivalents	1,318.1	1,304.8	1,487.6
Total current assets	8,111.7	8,201.8	6,923.8
Total assets	20,972.1	22,215.9	19,820.4
Equity and liabilities			
Share capital	370.0	370.0	370.0
Retained earnings	5,302.1	4,796.6	4,906.0
Other reserves	-484.3	-682.3	-419.7
Total equity excl. non-controlling interests	5,187.8	4,484.3	4,856.3
Non-controlling interests	502.3	494.5	495.9
Total equity incl. non-controlling interests	5,690.1	4,978.8	5,352.2
Financial liabilities	3,866.2	4,276.7	4,308.6
Derivative financial instruments	867.3	1,890.7	702.5
Other liabilities	337.1	289.6	292.5
Deferred tax liabilities	178.9	170.5	200.7
Provisions	4,184.2	4,157.9	4,295.9
Total non-current liabilities	9,433.7	10,785.4	9,800.2
Trade payables	734.8	581.0	462.3
Financial liabilities	917.9	561.6	543.7
Current tax liabilities	64.3	57.2	44.4
Derivative financial instruments	2,079.9	2,699.8	1,675.7
Other liabilities	1,855.0	2,245.1	1,794.4
Provisions	196.4	307.0	147.5
Total current liabilities	5,848.3	6,451.7	4,668.0
Total liabilities	15,282.0	17,237.1	14,468.2
Total equity and liabilities	20,972.1	22,215.9	19,820.4

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Consolidated cash flow statement

in CHF million	First half ¹⁾ of 2018/19	First half of 2017/18
Earnings before tax	368.7	220.1
Financial result	34.3	39.2
Earnings before interest and tax (EBIT)	403.0	259.3
Gains/losses on disposal of non-current assets	-2.1	-0.8
Gains on disposal of non-current assets and liabilities held for sale	0.0	-15.5
Adjustment of non-cash expenses and income:		
Depreciation, amortisation and impairments	150.4	133.2
Share of profit of partner plants and other associates	-32.0	-41.7
Other non-cash items	-225.2	-58.7
Change in net working capital:		
Change in inventories	137.7	115.4
Change in trade receivables and other receivables	-474.9	-276.6
Change in trade payables and other payables	-224.7	39.6
Change in derivative financial instruments and other financial results	173.9	-14.8
Change in provisions (excl. interest, net)	-164.3	-96.7
Dividends received	29.8	15.4
Income taxes paid	-10.7	-10.1
Cash flow from operating activities	-239.1	48.0
Property, plant and equipment:		
Investments net of capitalised borrowing costs	-85.6	-108.8
Disposals and cost contributions	1.0	3.1
Intangible assets:		
Investments (excl. goodwill)	-9.7	-9.6
Disposals	0.0	0.1
Investments in subsidiaries (net of cash transferred)	-6.7	-9.2
Cash flow from non-current assets and liabilities held for sale	1.5	79.7
Investments in partner plants and other associates:		
Investments	-6.5	-11.7
Disposals and capital repayments	0.0	17.3
Other financial assets:		
Investments	-207.0	-347.5
Disposals and repayments	400.0	80.0
Receivables from nuclear disposal funds	-6.3	0.0
Investment properties and change in other financial assets	0.0	1.0
Financial receivables (current)	285.5	187.6
Interest received	16.7	38.8
Cash flow from investing activities	382.9	-79.2
Financial liabilities:		
Proceeds	1,367.2	1,176.0
Repayment	-1,418.7	-1,039.3
Payments of finance lease liabilities	-0.2	0.0
Other liabilities:		
Proceeds	5.1	6.7
Repayment	0.0	-0.2
Other cash flows from financing activities	-2.0	-1.2
Dividends paid (incl. non-controlling interests)	-8.9	-4.7
Interest paid	-63.4	-63.3
Cash flow from financing activities	-120.9	74.0
Currency translation effect	-9.6	8.0
Change in cash and cash equivalents	13.3	50.8
Cash and cash equivalents at the beginning of the reporting period	1,304.8	1,436.8
Cash and cash equivalents at the end of the reporting period	1,318.1	1,487.6

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