Axpo Holding AG

Financial Report 2018/19

Full of Energy

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Financial review

The Axpo Group achieved exceptionally good operating results in the 2018/19 financial year thanks to one-off effects and despite electricity prices being hedged in 2016 when prices were low. EBIT before one-off effects improved by 56% year on year to CHF 542 million. Additional positive one-off effects of CHF 308 million resulted in reported EBIT of CHF 850 million. The result for the period was CHF 865 million (previous year: CHF 131 million). The rise in wholesale prices for electricity compared with earlier assumptions and the observable forward prices indicate that the phase of low electricity prices is likely to be over for the time being. With this in mind, Axpo reversed impairments of CHF 398 million on production facilities and energy procurement contracts in the 2018/19 financial year. In November, the Federal Council decided to reduce the target real return on the Decommissioning and Waste Disposal Funds to 1.6%. Axpo felt compelled to adjust the long-term parameters for the discount rate and inflation expectations for nuclear provisions, which led to an increase in provisions of CHF 90 million. These two effects, with a net impact of CHF 308 million, are considered to be one-off effects.

The improvement in EBIT from CHF 348 million in 2017/18 to CHF 542 million excluding one-off effects in 2018/19 was driven by a number of positive factors. The business area Trading & Sales recorded the largest increase in EBIT year on year. It achieved an extraordinary result in the financial year under review, increasing its operating profit by CHF 179 million excluding foreign currency and hedging effects. The return on the Decommissioning and Waste Disposal Funds was 6.5% (previous year: 3.0%), more than twice as high as in the previous year, which led to an improvement of CHF 56 million in EBIT and a positive impact on the financial result of CHF 91 million year on year.

The prices hedged in 2016 had a negative impact on EBIT in the financial year under review. EBIT fell by CHF 104 million year on year in 2018/19 due to the lower electricity prices, although part of this effect (CHF 29 million) was offset by impairments from previous years. The higher availability of the Beznau and Leibstadt nuclear power plants and slightly higher production in hydro power plants led to a year-on-year increase of CHF 41 million in the operating result. In the 2018/19 financial year, Axpo benefited for the first time from the CHF 26 million market premium for large-scale hydro power plants. In addition, the Federal Court ruling on the taxation of partner plants, which was positive for Axpo, resulted in a one-off reduction of CHF 30 million in the annual costs of various hydro power plants. The operation and sale of wind farms contributed an additional CHF 27 million to profits compared with the previous year. Thanks to favourable market conditions and a high level of system services, the gas-fired combined-cycle power plants in Italy were able to repeat their very good results of 2017/18 and ended the 2018/19 financial year virtually unchanged from the previous year. The acquisition of the French Urbasolar Group at the end of July 2019 had no impact on the 2018/19 income statement.

Axpo closed the 2018/19 financial year with a result for the period of CHF 865 million (previous year: CHF 131 million). The significant increase is attributable to the outstanding result and the positive one-off effects.

Total income

The Axpo Group's total income of CHF 4,856 million in 2018/19 was virtually unchanged year on year. The first-time application of IFRS 15 "Revenue from Contracts with Customers" led to a reduction of CHF 580 million in revenues from energy sales and grid usage compared with the previous year. The offsetting effects of these sales, which are now reported on a net basis, can be found in expenses for energy procurement, grid usage and goods purchased (CHF 500 million) and in other operating expenses (CHF 80 million). The realisation of the electricity prices hedged in 2016 reduced total income by a further CHF 104 million. This was substantially offset by higher electricity and gas sales in the growing retail business in Italy and Portugal and higher production from the gas-fired combined-cycle power plants, which contributed a total of CHF 540 million. The sale and operation of wind farms and the IT services business provided an additional CHF 80 million boost to sales. The increase in other operating income was primarily attributable to income realised from currency hedging.

Operating expenses

Expenses for energy procurement, grid usage and cost of goods purchased fell by CHF 502 million year on year to CHF 2,511 million. In addition to the first-time application of IFRS 15, this decrease also includes the reversal of provisions of CHF 346 million for onerous energy procurement contracts, which are regarded as a one-off effect. The high return on the Decommissioning and Waste Disposal Funds and the Federal Court ruling on the taxation of partner plants reduced the annual costs of the partner plants by CHF 86 million. By contrast, expenses for electricity and gas procurement in the growing retail business were higher at CHF 410 million. The decline in expenses for material and third-party supplies from CHF 213 million in 2017/18 to CHF 197 million in 2018/19 is mainly attributable to the fact that the previous year's figure included costs relating to a claim at a gas-fired combined-cycle power plant in Italy and extended overhauls of power plants. Personnel expenses increased from CHF 643 million in 2017/18 to CHF 681 million in 2018/19. The increase compared with the previous year is partly attributable to acquisitions but also reflects the expansion of both the IT services business and the trading and sales business.

Other operating expenses decreased by CHF 47 million to CHF 352 million, primarily due to the first-time application of IFRS 15. The share of profit of associates includes impairments on investments of CHF 22 million (previous year: CHF 39 million).

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by CHF 548 million year on year to CHF 1,157 million. This figure includes one-off effects of CHF 324 million.

Depreciation and impairments
Depreciation, amortisation and impairments of fixed assets totalled CHF 307 million in the 2018/19 financial year (previous year: CHF 261 million). The financial year under review included impairments of CHF 16 million (previous year: reversals of CHF 8 million). Excluding these impairments, depreciation and amortisation was virtually unchanged year on year.

Operating and segment earnings
The Axpo Group generated earnings before interest and tax (EBIT) of CHF 850 million in the 2018/19 financial year (previous year: CHF 348 million) or CHF 542 million excluding one-off effects.

The business area Assets reported an operating result of CHF 459 million in 2018/19 (previous year: CHF 83 million), which included one-off effects of CHF 237 million. EBIT excluding one-off effects therefore increased by CHF 139 million to CHF 222 million. The negative electricity price effect was more than offset by higher production volumes, a high return on the Decommissioning and Waste Disposal Funds, good results from renewable energies, the market premium for large-scale hydro power plants and the lower annual costs for partner plants following the Federal Court ruling.

The Trading and Sales segment achieved above-average results in the financial year under review. Its operating performance, excluding foreign currency effects and shifts in income due to hedging effects, rose from CHF 101 million to CHF 280 million year on year. All regions and all activities (customer business, proprietary trading and the marketing of Axpo's own production output) contributed to this extraordinary result. Internal currency hedging and the time-related shifts in income from hedging transactions were significantly lower than in the previous year. As a result, reported EBIT for this segment rose from CHF 230 million in 2017/18 to CHF 323 million in 2018/19.

The CKW Group's result was also boosted by impairment reversals of CHF 88 million. Excluding these one-off effects, its EBIT remained virtually unchanged year on year at CHF 99 million (previous year: CHF 103 million). Positive one-off effects in the previous year in connection with ElCom proceedings were not repeated and thus led to a slightly lower operating result.

The Reconciliation column in the segment results covers both Group functions and Avectris. The deterioration in the reported result from CHF –50 million in 2017/18 to CHF –118 million in 2018/19 is primarily attributable to losses on internal foreign currency hedging and impairments.

Profit for the period
The Axpo Group's financial result improved from CHF –138 million to CHF –38 million year on year in 2018/19. The high return on the Decommissioning and Waste Disposal Funds generated additional financial income of CHF 91 million compared with the previous year and was thus a key driver of the improved financial result. Reported income taxes were CHF +52 million (previous year: CHF –79 million). Tax income resulted from the realisation of hedging transactions for which hedge accounting was applied. However, the underlying transactions did not generate any tax expense due to the use of loss carry forwards. The 2018/19 financial year closed with a reported result for the period of CHF 865 million (previous year: CHF 131 million). The reported result included one-off effects of CHF 308 million.

Balance sheet
The Group had total assets of CHF 20.8 billion as at 30 September 2019, down CHF 1.4 billion year on year. After the balance sheet expanded significantly in the previous year due to rising electricity prices, the sideways movement of electricity prices in the financial year under review and the realisation of hedging transactions led to a significant reduction in derivative financial instruments on both the assets and liabilities side. Cash and cash equivalents increased from CHF 1.3 billion to CHF 1.7 billion year on year. The Group's overall liquidity as at the end of the financial year was CHF 4.5 billion (previous year: CHF 5.0 billion). Financial liabilities grew by CHF 0.3 billion year on year, meaning that net financial assets fell from CHF 206 million as at 30 September 2018 to CHF –610 million as at the end of the 2018/19 financial year, chiefly as a result of acquisitions. The reported result for the period of CHF 865 million and the contraction in the balance sheet led to an increase of six percentage points in the equity ratio to 28.4% as at the end of the 2018/19 financial year (previous year: 22.4%).

Employees
Headcount increased by 517 FTEs to 4,958 FTEs as at 30 September 2019. The increase was largely attributable to acquisitions and the expansion in all business activities.

Cash flow statement
Cash flow from operating activities fell by CHF 329 million year on year to CHF 146 million (previous year: CHF 474 million). The extraordinary performance of Trading & Sales resulted in a cash inflow of CHF 110 million compared with the previous year. After asymmetrical margin calls due to various hedging instruments resulted in a cash inflow of CHF 75 million in the previous year, these funds flowed out again in the financial year under review. Additional funds tied up in net working capital were also CHF 218 million higher than in the previous year. The effect of CHF 104 million on cash flow from operating activities caused by lower electricity prices was partially offset by higher production volumes, the market premium for large-scale hydro power plants and higher cash flow from the sale and operation of wind farms. Income taxes paid rose by CHF 41 million year on year. Net investments of CHF 418 million were significantly higher than the previous year's figure of CHF 198 million, which included the sale of two minority investments, whereas the financial year under review saw acquisitions with a value of CHF 156 million in addition to ordinary investments. As a result of the lower cash inflow from operating activities and the higher cash outflow from investing activities, Axpo achieved a significantly lower free cash flow of CHF –273 million in 2018/19 (previous year: CHF 276 million).

The Board of Directors will propose to the Annual General Meeting that the dividend payout be waived.

Consolidated income statement

CHF million	Notes	2018/19	2017/18
Revenues from energy sales and grid usage	9	4 724.7	4 763.9
Changes in inventories		11.3	3.8
Capitalised production costs		46.1	49.3
Other operating income		74.1	32.9
Total income	8	**4 856.2**	**4 849.9**
Expenses for energy procurement, grid usage and goods purchased	10	–2 511.4	–3 013.6
Expenses for materials and third-party supplies		–197.0	–213.4
Personnel expenses	11	–680.6	–642.9
Other operating expenses	12	–352.2	–399.2
Share of profit of partner plants and other associates	18	42.2	28.8
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**1 157.2**	**609.6**
Depreciation, amortisation and impairments	13	–306.8	–261.3
Earnings before interest and tax (EBIT)		**850.4**	**348.3**
Financial income	14	281.9	152.4
Financial expense	14	–320.2	–290.1
Earnings before tax		**812.1**	**210.6**
Income tax expense	15	52.4	–79.4
Result for the period		**864.5**	**131.2**
Attributable to:			
Axpo Holding shareholders		**827.3**	**110.7**
Non-controlling interests		**37.2**	**20.5**

	2018/19	2017/18
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	827.3	110.7
Earnings per share in CHF	**22.4**	**3.0**

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

Consolidated statement of comprehensive income

CHF million	Notes	2018/19	2017/18
Result for the period		**864.5**	**131.2**
Available-for-sale financial assets		**0.0**	**–9.5**
Fair value adjustments		0.0	–1.4
Result transferred to the income statement		0.0	–9.1
Current income taxes	15	0.0	1.0
Cash flow hedges group companies		**429.6**	**–227.0**
Fair value adjustments		203.3	–441.4
Result transferred to the income statement		310.6	156.2
Deferred taxes	15	–77.7	63.1
Current income taxes	15	–6.6	–4.9
Share of cash flow hedges other associates		**–9.0**	**3.4**
Fair value adjustments	18	–10.4	3.6
Deferred taxes	15, 18	1.4	–0.2
Currency translation differences		**–47.8**	**–3.5**
Currency translation differences for the year		–47.8	–3.5
Share of currency translation differences other associates		**–2.0**	**1.5**
Currency translation differences for the year	18	–2.0	1.5
Income and expenses to be reclassified subsequently to profit or loss, net after income tax		**370.8**	**–235.1**
Remeasurement of defined benefit plans group companies		**–252.6**	**174.3**
Remeasurement of defined benefit plans		–304.3	210.1
Deferred taxes	15	51.7	–35.8
Remeasurement of defined benefit plans partner plants and other associates		**–44.9**	**31.2**
Remeasurement of defined benefit plans	18	–55.1	39.9
Deferred taxes	15, 18	10.2	–8.7
Income and expenses not to be reclassified subsequently to profit or loss, net after income tax		**–297.5**	**205.5**
Other comprehensive income, net after tax		**73.3**	**–29.6**
Total comprehensive income		**937.8**	**101.6**
Attributable to:			
Axpo Holding shareholders		**917.3**	**73.4**
Non-controlling interests		**20.5**	**28.2**

Consolidated balance sheet

CHF million	Notes	30.9.2019	30.9.2018
Assets			
Property, plant and equipment	16	4 839.0	4 505.8
Intangible assets	17	1 047.5	772.3
Investments in partner plants and other associates	18	1 465.4	1 502.4
Derivative financial instruments	6	1 258.4	1 808.6
Other financial assets	20	2 009.7	2 716.2
Investment properties		23.0	23.3
Other receivables	24	2 796.3	2 633.5
Deferred tax assets	15	110.8	52.0
Total non-current assets		**13 550.1**	**14 014.1**
Assets held for sale	21	35.9	1.4
Inventories	22	467.6	796.8
Trade receivables		862.1	789.7
Financial receivables	23	870.4	1 023.4
Current tax assets		45.8	21.6
Derivative financial instruments	6	1 250.7	2 212.1
Other receivables	24	2 068.0	2 052.0
Cash and cash equivalents	25	1 655.4	1 304.8
Total current assets		**7 255.9**	**8 201.8**
Total assets		**20 806.0**	**22 215.9**
Equity and liabilities			
Share capital	26	370.0	370.0
Retained earnings		5 467.0	4 796.6
Other reserves	26	−440.7	−682.3
Total equity excluding non-controlling interests		**5 396.3**	**4 484.3**
Non-controlling interests		504.0	494.5
Total equity including non-controlling interests		**5 900.3**	**4 978.8**
Financial liabilities	27	4 204.9	4 276.7
Derivative financial instruments	6	1 042.4	1 890.7
Other liabilities	28	608.6	289.6
Deferred tax liabilities	15	189.6	170.5
Provisions	29	3 895.8	4 157.9
Total non-current liabilities		**9 941.3**	**10 785.4**
Trade payables		598.3	581.0
Financial liabilities	27	941.1	561.6
Current tax liabilities		66.1	57.2
Derivative financial instruments	6	1 262.5	2 699.8
Other liabilities	30	1 893.1	2 245.1
Provisions	29	203.3	307.0
Total current liabilities		**4 964.4**	**6 451.7**
Total liabilities		**14 905.7**	**17 237.1**
Total equity and liabilities		**20 806.0**	**22 215.9**

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 as 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				**0.0**	–0.6	**–0.6**
Increase and decrease in capital of non-controlling interests				**0.0**	1.8	**1.8**
Equity as at 30.9.2018	**370.0**	**4 796.6**	**–682.3**	**4 484.3**	**494.5**	**4 978.8**
Effect of first-time adoption of IFRS 9		117.3	–121.9	**–4.6**	–0.2	**–4.8**
Equity as at 1.10.2018 restated	**370.0**	**4 913.9**	**–804.2**	**4 479.7**	**494.3**	**4 974.0**
Other comprehensive income		–276.3	366.3	**90.0**	–16.7	**73.3**
Result for the period		827.3		**827.3**	37.2	**864.5**
Total comprehensive income		**551.0**	**366.3**	**917.3**	**20.5**	**937.8**
Dividend		0.0		**0.0**	–9.0	**–9.0**
Change in consolidation scope		1.6	–3.3	**–1.7**	–0.1	**–1.8**
Non-controlling interests acquired		0.5	0.5	**1.0**	–1.7	**–0.7**
Equity as at 30.9.2019	**370.0**	**5 467.0**	**–440.7**	**5 396.3**	**504.0**	**5 900.3**

Consolidated cash flow statement

CHF million	Notes	2018/19	2017/18
Earnings before tax		812.1	210.6
Financial result	14	38.3	137.7
Earnings before interest and tax (EBIT)		**850.4**	**348.3**
Gain on disposal of non-current assets		–3.3	0.0
Gain 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	13	306.8	261.3
Share of profit of partner plants and other associates	18	–42.2	–28.8
Other non-cash items		–111.0	11.9
Change in net working capital:			
Change in inventories		2.5	–23.3
Change in trade receivables and other receivables		85.3	–429.7
Change in trade payables and other payables		–457.1	689.8
Change in derivative financial instruments and other financial result		141.5	–246.4
Change in provisions (excluding interest, net)	29	–618.5	–123.1
Dividends received		54.0	52.0
Income taxes paid		–62.8	–22.3
Cash flow from operating activities		**145.6**	**474.2**
Property, plant and equipment:			
Investments net of capitalised borrowing costs	16	–226.3	–216.9
Disposals and cost contributions		10.2	5.0
Lease investments			
Investments net of capitalised borrowing costs		–1.4	0.0
Disposals and repayments		0.8	0.0
Intangible assets:			
Investments (excluding goodwill)	17	–32.4	–32.7
Disposals		0.0	0.1
Investments in subsidiaries (net of cash transferred)	7	–156.2	–9.2
Cash flow from non-current assets and liabilities held for sale		1.5	80.7
Investments in partner plants and other associates:			
Investments		–15.3	–42.5
Disposals and capital repayments		8.0	17.3
Other financial assets:			
Investments		–316.7	–509.6
Disposals and repayments		628.8	142.4
Receivables from state funds		–7.7	0.0
Financial receivables (current)		513.5	–138.1
Interest received		46.8	60.1
Cash flow from/used in investing activities		**453.6**	**–643.4**

CHF million	Notes	2018/19	2017/18
Financial liabilities:			
Proceeds	27	2 382.8	2 095.5
Repayment	27	–2 488.9	–1 944.1
Other liabilities:			
Proceeds		10.7	14.0
Other cash flows from financing activities		–2.5	0.7
Dividend payments (including non-controlling interests)		–8.9	–5.6
Interest paid		–118.6	–116.2
Cash flow used in/from financing activities		**–225.4**	**44.3**
Currency translation effect		–23.2	–7.1
Change in cash and cash equivalents		**350.6**	**–132.0**
Cash and cash equivalents at the beginning of the reporting period	25	**1 304.8**	**1 436.8**
Cash and cash equivalents at the end of the reporting period	25	**1 655.4**	**1 304.8**

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 36 "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 4,958 staff as at 30 September 2019.

2 Basis of accounting

General principles
The consolidated financial statements for the 2018/19 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 9 December 2019 and are still to be approved by the Annual General Meeting on 17 January 2020.

Measurement bases
The consolidated financial statements are based on the historical 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 2018/19 financial year:
- IFRS 2 (amended) – Classification and Measurement of Share-based Payment Transactions (1 January 2018)
- IFRS 9 – Financial Instruments (1 January 2018)
- IFRS 15 – Revenue from Contracts with Customers (1 January 2018)
- Clarifications to IFRS 15 – Revenue from Contracts with Customers (1 January 2018)
- IAS 40 (amended) – Transfers of Investment Property (1 January 2018)
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (1 January 2018)
- IFRSs (2014–2016 cycle) – Annual Improvements (IFRS 1 and IAS 28) (1 January 2018)

With the exception of IFRS 9 and 15, the new standards have no material impact on Axpo's consolidated financial statements. IFRS 9 and 15 had the following effects as at 1 October 2018:

Consolidated balance sheet as at 1 October 2018 (condensed)

CHF million	1.10.2018	First-time adoption of IFRS 9	First-time adoption of IFRS 15	1.10.2018 restated
Assets				
Other financial assets	2 716.2	–3.6	0.0	2 712.6
Other receivables	2 633.5	0.0	2.8	2 636.3
Total non-current assets	**14 014.1**	**–3.6**	**2.8**	**14 013.3**
Inventories	796.8	0.0	–21.6	775.2
Trade receivables	789.7	0.8	0.0	790.5
Financial receivables	1 023.4	–0.9	0.0	1 022.5
Other receivables	2 052.0	–0.6	18.8	2 070.2
Cash and cash equivalents	1 304.8	–0.1	0.0	1 304.7
Total current assets	**8 201.8**	**–0.8**	**–2.8**	**8 198.2**
Total assets	**22 215.9**	**–4.4**	**0.0**	**22 211.5**
Equity and liabilities				
Retained earnings	4 796.6	117.3	0.0	4 913.9
Other reserves	–682.3	–121.9	0.0	–804.2
Total equity excluding non-controlling interests	**4 484.3**	**–4.6**	**0.0**	**4 479.7**
Non-controlling interests	494.5	–0.2	0.0	494.3
Total equity including non-controlling interests	**4 978.8**	**–4.8**	**0.0**	**4 974.0**
Other liabilities	289.6	0.0	–6.9	282.7
Deferred tax liabilities [1)]	170.5	–0.1	0.0	170.4
Total non-current liabilities	**10 785.4**	**–0.1**	**–6.9**	**10 778.4**
Other liabilities	2 245.1	0.0	6.9	2 252.0
Provisions	307.0	0.5	0.0	307.5
Total current liabilities	**6 451.7**	**0.5**	**6.9**	**6 459.1**
Total liabilities	**17 237.1**	**0.4**	**0.0**	**17 237.5**
Total equity and liabilities	**22 215.9**	**–4.4**	**0.0**	**22 211.5**

1) Effect of reclassification of "available-for-sale financial assets" as financial assets "at fair value through profit or loss". The other effects relate to the measurement of financial assets due to first-time adoption in accordance with IFRS 9.

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.

Classification and measurement of financial assets and liabilities

The number of measurement categories for financial assets has been reduced under the new standard. Assets are now classified in the following categories: measured at amortised cost, measured at fair value through other comprehensive income (FVOCI) and measured at fair value through profit or loss (FVTPL). The classification of financial assets in accordance with IFRS 9 is based on the entity's business model for managing financial assets and the characteristics of contractual cash flows. As a result, debt and equity instruments previously classified as available-for-sale at Axpo have been measured at fair value through profit or loss from 1 October 2018. With the exception of the above financial assets, the first-time application of IFRS 9 had no impact on the measurement of financial receivables, financial liabilities and derivative financial instruments.

The following table shows the new classification and measurement in accordance with IFRS 9 as at 1 October 2018:

Classification of financial assets as at 1 October 2018

CHF million	Classification according to IAS 39	Classification according to IFRS 9	Book value IAS 39	Book value IFRS 9
Financial receivables (current and non-current)	Loans and receivables	At amortised cost	1 807.6	1 803.1
Other receivables (current and non-current)	Loans and receivables	At amortised cost	670.8	670.7
Trade receivables	Loans and receivables	At amortised cost	789.7	790.5
Revenues not yet invoiced	Loans and receivables	At amortised cost	1 180.0	1 179.5
Cash and cash equivalents	Loans and receivables	At amortised cost	1 304.8	1 304.7
Other financial assets (current and non-current)	Available-for-sale financial assets	Financial assets at fair value through profit or loss (mandatory)	1 932.0	1 932.0
Energy derivatives	Financial assets at fair value through profit or loss (held for trading)	Derivative financial instruments at fair value through profit or loss (held for trading)	3 909.6	3 909.6
Currency forward contracts	Financial assets at fair value through profit or loss (held for trading)	Derivative financial instruments at fair value through profit or loss (held for trading)	12.9	12.9
Other derivative financial instruments	Financial assets at fair value through profit or loss (held for trading)	Derivative financial instruments at fair value through profit or loss (held for trading)	0.5	0.5
Energy derivatives	Derivatives designated as hedges	Derivative financial instruments at fair value through other comprehensive income with recycling (hedge accounting)	61.7	61.7
Currency forward contracts	Derivatives designated as hedges	Derivative financial instruments at fair value through other comprehensive income with recycling (hedge accounting)	36.0	36.0

Impairment of financial assets

According to IFRS 9, loss allowances are no longer made on the basis of incurred losses (incurred loss model), but on expected losses (expected loss model). The new impairment model applies to financial assets measured at amortised cost, contract assets and debt instruments measured at FVOCI, but not to equity investments held as financial investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. In accordance with the transitional provisions of IFRS 9, the prior-year figures have not been restated. The changeover effect as at 1 October 2018 amounted to CHF –4.8 million before taxes and was recognised in retained earnings.

Accounting for hedging transactions

The aim of the new rules on hedge accounting is to better reflect risk management activities in the consolidated financial statements. To this purpose, IFRS 9 extends, among other things, the qualifying transactions for hedge accounting and simplifies the effectiveness testing. Since 1 October 2018, the Axpo Group has applied the hedge accounting requirements of IFRS 9 to existing hedging relationships. No impact resulted 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 and IAS 18 – Revenue. 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 comprises a five step model. Compared with the previous requirements, the classification and requirements for the notes in accordance with IFRS 15 are more extensive.
The Axpo Group has chosen the modified, retrospective approach for the first-time application of IFRS 15. Under this transition method, Axpo must apply IFRS 15 retrospectively only to contracts that have not yet been fulfilled as at 1 October 2018. Any resulting changeover effect will be recognised directly in equity as at 1 October 2018. The previous year's figures for the 2017/18 financial year have not been restated. The new rules of IFRS 15 do not result in any changeover effects recognised in profit or loss for the Axpo Group, which is why there was no change in equity as at 1 October 2018.

The relevant financial statement items are presented below in accordance with the previous and new accounting standards:

Consolidated income statement for the financial year 2018/19 (condensed)

CHF million	Explanation	2018/19 IAS 18/IAS 11	Change IFRS 15	2018/19 IFRS 15
Revenues from energy and grid usage	a), b)	5 623.3	–898.6	4 724.7
Total income		**5 754.8**	**–898.6**	**4 856.2**
Expenses for energy procurement, grid usage and goods purchased	a)	–3 326.5	815.1	–2 511.4
Other operating expenses	b)	–435.6	83.4	–352.2
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**1 157.2**	**0.0**	**1 157.2**

Consolidated balance sheet as at 30 September 2019 (condensed)

CHF million	Explanation	30.9.2019 IAS 18/IAS 11	Change IFRS 15	30.9.2019 IFRS 15
Assets				
Other receivables	c)	2 792.3	4.0	2 796.3
Total non-current assets		**13 546.1**	**4.0**	**13 550.1**
Inventories	d)	493.6	–26.0	467.6
Other receivables		2 046.0	22.0	2 068.0
Total current assets		**7 259.9**	**–4.0**	**7 255.9**
Total assets		**20 806.0**	**0.0**	**20 806.0**
Equity and liabilities				
Other liabilities		615.5	–6.9	608.6
Total non-current liabilities		**9 948.2**	**–6.9**	**9 941.3**
Other liabilities		1 886.2	6.9	1 893.1
Total current liabilities		**4 957.5**	**6.9**	**4 964.4**
Total liabilities		**14 905.7**	**0.0**	**14 905.7**
Total equity and liabilities		**20 806.0**	**0.0**	**20 806.0**

The nature of the adjustment as at 1 October 2018 and the reasons for the changes in the consolidated balance sheet as at 30 September 2019 and in the consolidated income statement for the financial year from 1 October 2018 to 30 September 2019 are shown below.

a) In certain countries where the Axpo Group operates as an energy supplier, energy is delivered to the end customer through third-party distribution systems and gas lines. Axpo only qualifies as an agent if it merely transmits the energy. This results in a reduction of CHF 815.1 million in “Revenues from energy sales and grid usage” and “Expenses for energy procurement, grid usage and cost of goods purchased”.
b) In Switzerland, the grid supplement is billed by the energy supply company and passed on to the state funds. 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 CHF 83.4 million in “Revenues from energy sales and grid usage” and “Other operating expenses”.
c) Axpo pays commissions to agents to acquire customers in the energy sector. These costs have already been capitalised and amortised over the term of the related revenue period. As a result of the first-time application of IFRS 15, a separate account was opened for commissions under non-current other receivables and the amount of CHF 2.8 million was reclassified from current other receivables on 1 October 2018. As at 30 September 2019, capitalised contract costs amounted to CHF 4.0 million.
d) Inventories included CHF 21.6 million of project orders to customers, which were reclassified to contract assets (part of current other receivables) as a result of the first-time application of IFRS 15. As at 30 September 2019, CHF 22.0 million was capitalised as contract assets, which was previously shown under inventories.

In addition, the first-time application of IFRS 15 resulted in a reclassification of CHF 19.7 million of current advance payments to contract liabilities. Both items are reported under current other liabilities. The first-time application of IFRS 15 had no material impact on the Group’s other comprehensive income or cash flows from operating, investing and financing activities.

Voluntary changes in accounting policies

Axpo’s production portfolio is managed by means of forward transactions and futures contracts. First sales of the Axpo Group’s self-produced energy by means of physically settled forward transactions are classified as own use contracts. Futures contracts that can be physically settled were previously accounted for as hedging instruments in a cash flow hedge relationship. Since 1 October 2018, first sales of self-produced energy by means of such physically settled futures contracts have also been classified as own use contracts. Consequently, these futures are only recognised at realisation. However, if a contract is likely to result in a loss, a provision is recognised in accordance with IAS 37. The margin call is now recorded as other receivables/other liabilities instead of equity, as in a cash flow hedge relationship. As at 30 September 2019, other receivables were CHF 12.9 million higher, while the cash flow hedge reserve presented in equity was lower by the same amount. The change was prospective; the other receivables/liabilities and the cash flow hedge reserve as at 30 September 2018 remained unchanged. This changeover means that the concept of classifying the first sale of Axpo's self-produced energy as an own-use contract will be consistently implemented and the transparency and comprehensibility of financial reporting will be enhanced.

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 consolidated financial statements of Axpo Group 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.

- Amendments to IAS 1 and IAS 8 – Definition of Materiality (1 January 2020)
- IFRS 3 (amended) – Definition of Business Operations (1 January 2020)
- IFRS 9 (amended) – Prepayment Features with Negative Compensation (1 January 2019)
- 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)
- IFRIC 23 – Uncertainty over Income Tax Treatments (1 January 2019)
- IFRSs (2015–2017 cycle) – Annual Improvements (1 January 2019)
- Framework for the Preparation and Presentation of Financial Statements (1 January 2020)
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform (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 and with the exception of the application of IFRS 16, Axpo Group does not expect any material impact on the Group's financial position and results of operations. The expected impact from the application of IFRS 16 is described below.

IFRS 16 – Leases

IFRS 16 – Leases (2016) will replace the contents of IAS 17 – Leases, and the related interpretations IFRIC 4, SIC-15 and SIC-27. According to the new leasing standard – with the exception of short-term leases (up to 12 months) and leases for low-value assets – all leases must be recognised in the balance sheet. Therefore, the lessee must capitalise a right-of-use asset for all leased assets and recognise a corresponding liability in the amount of the present value of the fixed lease payments. There have been no material changes for the lessor – also with regard to the continued need to classify leases as finance or operating leases – compared with current accounting in accordance with IAS 17.
The new standard is effective for annual periods beginning on or after 1 January 2019. For Axpo this means that IFRS 16 has to be applied for the first time for the 2019/20 financial year, beginning on 1 October 2019. Axpo is using the option of modified retrospective application for existing leases and will recognise the cumulative effect of the application of IFRS 16 in retained earnings as at 1 October 2019, without adjusting the comparative information.

At the time of the transition, the following options and exceptions will be exercised:
- Measurement of the right-of-use asset as if IFRS 16 had always been applied (but using the incremental borrowing rate at the date of initial application).
- Adjustment of the right-of-use asset by the amount recognised in the balance sheet as at 30 September 2019 as a provision for onerous leases.
- Measurement of the right-of-use asset at the date of initial application without taking into account initial direct costs.
- Leases that expire within twelve months of the date of initial application are classified as current leases.

Axpo also makes use of the exceptions by not recognising current or low-value leases as right-of-use assets in the balance sheet. As a result of the implementation of IFRS 16, Axpo expects depreciation and amortisation to increase by around CHF 16 million, while the charge on the financial result is expected to be around CHF 2 million. However, other operating expenses will be reduced by approximately the two aforementioned amounts, so that there will be no material impact on net profit.
In the balance sheet, the first-time application of the standard will lead to an increase in both non-current assets (accounting for rights of use) and financial liabilities (classifying corresponding lease liabilities). The impact in terms of the size of the changeover at the date of first-time application on the lease liabilities and right-of-use assets will probably amount to around CHF 150 million, taking into account existing accruals.

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 paying 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**	**30.9.2019**	**30.9.2018**	**2018/19**	**2017/18**
EUR	1	1.0847	1.1316	1.1227	1.1616
USD	1	0.9961	0.9775	0.9953	0.9763

4 Accounting policies

Revenue recognition

Revenue in the Axpo Group is realised when the service is rendered or when control is transferred to the customer. Accordingly, revenue is recognised when either the products or goods are delivered or the contractually agreed services have been rendered. Performance obligations with regard to returns, refunds, warranties and similar obligations are not material to the Axpo Group.
In general, revenue is reported net after deduction of value added tax and other discounts. The payment to which Axpo is entitled for the rendering of the various performance obligations may consist of fixed and variable consideration. For the measurement of the transaction price, variable components are only included if it is highly probable that there will be no significant reversal of the recognised cumulative revenues as soon as the uncertainty in connection with the variable consideration no longer exists. Penalties which might be owed by the customers, e.g. for deviations between delivered and contractually agreed energy volumes, represent a variable component. This component is only included in the measurement of the transaction price if its occurrence is highly probable, which can normally only be estimated towards the end of the delivery period.
Commissions paid to agents as a result of concluding a contract are capitalised as additional costs of obtaining the contract. These costs essentially comprise commissions paid to sales agents when customers are successfully referred to Axpo Group. Amortisation is in line with the transfer of the goods or services to the customer and is based on the average customer retention period.
The Axpo Group does not adjust the amount of the promised consideration to reflect the effects of a significant financing component if, at the inception of the contract, it expects that the time period between the transfer of a good or service to the customer and payment by the customer will not exceed one year.

Revenues from energy sales and grid usage

Energy transactions that are for the management of the Group's own production portfolio and for the physical delivery of energy to retail customers are classified as own use contracts and recognised over the period of the agreed service provision. As the criteria listed in IFRS 15 are met, energy deliveries will be accounted for as a single performance obligation (series of distinct goods or services). In the case of energy deliveries, Axpo has a right to a consideration that is directly equivalent to the value of the energy already delivered to the customer. Axpo applies the exemption in IFRS 15 in such cases and recognises revenue at the amount that can be invoiced. Income is therefore considered realised and recognised as revenue when delivery has taken place. Deliveries to retail customers are largely based on individual meter readings at the end of the financial year. If the meters cannot be read at this time, revenue is estimated and recognised on the basis of statistical values. Revenue from electricity supplies not yet invoiced as of the balance sheet date is shown as "Revenues not yet invoiced (financial instruments)" under other receivables.
Revenues from energy sales and grid usage include income from the settlement of transmission fees for the distribution grid (grid usage fees). Income from the transmission of energy is recognised over the duration of the agreed service provision. When energy is transmitted, customers have a direct entitlement to a consideration that corresponds directly to the value of the energy transmitted. This service provision is covered by the exemption in IFRS 15 for revenue recognition. Axpo applies this exemption and recognises revenue in the amount that may be invoiced. The income is therefore considered realised and recognised as revenue when delivery has taken place.
In accordance with IFRS 15, transport costs for energy, such as grid usage fees for grids not owned by Axpo, are now reported net in revenue. In such cases, Axpo acts only as the agent of the grid operator since it collects these charges from the customer on the latter's behalf and forwards them to the grid operator.
The grid supplement, which is invoiced to the customer in Switzerland by the energy supply company and forwarded to the state fund, is now reported net in revenue as Axpo merely acts as an agent for the collection and forwarding of the grid supplement. The payment terms are usually 30 days and in exceptional cases longer.

Result from energy derivatives trading

Contracts related to customer-specific business (origination) and energy trading are measured at fair value and do not fall within the scope of IFRS 15. As a result, revenue 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 effectively realised gains or losses 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 the income statement.

Other net revenue

Other net revenue includes revenue in the areas of building technology, IT services and grids. For customer-specific construction contracts for which Axpo is entitled to receive a consideration for the services rendered under the terms of the contract, revenue is recognised on a period basis. Revenue is recognised on the basis of the stage of completion of the order, which is determined separately for each customer order using the cost-to-cost method. Under the cost-to-cost method, the costs already incurred for the customer order are compared with the expected costs. The profit of an order, which is accounted for on a period basis, is realised on the basis of the calculated stage of completion. Revenue that cannot yet be offset is recognised in the balance sheet as contract assets (included in line item "Other receivables") less advance payments already made. In the event of a surplus of advance payments, revenue that cannot yet be offset is recognised as contract liabilities (included in line item "Other liabilities"). The provision of services can take place both over a period of time and at a point in time.

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 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.

Investments in partner plants and other associates

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.

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 and liabilities (other than trade receivables with no significant financing components) are initially recognised at fair value and, in the case of financial assets and liabilities that are not measured at fair value through profit or loss, include transaction costs directly attributable to their acquisition or issue. Trade receivables with no significant financing components are initially measured at the transaction price, which corresponds to fair value. Subsequent measurement is based on the category to which the financial assets and liabilities are assigned. The Axpo Group classifies its financial assets and liabilities as follows:

- At amortised cost
- At fair value through profit or loss

A financial asset is measured at amortised cost if both of the following conditions are met and it has not been designated as at fair value through profit or loss:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual conditions of the financial asset result in specific dates for cash flows that solely represent amortisation and interest payments on the outstanding capital amount.

These assets are subsequently measured at amortised cost using the effective interest method and impaired by a loss allowance. Interest income, exchange rate gains and losses and impairments are recognised in the income statement.
Financial assets that are held to generate cash flows by selling the assets and financial assets and liabilities that are held or managed for trading purposes and whose value is measured on the basis of fair value are classified as at fair value through profit or loss.
These assets and liabilities are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the income statement.

Derecognition of financial assets

A financial asset is derecognised if one of the following conditions is met:

- The contractual rights to receive cash flows from the financial asset have expired.
- The Group has transferred its contractual rights to receive cash flows from the financial asset to a third party or has assumed a contractual obligation to immediately pay the cash flow to a third party under a transfer agreement, either transferring substantially all the risks and rewards incidental to ownership of the financial asset or neither transferring nor retaining substantially all the risks and rewards incidental to ownership of the financial asset, but transferring control of the asset.

If a gain or loss results from the derecognition of the financial asset, it is recognised in the income statement.

Other financial assets (current and non-current)
Financial assets comprise marketable equity securities and debt securities held primarily in funds.
Funds which qualify as equity instruments and non-consolidated participations in which the Axpo Group does not exercise significant or controlling influence, as well as funds which fall under the exception of IAS 32.16A (puttable instruments), are classified as at fair value through profit or loss.
Current and non-current loans to third parties, as well as to associates, are measured at amortised cost using the effective interest method, less loss allowances. If, when the loan is paid out, the agreed interest rate equals the market interest rate and both the disbursement and the repayment are made at nominal value, the amortised cost is equal to the nominal value of the loan.
Current and non-current time deposits are measured at amortised cost using the effective interest method less loss allowances. If at the date of issuing the time deposit, the contractually agreed interest rate corresponds to the market interest rate, and the borrowing and repayment amount is contracted to be at face value, the time deposit is measured at face value less loss allowances.

Other receivables (non-current)
This position comprises almost exclusively receivables from state funds that do not, however, fall within the scope of IFRS 9. 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. Other receivables subject to the requirements of IFRS 9 are recognised at fair value less loss allowances. In subsequent measurements, they are measured at amortised cost less loss allowances.

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 with no significant financing components are initially measured at the transaction price in accordance with IFRS 15. All other trade receivables and other current receivables subject to IFRS 9 are recognised at fair value less transaction costs and less loss allowances. In subsequent measurements, they are measured at amortised cost less loss allowances.

Contract assets/liabilities
Contract assets (included in "other receivables") exist in connection with the rendering of services in the areas of building technology, IT services and grids. The majority of these are customer-specific construction contracts for which a right to a consideration exists for goods or services that are transferred to the customer. If a consideration is received before goods or services are transferred to the customer, a contract liability (included in "other liabilities") is recognised.

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 accounted for as assets or liabilities and measured at fair value. Changes in fair value are recorded in the income statement unless the derivative financial instrument forms part of a hedging relationship (derivatives designated as hedging instruments). In that case, the change in fair value is recognised in accordance with the underlying hedge type.

Energy derivatives
Axpo trades in contracts in the form of forward transactions (forwards, futures, swaps) and options with energy as the 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 or futures are treated as own-use contracts. They are not reported as derivative financial instruments at fair value according to IFRS 9, rather as executory contracts in accordance with the rules of IAS 37. Revenue from such sales is recognised upon delivery. The margin call is recorded as other receivables and other liabilities.
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 and are generally held for trading are 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.

Impairment of non-derivative financial assets
Axpo uses the simplified approach permitted by IFRS 9 for the calculation of loss allowances for the balance sheet positions trade receivables, revenue not yet invoiced, contract assets and current and non-current lease receivables. The loss allowances are calculated over the entire term of the contract. The loss allowances for these items are calculated on the basis of a maturity matrix. The same maturity matrix is used per country for retail customers. The loss allowances for all other counterparties are calculated on the basis of a maturity matrix and the counterparty rating.
For all other financial assets for which the simplified approach is not envisaged, the loss allowances are calculated using the three-stage approach. The loss allowances are calculated on the basis of the counterparty rating and the remaining term. Depending on which stage it is allocated to, the risk provision is calculated over twelve months or the shorter contract term (stage 1) or over the entire contract term (stages 2 and 3). Counterparty ratings are based on both quantitative and qualitative information and analysis. The probability of default per counterparty rating and contract term corresponds to the observable industrial values.
From Axpo's point of view, a financial asset has a low default risk if its counterparty rating meets the definition of "investment grade". Axpo defines a rating of up to and including BBB as investment grade. Financial assets with such a rating are assigned to stage 1. There is no further review of the increase in credit risk.

Axpo also assumes that the risk of a financial asset defaulting has increased significantly if it is more than 30 days past due or if the counterparty rating has deteriorated by more than 2 stages since the contract was concluded and is outside investment grade. In this case, a financial asset is allocated to stage 2.
Axpo considers a financial asset to be credit-impaired if the borrower has filed for bankruptcy or if the financial asset is more than 90 days past due. These assets are allocated to stage 3. Assets remain impaired on the balance sheet until foreclosure has been completed.
The assumptions made when 30 or 90 days are past due can be rebutted if appropriate and supportive information is available. If there are indications of impairment, loss allowances are calculated on an individual basis and recognised. Axpo assumes a recovery rate of 20% on financial receivables past due for more than 360 days.
Loss allowances for financial receivables of an operating nature and for financial guarantees and credit lines not yet drawn are recognised above EBIT, while loss allowances for financial receivables of a financing nature are recognised in the financial result.

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 partly because of the legal obligation to assume the annual costs. 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 minus the effects 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" contracts, 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 4,839.0 million (previous year: CHF 4,505.8 million; see Note 16 "Property, plant and equipment") and holds energy procurement and plant usage rights as well as concessions totalling CHF 659.6 million (previous year: CHF 608.8 million; see Note 17 "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 2018/19 reporting year, changes in assumptions relating to the described parameters resulted in a net impairment of CHF 16.0 million (previous year: CHF – 14.1 million; see Note 13 "Impairment losses, impairment reversals and provisions for onerous energy procurement contracts", Note 16 "Property, plant and equipment" and Note 17 "Intangible assets").

Transmission systems

The 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. The non-cash contributors were compensated in the form of Swissgrid shares and loans. On 20 October 2016, ElCom had at its disposal the method for determining the relevant value. A payment on account was made at the beginning of 2017. The final evaluation of the transmission system will be made as part of a new valuation and purchase price adjustment (valuation adjustment 2) with 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 coverage differences in 2011 and 2012 as well as the process for determining the relevant value). Depending on the outcome of these proceedings, which are still ongoing in some cases, the definitive transfer values of the transmission systems may in some cases differ from the provisional transfer values in valuation adjustment 2.
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 totalling CHF 5.4 million to Axpo Solutions AG during the 2017/2018 financial year.
With regard to Kraftwerke Linth-Limmern AG and Kraftwerke Vorderrhein AG, ElCom received compensation on 6 March 2018 for its construction facilities shared by Swissgrid and the transmission grid. Swissgrid subsequently paid Kraftwerke Linth-Limmern AG and Kraftwerke Vorderrhein AG a total of CHF 10.6 million for the years 2009–2014 in the 2017/2018 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 121.4 million was recognised in the balance sheet as at 30 September 2019 (see Note 29 "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

The law requires operators of nuclear power plants to make payments to two state-controlled funds for the decommissioning of nuclear power plants and for the disposal of nuclear waste: the Decommissioning Fund for Nuclear Facilities and Waste Disposal Fund for Nuclear Power Plants (STENFO). Payments to the funds are capitalised as receivables (refund entitlements). As at 30 September 2019, they amounted to CHF 2,715.0 million (previous year: CHF 2,542.0 million; see Note 24 "Other receivables"). The future costs for disposal and decommissioning will be reimbursed to the operators by these state funds in accordance with the law. According to the provisions of the Ordinance on the Decommissioning and Waste Disposal Fund for Nuclear Facilities (SEFV), operators must pay any future long-term shortfalls or are entitled to the payment of a surplus at the time of final settlement. The occurrence of any shortfalls or surpluses can only be identified in the future.

Fair value of financial instruments

Financial assets and liabilities as well as derivatives are recognised in the balance sheet at their fair value. As at 30 September 2019, the Axpo Group had derivative financial instruments with positive and negative replacement values totalling CHF 2,509.1 million (previous year: CHF 4,020.7 million) and CHF 2,304.9 million (previous year: CHF 4,590.5 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 31 "Employee benefits".

Beznau nuclear power plant

As the 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 material for the assessment of the Axpo Group's balance sheet. Changes in complex cost estimates and changes in legal or regulatory requirements governing the decommissioning of nuclear power plants and disposal of nuclear waste can have a significant impact on the Group's financial performance. The cost studies for decommissioning nuclear power plants and for disposing of nuclear waste are performed every five years in accordance with the Ordinance on the Decommissioning and Waste Disposal Fund (SEFV) and reviewed by the Federal Nuclear Safety Inspectorate (ENSI) and 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 analysis. Under this structure, not only the basic costs but also forecast inaccuracies as well as opportunities and risks are estimated and valued.

In 2017, the 2016 cost study was reviewed by ENSI and by 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 of all nuclear power plants would total CHF 24.6 billion, i.e. 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 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 an interim decision on 28 March 2019 on DETEC's jurisdiction to determine the estimated costs, the Federal Administrative Court dismissed the appeal, which resulted in the operators' referral of the appeal to the Federal Supreme Court. 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 assessment, Axpo Power AG must pay CHF 2.8 million per year into the funds for KKB. The definitive fee assessment is expected after the calculated decommissioning and disposal costs have taken legal effect. The revision of the SEFV passed by the Federal Council on 6 November 2019, which will enter into force on 1 January 2020, provides for new model parameters for the calculation of fees subject to inflation of 0.5% (previously 1.5%) and the investment return of 2.1% (previously 3.5%) in addition to the waiver of the 30% uncertainty allowance.

These new parameters may result in an interim assessment, which may lead to additional one-off payments of up to CHF 250 million for KKB. The details regarding the implementation of the ordinance and the timing and modalities of the additional payments are still open.

Axpo factored findings from the 2016 cost study into calculations to determine the amount of the provisions for nuclear waste disposal. Axpo has seen no indications from the review process suggesting that the cost basis used would not be appropriate. An inflation rate of 1.5% and a discount rate of 3.5% have so far been factored into the provision calculations. These parameters were based on those of the SEFV for the calculation of fund contributions and a long-term horizon.
With the revision of SEFV, the Federal Council has brought about a conceptual change and chosen a short-term approach. Due to the pronounced long-term nature of the obligation up to 2130, this is not adequate for accounting for the operator's provisions. Axpo has reassessed the long-term expected parameters for the inflation rate and the discount rate. Fundamental long-term expected values were taken into account. The calculation of provisions is now based on an inflation rate of 1.0% (previously 1.5%) and a discount rate of 2.75% (previously 3.5%). The adjustment of these parameters led to a one-off increase in provisions of CHF 90 million. As of the balance sheet date, the carrying amount of provisions for the post-operational phase, decommissioning and waste disposal amounted to CHF 3,060.4 million (previous year: CHF 2,899.9 million; see Note 29 "Provisions").
Following the disaster at the nuclear reactor in Fukushima in March 2011, ENSI had 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 of 27 February 2017 regarding this petition, ENSI fully validated its current practice for assessing seismic safety and dismissed all of the residents' demands. The residents have appealed against this to the Federal Administrative Court, which dismissed the appeal in its entirety in its ruling of 22 January 2019 and confirmed ENSI's practice and its decision. The residents have referred the ruling to the Federal Supreme Court, where it is currently pending. In December 2018, the Federal Council revised the Ordinance in order to specify the relevant legal bases in connection with earthquake safety requirements in accordance with the original intention of the law. It has thus increased legal certainty and confirmed the proven practice of ENSI in the assessment of seismic safety as well as the Federal Administrative Court. The revision entered into force on 1 February 2019. 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, as confirmed by the Federal Administrative Court, and the revision of the ordinance has confirmed this practice, there is no need to adjust the provisions.

Provision for onerous energy procurement contracts

The provision of CHF 758.5 million for onerous energy procurement contracts (previous year: CHF 1,300.2 million; see Note 29 "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 13 "Impairment losses, impairment reversals and provisions for onerous energy procurement contracts".

Income taxes and value added tax

Complex tax regulations at home and abroad create estimation uncertainty for the Axpo Group. In addition, any changes in practice by the tax authorities in Switzerland and abroad may lead to reassessments of tax obligations. The Axpo Group is subject to regular audits by the tax authorities, which may lead to different results with regard to the tax estimates or the Group's judgement. Even if Axpo's management considers its tax estimates to be appropriate, the final decision on such tax audits or reviews may differ from its tax provisions and deferred liabilities. As a result, the Axpo Group may be subject to additional tax liabilities, interest, penalties or regulatory, administrative or other related sanctions.

6 Financial risk management

General principles

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 the 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 business area Trading & Sales) and monitored accordingly. Compliance is monitored using gearing as the key performance indicator.

CHF million	30.9.2019	30.9.2018
Current financial liabilities	940.8	561.6
Non-current financial liabilities	4 204.9	4 276.7
Total eligible debt	**5 145.7**	**4 838.3**
Cash and cash equivalents	–1 655.4	–1 304.8
Time deposits	–733.4	–1 014.0
Available-for-sale financial assets	0.0	–1 932.0
Financial assets at fair value through profit or loss	–1 500.4	0.0
Other financial receivables	–646.3	–793.6
Total liquidity	**–4 535.5**	**–5 044.4**
Net liabilities (+)/assets (-)	**610.2**	**–206.1**

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 amounted to 10% (previous year: –4%).
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 2017/18 and 2018/19 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 instrument transactions 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 is exposed to energy price risks primarily from energy traded on the international free market. In line with its risk policy, these risks are countered by making optimum use of forward contracts to hedge shortfalls or surpluses in energy

volumes. 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 is one of the world's leading energy traders. It trades on a decentralised basis via various trading hubs in Europe. In the business area Trading & Sales 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 business area Trading & Sales.
The energy price risks 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 585.6 million (previous year: CHF 938.1 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 30.9.2019	Contract value 30.9.2019	Effect on the income statement 30.9.2018	Contract value 30.9.2018
2018/19	0.0	0.0	–392.6	426.5
2019/20	–70.2	298.2	–131.6	225.1
2020/21	–73.3	225.9	–56.5	223.5
2021/22	–14.3	60.4	–14.3	61.9
2022/23	–0.1	1.1	–0.1	1.1
Total	**–157.9**	**585.6**	**–595.1**	**938.1**

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. VaR is calculated on a daily basis.

CHF million	30.9.2019	30.9.2018
VaR business area Trading & Sales	38.4	38.7
VaR business area CKW	1.1	0.4

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). The VaR is at approximately the same level as in the previous year, indicating a similar risk profile.

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 trans-

actions 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 2,482.6 million (previous year: CHF 1,969.6 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:

		30.9.2019		30.9.2018	
CHF million	+/– change	+/– effect on income statement	+/– effect on equity	+/– effect on income statement	+/– effect on equity
CHF/USD foreign currency risk	10%	–8.8	0.0	–4.0	0.0
CHF/EUR foreign currency risk	10%	–73.9	–8.1	–40.0	–24.3

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 the 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 rate risks on derivative financial instruments are actively managed by the front office of the business area Trading & Sales.

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 30.9.2019	Variable rate 30.9.2019	Fixed rate 30.9.2018	Variable rate 30.9.2018
Financial assets at fair value through profit or loss (held for trading)	0.0	0.0	0.0	0.5
Loans and receivables	1 124.5	1 910.6	1 564.3	1 548.1
Petty cash and cash at banks	0.0	1 596.6	0.0	1 220.9
Short-term investments	0.0	58.8	0.0	83.9
Other financial assets (non-current)	291.6	217.7	580.5	203.7
Financial receivables (current)	832.9	37.5	983.8	39.6
Available-for-sale financial assets	0.0	0.0	1 358.8	0.0
Financial assets at fair value through profit or loss	1 115.0	0.0	0.0	0.0
Total interest-bearing financial assets	**2 239.5**	**1 910.6**	**2 923.1**	**1 548.6**
Financial liabilities at fair value through profit or loss	0.0	10.5	0.0	3.7
Financial liabilities measured at amortised cost [1]	4 513.3	623.7	4 309.2	525.9
Total interest-bearing financial liabilities	**4 513.3**	**634.2**	**4 309.2**	**529.6**
Net exposure	**–2 273.8**	**1 276.4**	**–1 386.1**	**1 019.0**

1) Variable-interest financial liabilities whose interest rate is converted into a fixed interest rate by an interest rate swap are reported as fixed-interest.

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 photovoltaic systems expose the Axpo Group to an interest rate risk. This risk is reduced through 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:

		30.9.2019		30.9.2018	
CHF million	+/– change	+/– effect on income statement	+/– effect on equity	+/– effect on income statement	+/– effect on equity
Interest rate risk	1%	17.4	0.0	10.7	0.0

Share price risks
The Axpo Group holds securities which are classified as "at fair value through profit or loss". 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. The potential loss of CHF –39.3 million (previous year: CHF –67.6 million) arising from fluctuations in the price of "financial assets at fair value through profit or loss" would affect the profit or loss 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 IFRS 9 (previous year IAS 39):

CHF million	Notes	Carrying amount 30.9.2019	Carrying amount 30.9.2018
At amortised cost (IFRS 9)/loans and receivables (IAS 39)		**5 682.2**	**5 752.9**
Other financial assets (non-current)	20	509.3	784.2
Other receivables (current and non-current)	24	587.3	670.8
Trade receivables		862.1	789.7
Financial receivables (current)	23	870.4	1 023.4
Revenues not yet invoiced	24	1 197.7	1 180.0
Cash and cash equivalents	25	1 655.4	1 304.8
Financial assets at fair value through profit or loss (IFRS 9)/ Available-for-sale financial assets (IAS 39)		**1 500.4**	**1 932.0**
Other financial assets (current and non-current)	20	1 500.4	1 932.0
Financial assets at fair value through profit or loss (held for trading)		**2 379.4**	**3 923.0**
Energy derivatives		2 355.3	3 909.6
Currency forward contracts		24.1	12.9
Other derivative financial instruments		0.0	0.5
Derivatives designated as hedges		**129.7**	**97.7**
Energy derivatives		16.5	61.7
Currency forward contracts		113.2	36.0
Total financial assets		**9 691.7**	**11 705.6**
Contract assets	24	28.8	0.0
./. Total available-for-sale shares and participation certificates		0.0	573.2
./. Total at fair value through profit or loss shares and participation certificates		385.3	0.0
Maximum credit default risk		**9 335.2**	**11 132.4**

Credit risk concentration of trade receivables/revenue not yet invoiced by geographical area

CHF million	Carrying amount 30.9.2019	Carrying amount 30.9.2018
Western Europe	459.9	511.7
Southern Europe	751.5	730.4
Central Europe	769.8	614.0
Others	78.6	113.6
Total	**2 059.8**	**1 969.7**

Ageing analysis of trade accounts receivable/revenue not yet invoiced and their loss allowances

Big customers as at 30 September 2019

CHF million	Not yet due	Past due 1–30 days	Past due 31–90 days	Past due 91–180 days	Past due 181–360 days	Past due more than 360 days	Total
Counterparty rating AAA	10.4	0.0	0.0	0.3	0.1	0.0	10.8
Counterparty rating AA	48.2	0.4	0.1	0.2	0.3	0.0	49.2
Counterparty rating A	95.5	4.7	1.2	0.1	0.1	0.0	101.6
Counterparty rating BBB	538.2	17.1	1.4	0.8	0.5	0.5	558.5
Counterparty rating BB	276.1	32.6	3.8	0.3	0.1	4.7	317.6
Counterparty rating B	339.8	15.1	4.9	0.6	0.9	2.9	364.2
Counterparty rating CCC	15.1	0.1	0.0	0.7	0.0	21.8	37.7
Counterparty rating < CCC	0.3	0.9	0.0	0.1	0.1	18.0	19.4
Total cost of acquisition	**1 323.6**	**70.9**	**11.4**	**3.1**	**2.1**	**47.9**	**1 459.0**
Loss allowances	–0.9	–0.1	0.0	–0.9	–0.4	–34.9	–37.2
Total carrying amount	**1 322.7**	**70.8**	**11.4**	**2.2**	**1.7**	**13.0**	**1 421.8**

Retail customers as at 30 September 2019

CHF million	Not yet due	Past due 1–30 days	Past due 31–90 days	Past due 91–180 days	Past due 181–360 days	Past due more than 360 days	Total
Trade receivables and revenue not yet invoiced	604.1	18.5	14.1	3.7	4.4	52.9	697.7
Gross carrying amount	**604.1**	**18.5**	**14.1**	**3.7**	**4.4**	**52.9**	**697.7**
Loss allowances	–0.7	–0.3	–0.9	–2.1	–3.8	–51.9	–59.7
Net carrying amount	**603.4**	**18.2**	**13.2**	**1.6**	**0.6**	**1.0**	**638.0**

Loss allowances created, released or no longer required

The following table shows the development of loss allowances for trade receivables/revenue not yet invoiced for the financial year 2018/19:

CHF million	Big customers	Retail customers	Total big and retail customers
Loss allowances as at 30.9.2018	**41.6**	**59.9**	**101.5**
Effect of first-time adoption of IFRS 9	–0.5	0.2	–0.3
Loss allowances as at 1.10.2018 restated	**41.1**	**60.1**	**101.2**
Financial assets derecognised during reporting year	–6.5	–3.3	–9.8
Financial assets recognised during reporting year	2.8	11.3	14.1
Write-offs	0.0	–7.0	–7.0
Changes in models/risk parameters	1.4	0.5	1.9
Currency effects	–1.6	–1.9	–3.5
Loss allowances as at 30.9.2019	**37.2**	**59.7**	**96.9**

Ageing analysis of trade receivables and their bad debt allowances as at 30 September 2018

CHF million	Gross 30.9.2018	Bad debt allowance 30.9.2018
Not yet due	541.1	–0.3
Past due 1–60 days	224.0	–1.4
Past due 61–150 days	10.0	–2.8
Past due 151–360 days	17.3	–9.1
Past due more than 360 days	98.8	–87.9
Total	**891.2**	**–101.5**

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

The following table shows the development of bad debt allowances in the financial year 2017/18:

	Trade receivables	
CHF million	General allowances	Specific allowances
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**

Development of credit quality of loans and time deposits as at 30 September 2019

CHF million	12-month expected credit loss stage 1	Lifetime expected loss – not credit impaired stage 2	Lifetime expected loss – credit impaired stage 3
Gross carrying amount as at 30.9.2018	**2 000.2**	**0.0**	**3.7**
Additions	1 046.0	0.0	0.0
Repayments	–1 452.6	0.0	0.0
Evaluation changes	–8.2	0.0	0.0
Reclassification to/from “assets held for sale”	–10.0	0.0	0.0
Reclassification	7.2	0.0	0.0
Change in scope of consolidation	–8.8	0.0	0.0
Foreign currency translation	–11.6	0.0	0.0
Gross carrying amount as at 30.9.2019	**1 562.2**	**0.0**	**3.7**
Counterparty rating AAA	50.0	0.0	0.0
Counterparty rating AA	542.8	0.0	0.0
Counterparty rating A	317.0	0.0	0.0
Counterparty rating BBB	197.3	0.0	0.0
Counterparty rating BB	252.7	0.0	0.4
Counterparty rating B	202.4	0.0	3.3
Gross carrying amount as at 30.9.2019	**1 562.2**	**0.0**	**3.7**
Loss allowances	–123.7	0.0	–3.7
Net carrying amount as at 30.9.2019	**1 438.5**	**0.0**	**0.0**

The carrying amount of CHF 1,438.5 million as at 30 September 2019 contains non-current loans and time deposits of CHF 438.5 million and CHF 70.8 million, respectively (see Note 20 “Other financial assets”), current time deposits and other current financial receivables of CHF 662.6 million and CHF 207.8 million, respectively (see Note 23 “Financial receivables (short-term)” and current investments of CHF 58.8 million (see Note 25 “Cash and cash equivalents”).
The loss allowances on loans granted to Global Tech I Offshore Wind GmbH and Società EniPower Ferrara S.r.l. relate to the reclassification of the negative carrying amounts of the investments on consolidation level (see Note 18 “Investments in partner plants and other associates”). The credit quality of the loans did not change from the time the contracts were signed. Therefore the loans are again presented as 12-month expected credit loss.

Loss allowances created, released or no longer required

The following table shows the development of the loss allowances for loans and time deposits for the financial year 2018/19:

CHF million	12-month expected credit loss stage 1	Lifetime expected loss – not credit impaired stage 2	Lifetime expected loss – credit impaired stage 3
Loss allowances as at 30.9.2018	**108.7**	**0.0**	**3.7**
Effect of first-time adoption of IFRS 9	4.6	0.0	0.0
Loss allowances as at 1.10.2018 restated	**113.3**	**0.0**	**3.7**
Changes in models/risk parameters	15.9	0.0	0.0
Currency effects	−5.5	0.0	0.0
Loss allowances as at 30.9.2019	**123.7**	**0.0**	**3.7**

Transfer of trade receivables

Axpo has transferred trade receivables to banks against cash. The carrying amount of the trade receivables transferred as at 30 September 2019 was CHF 159.0 million. The trade receivables were derecognised as substantially all risks and rewards, primarily the default risk, were transferred to banks. For part of the transferred trade receivables, the interest rate risk for the first 240 days remains with Axpo.

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 also holds shares of a fund that invests in short- to mid-term corporate bonds 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, which assesses 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 2019

CHF million	Financial securities received	Financial securities delivered
Credit Support Annex (CSA)	253.1	151.6
Bank guarantee	245.2	0.4
Others	1 313.9	510.7
Total	**1 812.2**	**662.7**

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**

CSAs are recorded at nominal value in the balance sheet, whereas guarantees are recorded at fair value. The fair value of the guarantees is normally CHF 0.0.
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 liabilities 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 2019

	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	2 745.1	–1 403.9	1 341.2	1 014.1	2 355.3	–629.4	1 725.9
Forward currency contracts	0.0	0.0	0.0	24.1	24.1	0.0	24.1
Derivatives designated as hedges							
Energy derivatives	40.5	–24.5	16.0	0.5	16.5	–5.9	10.6
Forward currency contracts	0.0	0.0	0.0	113.2	113.2	0.0	113.2
Total	**2 785.6**	**–1 428.4**	**1 357.2**	**1 151.9**	**2 509.1**	**–635.3**	**1 873.8**

	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	2 571.2	–1 403.9	1 167.3	1 057.5	2 224.8	–622.1	1 602.7
Forward currency contracts	0.0	0.0	0.0	17.5	17.5	0.0	17.5
Other derivative financial instruments	0.0	0.0	0.0	4.4	4.4	0.0	4.4
Derivatives designated as hedges							
Energy derivatives	74.0	–24.5	49.5	1.9	51.4	–13.2	38.2
Forward currency contracts	0.0	0.0	0.0	0.7	0.7	0.0	0.7
Other derivative financial instruments	6.1	0.0	6.1	0.0	6.1	0.0	6.1
Total	**2 651.3**	**–1 428.4**	**1 222.9**	**1 082.0**	**2 304.9**	**–635.3**	**1 669.6**

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

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	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**

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	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**

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 1,386.4 million (previous year: CHF 1,695.9 million; see Note 24 "Other receivables" and Note 30 "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 2019

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	598.3	598.3	0.0	594.4	3.7	0.2	0.0
Financial liabilities (current and non-current)	5 146.0	6 104.5	40.5	318.1	683.4	2 728.4	2 334.1
Other liabilities (current and non-current)	422.7	422.7	266.1	69.3	57.4	21.8	8.1
Operating expenses not yet invoiced	1 268.6	1 268.6	0.1	1 217.4	39.6	11.5	0.0
Total cash outflow		**8 394.1**	**306.7** [1]	**2 215.7**	**784.1**	**2 761.9**	**2 325.7**
Derivative financial instruments							
Net carrying amount of energy derivatives	95.6						
Gross cash inflow		31 875.3	8 896.2	3 732.2	7 984.0	10 564.0	698.9
Gross cash outflow		26 369.2	8 133.0	3 685.2	6 819.4	7 060.3	671.3
Net carrying amount of currency forward contracts	119.1						
Gross cash inflow		3 168.8	22.4	566.9	866.5	1 713.0	0.0
Gross cash outflow		3 065.2	17.1	567.1	822.6	1 658.4	0.0
Net carrying amount of other derivative financial instruments	–10.5						
Gross cash inflow		55.9	0.0	1.4	1.2	12.8	40.5
Gross cash outflow		67.0	0.0	2.2	3.2	19.3	42.3
Total net cash inflow (–)/outflow (+)		**–5 598.6**	**–768.5**	**–46.0**	**–1 206.5**	**–3 551.8**	**–25.8**

1) 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 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)	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]	**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.

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 2,336.1 million at its disposal from banks and financial institutions (previous year: CHF 2,277.1 million). As at 30 September 2019, the Axpo Group was utilising CHF 1,606.1 million (previous year: CHF 1,326.3 million) of its credit facilities for guarantees and loans.

Net results from financial assets and liabilities

CHF million	Income statement 2018/19	Other comprehensive income 2018/19	Income statement 2017/18	Other comprehensive income 2017/18
Net profit/losses included in total revenues				
On financial assets and liabilities at fair value through profit or loss (held for trading)	175.7	0.0	194.8	0.0
On derivatives designated as hedges	–303.0	123.4	–130.1	–442.1
Net profit/losses included in other operating income				
On financial assets and liabilities at fair value through profit or loss (held for trading)	21.3	0.0	–42.4	0.0
Net profit/losses included in other operating expenses				
At amortised cost/loans and receivables	–13.0	0.0	–15.8	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)	1.4	0.0	1.5	0.0
On derivatives designated as hedges	–7.6	69.5	0.0	4.3
On financial assets and liabilities at fair value through profit or loss (mandatory)	64.9	0.0	0.0	0.0
On available-for-sale financial assets	0.0	0.0	0.5	–1.4
At amortised cost/loans and receivables	–8.4	0.0	–7.7	0.0
Interest income and expense				
Interest income from financial assets not accounted for at fair value through profit or loss	37.8	0.0	52.8	0.0
Interest expense from financial assets accounted for at fair value through profit or loss	–0.3	0.0	0.0	0.0
Interest expense from financial liabilities not accounted for at fair value through profit or loss	–120.5	0.0	–120.0	0.0
Currency effects on financial assets and liabilities				
Currency effects on financial assets and liabilities	–49.0	0.0	0.1	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. Interest expense includes interest effects from derivatives which reduce interest expense.

Three-level hierarchy

The line item "Financial assets at fair value through profit or loss" 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 2019

CHF million	Level 1	Level 2	Level 3	Fair value [1]
Assets measured at fair value				
Financial assets at fair value through profit or loss (held for trading)				
Energy derivatives	22.4	3 290.3	355.0	3 667.7
Currency forward contracts	0.0	24.1	0.0	24.1
Derivatives designated as hedges				
Energy derivatives	0.0	25.2	0.0	25.2
Currency forward contracts	0.0	113.2	0.0	113.2
Assets held for sale	0.0	35.9	0.0	35.9
Financial assets at fair value through profit or loss	937.3	541.5	21.6	1 500.4
Inventories	38.5	291.1	11.0	340.6
Total assets measured at fair value	**998.2**	**4 321.3**	**387.6**	**5 707.1**
Assets not measured at fair value				
Other financial assets (non-current)	0.0	511.7	0.0	511.7
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss (held for trading)				
Energy derivatives	62.2	3 278.2	196.7	3 537.1
Currency forward contracts	0.0	17.5	0.0	17.5
Other derivative financial instruments	0.0	4.4	0.0	4.4
Derivatives designated as hedges				
Energy derivatives	0.0	60.2	0.0	60.2
Currency forward contracts	0.0	0.7	0.0	0.7
Other derivative financial instruments	0.0	6.1	0.0	6.1
Total liabilities measured at fair value	**62.2**	**3 367.1**	**196.7**	**3 626.0**
Liabilities not measured at fair value				
Financial liabilities (non-current)	3 085.4	1 562.6	0.0	4 648.0

1) Gross values without considering the netting agreements.

Three-level hierarchy as at 30 September 2018

CHF million	Level 1	Level 2	Level 3	Fair value [1]
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
Held-for-sale financial assets	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

1) Gross values without considering the netting agreements.

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 30.9.2017	**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**
Currency translation effect on opening balance	–8.9	2.1	–6.8
Purchases	66.1	0.0	66.1
Sales	–1.3	0.0	–1.3
Profit or loss recognised in the income statement	30.3	–45.2	–14.9
Transfer to Level 3	0.5	0.0	0.5
Transfer out of Level 3	–30.3	166.2	135.9
Currency translation effect on movements	–1.7	2.5	0.8
Balance as at 30.9.2019	**387.6**	**–196.7**	**190.9**

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 the total fair value of Level 3 instruments of CHF 65.9 million (previous year: CHF –2.9 million) and CHF –65.9 million (previous year: CHF 2.2 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 30.9.2017	**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**
Deferred profit/loss arising from new transactions	0.0	–52.5	–52.5
Profit or loss recognised in the income statement	–0.5	27.4	26.9
Currency translation effect	0.0	3.1	3.1
Balance as at 30.9.2019	**3.8**	**–102.2**	**–98.4**

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 2018/19	Net sales 2017/18
Total profit or loss for the financial year recognised in the income statement	12.0	8.4
Total profit or loss recognised in the income statement on financial instruments held at financial year-end	118.5	83.4

7 Changes in scope of consolidation

Company formations, acquisitions, mergers and disposals

Under the agreement dated 30 April 2019 and with economic effect from 25 July 2019, the Axpo Group acquired 100% of the shares and thus control over Urbasolar SAS with domicile in Montpellier, France and its subsidiaries. The company is a leading photovoltaic project developer and operator in France. The acquisition serves as entry into the photovoltaic business. This makes Axpo Group an important market player in the development and construction of solar systems in Europe. The companies of the Urbasolar Group are assigned to the business area Assets (see Note 8 "Operating segments").
Further acquisitions during the financial year relate to the purchase of the remaining 75% interest in Gold Energy - Comercializadora de Energía, S.A. with domicile in Vila Real, Portugal as per 19 December 2018, resulting in a 100% ownership in the company. Thus, the entity is no longer recognised according to the equity method but is fully consolidated. The company is assigned to the business area Trading & Sales (see Note 8 "Operating segments").
The acquisitions of 100% each of Comicro AG (domicile in Wangen-Brüttisellen, Switzerland) and ERPsourcing AG (domicile in Wallisellen, Switzerland) were completed by Avectris AG as at 2 April 2019 and 9 July 2019, respectively. The companies are not allocated to any operating segment (see Note 8 "Operating segments").

Acquired assets and liabilities

A fair value evaluation was conducted for the identified assets and liabilities. As at the acquisition date, the following values existed:

CHF million	Remarks	Fair value of assets acquired
Property, plant and equipment	16	350.3
Intangible assets	17	169.9
Investment in partner plants and other associates		0.1
Deferred tax assets		15.7
Trade receivables		75.4
Other assets (current and non-current)		121.6
Financial liabilities (current and non-current)		−458.9
Provisions (current and non-current)		−20.8
Deferred tax liabilities		−44.8
Other liabilities (current and non-current)		−99.5
Total net identifiable assets and liabilities at fair value		**109.0**
Goodwill acquired	17	116.1
Acquired cash and cash equivalents		−56.9
Deferred acquisition price		−12.0
Total cash outflow		**156.2**

The acquired entities achieved a total income of approximately CHF 250 million during their last financial year. Transaction costs in the amount of CHF 3.4 million were recognised in the income statement.

8 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 business area Assets operates and expands the Axpo power plant portfolio (hydraulic power plants, nuclear power plants, gas-fired combined-cycle power plants, power plants using new renewable energies) in Switzerland and abroad, 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 business area Trading & Sales 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 business area CKW supplies energy to Central Switzerland and ensures optimum use of hydro power in this region through existing exchange agreements.
In compliance with IFRS 8, Axpo Holding AG, Axpo Services AG and Avectris AG (which are not operating segments) as well as consolidation effects are combined under "Reconciliation".

Segment income statement

CHF million	Assets 2018/19	Assets 2017/18	Trading & Sales 2018/19	Trading & Sales 2017/18	CKW 2018/19	CKW 2017/18	Reconciliation 2018/19	Reconciliation 2017/18	Total 2018/19	Total 2017/18
Revenues from energy sales and grid usage by external customers	705.5	702.5	3 216.8	3 141.9	721.9	871.1	80.5	48.4	4 724.7	4 763.9
Revenues from energy sales and grid usage by other segments	1 161.6	1 103.6	125.0	78.9	14.2	5.1	–1 300.8	–1 187.6	0.0	0.0
Changes in inventories	3.9	2.9	0.0	0.0	4.4	3.3	3.0	–2.4	11.3	3.8
Capitalised production costs	25.4	27.3	0.0	0.0	19.3	20.5	1.4	1.5	46.1	49.3
Other operating income	28.3	44.4	122.5	37.8	13.8	17.1	–90.5	–66.4	74.1	32.9
Total income	**1 924.7**	**1 880.7**	**3 464.3**	**3 258.6**	**773.6**	**917.1**	**–1 306.4**	**–1 206.5**	**4 856.2**	**4 849.9**
Operating expenses	–1 246.9	–1 612.1	–3 131.7	–3 019.1	–544.5	–766.4	1 181.9	1 128.5	–3 741.2	–4 269.1
Share of profit of partner plants and other associates	24.7	15.4	–0.6	0.3	12.4	11.3	5.7	1.8	42.2	28.8
Depreciation, amortisation and impairments	–243.6	–201.1	–9.3	–9.5	–54.8	–59.4	0.9	8.7	–306.8	–261.3
Earnings before interest and tax (EBIT)	**458.9**	**82.9**	**322.7**	**230.3**	**186.7**	**102.6**	**–117.9**	**–67.5**	**850.4**	**348.3**
Financial income									281.9	152.4
Financial expense									–320.2	–290.1
Earnings before tax (EBT)									**812.1**	**210.6**
Income tax expense									52.4	–79.4
Result for the period									**864.5**	**131.2**

Segment assets and supplementary information

CHF million	Assets 2018/19	Assets 2017/18	Trading & Sales 2018/19	Trading & Sales 2017/18	CKW 2018/19	CKW 2017/18	Reconciliation 2018/19	Reconciliation 2017/18	Total 2018/19	Total 2017/18
Additions to non-current assets 1)	173.3	69.4	8.8	7.5	90.3	77.0	121.3	180.0	393.7	333.9
Investments in partner plants and other associates	1 079.0	1 128.7	4.9	6.3	290.9	292.8	90.6	74.6	1 465.4	1 502.4
Segment assets 2)	9 864.2	9 171.8	5 370.7	7 232.3	2 398.1	2 440.7	3 173.0	3 371.1	20 806.0	22 215.9
thereof "assets held for sale"	26.0	0.0	0.0	1.2	0.0	0.0	9.9	0.2	35.9	1.4

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	Revenues from energy sales and grid usage 2018/19	Non-current assets [1] 2018/19	Revenues from energy sales and grid usage 2017/18	Non-current assets [1] 2017/18
Switzerland	914.7	9 329.4	1 219.1	8 839.0
Italy	1 277.2	266.5	1 648.3	294.8
Germany	448.1	49.2	563.8	57.3
France	450.6	439.6	483.8	151.8
Belgium	442.2	0.1	102.2	0.1
Netherlands	523.5	1.0	205.8	1.9
Ukraine	442.3	0.1	534.8	0.1
Other countries	226.1	4.0	6.1	0.8
Total	**4 724.7**	**10 089.9**	**4 763.9**	**9 345.8**

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

Information by product

CHF million	Energy 2018/19	Energy 2017/18	Grid usage 2018/19	Grid usage 2017/18	Result from energy derivatives trading 2018/19	Result from energy derivatives trading 2017/18	Other net revenue 2018/19	Other net revenue 2017/18	Total 2018/19	Total 2017/18
Revenues from energy sales and grid usage	3 505.5	3 502.2	491.3	605.4	175.7	194.8	552.2	461.5	4 724.7	4 763.9

Information about major customers

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

9 Revenues from energy sales and grid usage

CHF million	2018/19	2017/18
Revenues from contracts with customers:		
Net sales from energy sales and grid usage	3 996.8	4 107.6
Other net revenue	552.2	461.5
Total revenues from contracts with customers	**4 549.0**	**4 569.1**
Result from energy derivatives trading	175.7	194.8
Total	**4 724.7**	**4 763.9**

The following table shows the revenues that are expected to be realised in the future in connection with performance obligations that have not been fulfilled in full or in part as at 30 September.

CHF million	30.9.2019
Expected future sales revenue from open orders in process, of which	
Expected within the next 12 months	133.2
Expected within 1 to 5 years	197.4
Expected after 5 years	42.6
Total	**373.2**

Axpo is entitled to a fee for energy deliveries and transit through its own distribution network which directly corresponds to the equivalent value of the energy already delivered to the customer or the equivalent value of the transit. In such cases, Axpo applies the exemption under IFRS 15 and recognises revenue at the amount that may be invoiced. Revenue is therefore deemed to have been realised and recognised as revenue when delivery has taken place and no information is provided about the remaining obligation to perform.

As already mentioned, Axpo's sales from energy and grid use are characterised in particular by the contract types from trading that have to be fulfilled physically. The disclosure of outstanding performance obligations therefore does not allow any conclusions to be drawn about the Group's sales in the coming year. If customer-specific construction contracts are executed and there is a right to consideration for goods or services already rendered, this is shown in the line "Contract assets". Advance payments

received, which were received before goods or services were transferred to the customer, are reported as a "Contract liability". The advance payments received are offset against the contract assets per customer order.
Due to the first-time application and the chosen conversion method, the figures are only presented for the 2018/19 financial year in accordance with IAS 8.

CHF million	Contract assets	Contract liabilities
Carrying amount as at 30.9.2018	**0.0**	**0.0**
Effect from first-time adoption of IFRS 15	23.7	29.5
Carrying amount as at 1.10.2018 restated	**23.7**	**29.5**
Change in consolidation scope	0.4	0.3
Revenues included in contract liabilities at the beginning of the period	0.0	–17.5
Reclassification from contract assets to trade receivables	–19.4	0.0
Change due to adjustment of progress	24.0	13.0
Reversal of impairments	0.1	0.0
Carrying amount as at 30.9.2019	**28.8**	**25.3**

Capitalised contract costs of CHF 4.0 million (as at 1 October 2018: CHF 2.8 million) are included in Note 24 "Other receivables" under the long-term position "Other (non-financial instruments)". In the financial year 2018/19 capitalised contract costs in the amount of CHF 3.4 million were amortised. Amortisation is charged over the term of the customer contracts. No impairment losses were recognised on capitalised contract costs in the current financial year. The breakdown of sales by segment, product and region is disclosed in Note 8 "Operating Segments".

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

CHF million	2018/19	2017/18
Expenses for energy procurement and grid usage from third parties and associates	–2 040.4	–2 141.4
Expenses for energy procurement and grid usage from partner plants (Notes 18 and 32)	–665.5	–741.6
Increase in provisions (excluding interest) for onerous energy procurement contracts (Note 29)	–31.2	–9.6
Reversal of provisions (excluding interest) for onerous energy procurement contracts (Note 29)	377.6	3.6
Cost of goods	–151.9	–124.6
Total	**–2 511.4**	**–3 013.6**

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 –346.4 million, recognised in the income statement, in the provision for onerous energy procurement contracts (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 from energy sales and grid usage also ceded (see Note 9 "Revenues from energy sales and grid usage"). They amounted to CHF 450.3 million (previous year: CHF 388.3 million).

11 Personnel expenses

CHF million	2018/19	2017/18
Salaries and wages	–553.1	–512.1
Employee benefit expense for defined benefit plans (Note 31)	–54.3	–63.8
Employee benefit expense for defined contribution plans	–3.6	–2.7
Social security and other personnel expenses	–69.6	–64.3
Total	**–680.6**	**–642.9**
Number of employees at balance sheet date:		
Full-time equivalents	4 568	4 065
Apprentices	390	376
Total	**4 958**	**4 441**

12 Other operating expenses

CHF million	2018/19	2017/18
IT expenses	–102.0	–80.1
Charges, fees and capital taxes	–100.2	–180.4
Loss allowances on receivables	–20.9	–15.8
Release/creation of provisions for post-operation, decommissioning, disposal (Note 29)	5.0	–12.0
Realised losses on sale of investments in subsidiaries and other associates	0.0	–1.0
Other operating expenses	–134.1	–109.9
Total	**–352.2**	**–399.2**

Other operating expenses include consulting expenses, rental expenses, general administrative costs and other services. The charges, fees and capital taxes have decreased compared to the previous year due to the net presentation of the network surcharge (see also Note 2 "Accounting principles", section "IFRS 15 - Revenue from customer contracts").

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

Allocation of impairment losses, impairment reversals and provisions for 2018/19

CHF million			Assets	Trading & Sales	CKW	Reconciliation	Total
Production Switzerland	Property, plant and equipment	Impairment losses	–174.0	0.0	–2.0	0.0	–176.0
		Impairment reversals	117.8	0.0	5.0	0.0	122.8
	Intangible assets	Impairment reversals	38.1	0.0	0.0	0.0	38.1
Production abroad	Property, plant and equipment	Impairment losses	–0.2	0.0	0.0	0.0	–0.2
		Impairment reversals	1.3	0.0	0.0	0.0	1.3
	Intangible assets	Impairment losses	–2.0	0.0	0.0	0.0	–2.0
Investments Switzerland	Other associates	Impairment reversals	0.0	0.0	0.0	13.1	13.1
Total impairment losses/reversals on assets			**–19.0**	**0.0**	**3.0**	**13.1**	**–2.9**
Depreciation and amortisation on property, plant and equipment and intangible assets							–303.9
Total depreciation, amortisation and impairments							**–306.8**
Provisions for onerous contracts (net change)			**277.9**	**–1.0**	**69.5**	**0.0**	**346.4**

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

CHF million			Assets	Trading & Sales	CKW	Reconciliation	Total
Production Switzerland	Property, plant and equipment	Impairment losses	–2.9	0.0	0.0	0.0	–2.9
		Impairment reversals	16.8	0.2	0.0	0.1	17.1
	Intangible assets	Impairment losses	0.0	–0.1	0.0	0.0	–0.1
Investments Switzerland	Other associates	Impairment losses	0.0	0.0	–2.5	0.0	–2.5
		Impairment reversals	0.0	0.0	0.0	20.4	20.4
Investments abroad	Other associates	Impairment losses	–0.5	–2.7	0.0	0.0	–3.2
		Impairment reversals	0.6	0.0	0.0	0.0	0.6
Assets held for sale	Property, plant and equipment	Impairment losses	0.0	–1.0	0.0	–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 change)			**–9.2**	**3.2**	**0.0**	**0.0**	**–6.0**

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).

Due to observable forward prices and the higher electricity wholesale prices compared to previous assumptions, in the financial year 2018/19 net impairment reversals on power plants, investments in associates and energy procurement contracts amounted to CHF 343.5 million (previous year: CHF 21.6 million).

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.

	30.9.2019	30.9.2018
in %	After-tax real discount rate	After-tax real discount rate
Wind production, Italy	3.9	3.9
Wind production, France	3.3	3.2
Wind production, Germany	3.0	3.2
Hydraulic plants, Switzerland	4.1–4.3	4.1–4.2
Long-term contracts, France	5.0	5.0
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 %	30.9.2019	30.9.2018
	Break-even after-tax real discount rate	Break-even after-tax real discount rate
Axpo Italia S.p.A.	10.2	7.7
Axpo Hydro Surselva AG	5.0	6.1

Goodwill resulting from new acquisitions in the current financial year will be tested for impairment for the first time in the fourth quarter of financial year 2019/20 or earlier if there are indications of impairment. For this reason, no sensitivities were calculated and disclosed as at 30 September 2019.

14 Financial result

CHF million	2018/19	2017/18
Interest income	38.5	59.3
Income from nuclear waste disposal fund	165.3	74.1
Income from investment properties	1.4	2.1
Net exchange rate gains	0.0	0.1
Realised/unrealised gains financial assets “at fair value through profit or loss”	64.9	0.0
Other financial income	11.8	16.8
Total financial income	**281.9**	**152.4**
Interest expense	–156.2	–165.5
Interest and fund expense for nuclear provisions	–98.2	–96.2
Impairment losses financial investments	0.0	–12.2
Investment property expense	–1.2	–1.8
Net exchange rate losses	–49.0	0.0
Other financial expense	–15.6	–14.4
Total financial expense	**–320.2**	**–290.1**
Total	**–38.3**	**–137.7**

The realised and unrealised exchange rate gains and losses as well as the realised and unrealised gains and losses from the other financial instruments are presented net. Other financial income includes realised and unrealised gains and losses of CHF 64.9 million on financial investments, which are measured at fair value through profit or loss due to the first-time application of IFRS 9. The interest expense of CHF 156.2 million (previous year: CHF 165.5 million) includes interest of CHF 35.4 million (previous year: CHF 44.6 million) on provisions for onerous energy procurement contracts and other provisions (see Note 29 “Provisions”).

15 Income taxes

CHF million	2018/19	2017/18
Current income taxes	–41.7	–43.1
Deferred income taxes	94.1	–36.3
Total income taxes	**52.4**	**–79.4**

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	**–21.0**	**14.5**

Reconciliation of expected tax rate to effective tax rate

The expected tax expense of CHF –151.1 million (previous year: CHF –39.2 million) can be reconciled to the effective tax expense of CHF 52.4 million (previous year: CHF –79.4 million) as follows:

CHF million	2018/19	2017/18
Earnings before tax (EBT)	812.1	210.6
Expected tax rate (ordinary tax rate at head office)	18.6%	18.6%
Income tax at expected tax rate	**–151.1**	**–39.2**
Non-tax-deductible expenses	–16.1	–35.3
Effect from previous periods	–2.3	–7.1
Effect of tax rate changes	8.2	0.0
Effect of income not subject to tax or tax privileged	25.1	18.8
Unrecorded tax-loss carry forwards	–1.7	–17.8
Usage of unaccounted tax-loss carry forwards from previous reporting years [1)]	190.3	20.7
Earnings taxable at different tax rates	–6.5	–2.0
Reassessment of deferred tax assets	5.7	–16.8
Other effects	0.8	–0.7
Total income taxes	**52.4**	**–79.4**

1) In the current financial year, Axpo has benefited from reversals of impairment losses, among other things, and has therefore been able to use existing, non-capitalised loss carry forwards.

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 30.9.2019	Liabilities 30.9.2019	Assets 30.9.2018	Liabilities 30.9.2018
Property, plant and equipment	382.1	83.5	382.3	69.1
Intangible assets	5.7	91.5	0.9	82.6
Investments	1.9	19.0	7.6	17.2
Positive derivative financial instruments (current and non-current)	1.5	38.0	2.1	76.0
Other assets	0.1	13.8	0.0	13.8
Trade receivables	19.2	0.7	18.1	0.8
Other receivables (current)	12.4	10.7	19.4	17.1
Provisions (current and non-current)	16.7	406.7	5.4	451.8
Negative derivative financial instruments (current and non-current)	43.8	18.0	126.2	12.6
Other liabilities (non-current)	59.4	2.2	5.2	1.1
Other liabilities (current)	4.1	3.9	2.7	3.4
Tax-loss carry forwards	62.3	0.0	57.1	0.0
Deferred taxes, gross	**609.2**	**688.0**	**627.0**	**745.5**
Offsetting of assets and liabilities	–498.4	–498.4	–575.0	–575.0
Deferred taxes, net	**110.8**	**189.6**	**52.0**	**170.5**

As in the previous year, as at 30 September 2019 there were no temporary differences associated with investments in subsidiaries, for which no deferred tax liabilities were recognised.

Reconciliation of deferred taxes

CHF million	Assets 30.9.2019	Liabilities 30.9.2019	Assets 30.9.2018	Liabilities 30.9.2018
Balance as at 30.9.2018	**52.0**	**170.5**	**60.1**	**167.7**
Effect of first-time adoption of IFRS 9	0.0	–0.1	0.0	0.0
Balance as at 1.10.2018 restated	**52.0**	**170.4**	**60.1**	**167.7**
Change in consolidation scope	14.7	44.3	0.3	1.4
Change in other comprehensive income	16.0	42.0	–3.5	–30.8
Change in income statement	6.2	–87.9	1.8	38.1
Currency translation effect	–1.7	–2.8	–1.1	–0.3
Balance as at 30.9.2019 gross	**87.2**	**166.0**	**57.6**	**176.1**
Offsetting of assets and liabilities	23.6	23.6	–5.6	–5.6
Balance as at 30.9.2019 net	**110.8**	**189.6**	**52.0**	**170.5**

Expiry dates of tax-loss carry forwards non-capitalised

CHF million	30.9.2019	30.9.2018
Expiring in the following year	23.9	44.7
Expiring within 2 to 5 years	903.0	2 552.2
Expiring in more than 5 years	586.0	564.3
Total	**1 512.9**	**3 161.2**

16 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 30.9.2017	**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**
Change in consolidation scope	236.1	0.0	3.6	4.6	106.0	350.3
Additions (investments) [3)]	1.1	6.3	0.2	8.7	203.5	219.8
Disposals	–73.8	–164.1	–0.1	–23.0	–1.3	–262.3
Adjustments to acquisition costs IFRIC 1	101.8	0.0	0.0	0.0	0.0	101.8
Reclassification to/from "assets held for sale"	–5.0	0.0	–0.1	–0.1	–0.1	–5.3
Reclassifications	159.3	61.7	–18.3	13.9	–225.7	–9.1
Currency translation effect	–62.0	0.0	–0.4	–1.0	–3.4	–66.8
Balance as at 30.9.2019	**11 725.4**	**3 519.1**	**590.8**	**229.9**	**571.7**	**16 636.9**
Accumulated depreciation						
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**
Depreciation in reporting period	–131.5	–74.0	–13.5	–22.0	0.0	–241.0
Impairment losses	–176.1	0.0	0.0	–0.1	0.0	–176.2
Impairment reversals	123.1	0.0	0.1	0.2	0.7	124.1
Disposals	73.7	152.8	0.1	20.9	0.0	247.5
Reclassification to/from "assets held for sale"	4.2	0.0	0.0	0.1	0.0	4.3
Reclassifications	–18.1	0.0	20.5	4.4	0.0	6.8
Currency translation effect	37.3	0.0	0.0	0.3	1.7	39.3
Balance as at 30.9.2019	**–9 093.4**	**–2 064.0**	**–286.3**	**–160.4**	**–193.8**	**–11 797.9**
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**
Carrying amount as at 1.10.2018	2 361.9	1 472.4	312.4	62.6	296.5	4 505.8
Carrying amount as at 30.9.2019	**2 632.0**	**1 455.1**	**304.5**	**69.5**	**377.9**	**4 839.0**

1) Investments amounting to CHF 41.3 million as at 30.9.2018 did not flow in cash.
2) The reclassification relates to built wind farms of the Volkswind portfolio which were previously accounted for as "work in progress" in inventories.
3) Investments in the amount of CHF 6.5 million were capitalised and deferred in previous years. Payment was made in 2018/19.

The line item “Adjustment to acquisition costs IFRIC 1” contains the provision of CHF 101.8 million (previous year: CHF 12.2 million), which was not recognised in the income statement, in connection with the allocation of acquisition costs for the Beznau nuclear power plant. CHF 89.6 million result from the adjustment of the parameters for the calculation of the provision “Post-operation, decommissioning, disposal” (see also Note 5 “Estimation uncertainties and significant judgements in the application of accounting principles”, section “Beznau nuclear power plant”). 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 29 “Provisions”).
Reclassifications totalling CHF 225.7 million (previous year: CHF 2,427.7 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 2018/19, property, plant and equipment with a carrying amount of CHF 1.0 million (prior year: CHF 2.2 million) were classified as held for sale and reclassified to assets held for sale (see Note 21 “Assets held for sale”).
In the previous year, the line “Disposals” in the category “Power plants” contained 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.

Capital commitments
Long-term contractual obligations of CHF 428.5 million (previous year: CHF 446.2 million) were assumed in connection with the acquisition of property, plant and equipment (including nuclear fuel rods). Property, plant and equipment of CHF 599.4 million (previous year: CHF 196.5 million) was pledged as collateral for financial liabilities. The major part of the pledged property, plant and equipment is related to the wind farms in France and Germany as well as the photovoltaic systems of the Urbasolar companies.

Assets under construction
Advance payments to contractors and suppliers included in assets under construction amounted to CHF 14.6 million (previous year: CHF 12.7 million).

Capitalised borrowing costs
In the financial years 2018/19 and 2017/18, no borrowing costs were capitalised.

17 Intangible assets

CHF million	Energy procurement rights, rights of use for facilities and concessions	Goodwill	Other	Total
Acquisition cost				
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 effect	–4.1	–1.3	–1.1	–6.5
Balance as at 30.9.2018	**2 946.6**	**380.6**	**349.7**	**3 676.9**
Change in consolidation scope	60.0	116.1	109.9	286.0
Additions (investments)	0.4	0.0	32.0	32.4
Disposals	–17.1	0.0	–8.0	–25.1
Reclassification to “assets held for sale”	–1.0	0.0	0.0	–1.0
Reclassifications	12.0	0.0	–11.5	0.5
Currency translation effects	–14.6	–4.7	–5.0	–24.3
Balance as at 30.9.2019	**2 986.3**	**492.0**	**467.1**	**3 945.4**
Accumulated amortisation				
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**
Amortisation in reporting period	–48.0	0.0	–14.9	–62.9
Impairment losses	–2.0	0.0	0.0	–2.0
Impairment reversals	38.1	0.0	0.0	38.1
Disposals	17.1	0.0	8.0	25.1
Reclassification to “assets held for sale”	1.0	0.0	0.0	1.0
Reclassifications	0.1	0.0	–0.1	0.0
Currency translation effects	4.8	0.2	2.4	7.4
Balance as at 30.9.2019	**–2 326.7**	**–276.0**	**–295.2**	**–2 897.9**
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**
Carrying amount as at 1.10.2018	608.8	104.4	59.1	772.3
Carrying amount as at 30.9.2019	**659.6**	**216.0**	**171.9**	**1 047.5**

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	30.9.2019	30.9.2018
Axpo Italia S.p.A.	73.9	77.1
Axpo Hydro Surselva AG	27.3	27.3
Urbasolar Group	94.5	0.0
Others	20.3	0.0
Total	**216.0**	**104.4**

18 Investments in partner plants and other associates

CHF million	Partner plants	Other associates	Total
Carrying amount as at 30.9.2018	**940.4**	**562.0**	**1 502.4**
Change in consolidation scope	0.0	4.8	4.8
Additions	4.6	13.0	17.6
Reclassification to "assets held for sale"	0.0	−25.0	−25.0
Impairment reversals	0.0	13.1	13.1
Reclassification positive/negative investment value	0.0	16.7	16.7
Dividend	−32.5	−15.4	−47.9
Share of profit	34.3	7.9	42.2
Cash flow hedges (other comprehensive income)	0.0	−10.4	−10.4
Currency translation differences (other comprehensive income)	0.0	−2.0	−2.0
Remeasurement of defined benefit plans (other comprehensive income)	−43.0	−12.1	−55.1
Deferred taxes (other comprehensive income)	7.7	3.9	11.6
Currency translation effect	−0.1	−2.5	−2.6
Carrying amount as at 30.9.2019	**911.4**	**554.0**	**1 465.4**

In the reporting period, new wind farms, which were, due to their project status, previously included in the scope of consolidation as other associates, became operational and are therefore treated as fully consolidated subsidiaries. The disposal of the negative equity is presented in the line item "Change in scope of consolidation". Additionally, the majority in an associated company was acquired. The disposal of this associate is also presented in the line item "Change in scope of consolidation". The line "Additions" contains the capital increases at various associated companies as well as new foundations. Among other things, the share capital of Trans Adriatic Pipeline AG was increased by CHF 12.1 million (pro rata).
The amount of CHF 16.7 million in the line "Reclassification positive/negative investment value" relates to the investments in Global Tech I Offshore GmbH (CHF 22.0 million) and Società EniPower Ferrara S.r.l. (CHF –5.3 million). The application of the equity method led to negative and positive carrying amounts as at 30 September 2019 which were reclassified to the impairment allowances on the loans to the two associates (see Note 20 "Other financial assets"). The loans form part of the net investments in the two associates.

Partner plants

Shareholders in partner plants have mutually agreed 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 665.5 million (previous year: CHF 741.6 million). These costs are included in expenses for energy procurement costs and cost of goods purchased (see Note 10 "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 36 "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 30.9.2019		Gross value 30.9.2018	
	Kernkraftwerk Leibstadt AG	Kernkraftwerk Gösgen-Däniken AG	Kernkraftwerk Leibstadt AG	Kernkraftwerk Gösgen-Däniken AG
Balance sheet				
Non-current financial receivables	1.4	0.8	1.9	1.0
Receivables from state funds	2 113.6	2 164.2	1 943.2	2 026.8
Other fixed assets	2 334.0	1 252.0	2 347.7	1 229.4
Cash and cash equivalents and current financial receivables	20.5	85.5	177.3	82.4
Other current receivables	369.3	208.5	254.6	169.0
Total assets	**4 838.8**	**3 711.0**	**4 724.7**	**3 508.6**
Non-current financial liabilities	485.0	130.0	325.0	130.0
Non-current provisions	3 520.4	3 005.7	3 390.6	2 938.6
Other non-current liabilities	103.7	107.3	58.3	55.7
Current financial liabilities	0.0	0.0	284.6	0.0
Current provisions	77.2	47.6	135.3	33.9
Other current liabilities	215.8	150.6	57.7	39.6
Equity	436.7	269.8	473.2	310.8
Total equity and liabilities	**4 838.8**	**3 711.0**	**4 724.7**	**3 508.6**
Share	34.63%	35.95%	34.63%	35.95%
Carrying amount of the investment	**151.2**	**97.0**	**163.9**	**111.7**
Dividends received	7.0	6.3	8.6	6.3

CHF million	Gross value 2018/19		Gross value 2017/18	
	Kernkraftwerk Leibstadt AG	Kernkraftwerk Gösgen-Däniken AG	Kernkraftwerk Leibstadt AG	Kernkraftwerk Gösgen-Däniken AG
Income statement				
Income	589.9	505.7	519.9	397.5
Expenses	–568.6	–487.0	–497.3	–378.8
Profit	**21.3**	**18.7**	**22.6**	**18.7**
Statement of comprehensive income				
Other comprehensive income	–37.6	–42.2	31.2	29.6
Total comprehensive income	–16.3	–23.5	53.8	48.3
Share	34.63%	35.95%	34.63%	35.95%
Share of profit	7.4	6.7	7.8	6.7
Share of other comprehensive income	–13.0	–15.2	10.8	10.6
Share of total comprehensive income	–5.6	–8.5	18.6	17.3

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 September 2019

CHF million	Individual disclosed investments aggregated	Partner plants	Other associates	Total
Carrying amount of the investments	248.2	663.0	554.2	1 465.4
Balance sheet				
Non-current financial receivables	0.8	25.4	18.9	45.1
Receivables from state funds	1 510.0	0.0	0.0	1 510.0
Other fixed assets	1 258.4	1 890.6	1 771.2	4 920.2
Cash and cash equivalents and current financial receivables	37.8	95.2	196.8	329.8
Other current receivables	202.8	47.4	152.7	402.9
Total assets	**3 009.8**	**2 058.6**	**2 139.6**	**7 208.0**
Non-current financial liabilities	214.7	1 058.5	1 050.0	2 323.2
Non-current provisions	2 299.6	45.4	45.9	2 390.9
Other non-current liabilities	74.5	29.1	120.3	223.9
Current financial liabilities	0.0	132.6	189.6	322.2
Current provisions	43.8	9.3	24.4	77.5
Other current liabilities	129.0	121.1	150.4	400.5
Equity	248.2	662.6	559.0	1 469.8
Total equity and liabilities	**3 009.8**	**2 058.6**	**2 139.6**	**7 208.0**
Income statement				
Income	386.1	480.7	516.9	1 383.7
Expenses	–372.0	–460.5	–509.0	–1 341.5
Profit	**14.1**	**20.2**	**7.9**	**42.2**
Statement of comprehensive income				
Total other comprehensive income	–28.2	–7.2	–20.5	–55.9
Total comprehensive income	–14.1	13.0	–12.6	–13.7

Financial information of partner plants and other associates as at 30 September 2018

CHF million	Individual 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
Other non-current 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
Other current 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

19 Subsidiaries with material non-controlling interests

A list of subsidiaries can be found in Note 36 "Investments". The Axpo Group has material non-controlling interests in the CKW Group and Kraftwerke Linth-Limmern AG. 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	2018/19		2017/18	
	CKW Group	Kraftwerke Linth-Limmern AG	CKW Group	Kraftwerke Linth-Limmern AG
Non-controlling interests	19%	15%	19%	15%
Balance sheet				
Non-current assets	1 550.1	2 617.8	1 620.7	2 672.2
Current assets	848.0	73.4	820.0	87.0
Total assets	**2 398.1**	**2 691.2**	**2 440.7**	**2 759.2**
Non-current liabilities	538.2	2 249.2	554.7	2 248.1
Current liabilities	231.6	80.2	319.4	145.7
Equity	1 628.3	361.8	1 566.6	365.4
Equity attributable to the non-controlling interests	309.4	54.3	297.7	54.8
Total equity and liabilities	**2 398.1**	**2 691.2**	**2 440.7**	**2 759.2**
Income statement				
Total income	773.6	171.8	917.1	177.8
Profit for the period	155.6	1.7	80.8	5.8
Profit for the period attributable to the non-controlling interests	29.6	0.3	15.4	0.9
Statement of comprehensive income				
Total comprehensive income	100.0	1.7	111.2	5.8
Total comprehensive income attributable to the non-controlling interests	19.0	0.3	21.1	0.9
Dividends paid to the non-controlling interests	–1.2	–0.8	–1.0	–0.8
Cash flow statement				
Cash flow from operating activities	88.9	79.3	144.6	94.6
Cash flow from investing activities	–18.2	7.5	–205.5	–13.3
Cash flow from financing activities	–33.7	–86.8	–18.3	–81.3

20 Other financial assets

CHF million	30.9.2019	30.9.2018
Available-for-sale financial assets	0.0	1 932.0
Financial assets at fair value (through profit or loss)	1 500.4	0.0
Loans	565.1	666.1
Time deposits	70.9	230.0
Loss allowances	–126.7	–111.9
Total	**2 009.7**	**2 716.2**

Financial assets at fair value through profit or loss consist mainly of shares in equity, real estate and bond funds, which are now measured at fair value through profit or loss due to the first-time application of IFRS 9.
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 –0.6% and +0.0% (previous year: between –0.5% and +0.02%). Time deposits due for repayment within 12 months after the balance sheet date are recognised in current financial receivables (see Note 23 "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 30.9.2019	Carrying amount 30.9.2019	Carrying amount 30.9.2018
Global Tech I Offshore Wind GmbH	31.12.2030	6.0% and 10.0%	0.0	28.2
Società EniPower Ferrara S.r.l.	20.06.2023	0.93% 1)	44.3	54.0
Swissgrid AG	05.01.2024	3.41% and 3.93%	119.8	176.3
Terravent AG	31.03.2042	0.75%	19.3	19.9
Trans Adriatic Pipeline AG	12.02.2038	1.75% 2)	0.0	138.5
Trans Adriatic Pipeline AG	28.03.2035	1.41% 3)	113.1	0.0
Trans Adriatic Pipeline AG	28.03.2035	1.36% 4)	31.0	0.0
Trans Adriatic Pipeline AG	28.03.2035	1.75% 5)	22.0	0.0
Total			**349.5**	**416.9**

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.
3) Variable interest rate linked to 3-month EURIBOR plus 1.75%.
4) Variable interest rate linked to 3-month EURIBOR plus 1.70%.
5) Variable interest rate linked to 3-month EURIBOR (0.0% is used as the base rate for negative EURIBOR) plus 1.75%.

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 2018/19 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 23 "Financial receivables (current)").
The increase in the loss allowances on loans relates to the reclassification of the negative carrying amounts of the investments in Global Tech I Offshore Wind GmbH of CHF 22.0 million (see Note 18 "Investments in partner plants and other associates").

21 Assets held for sale

CHF million	30.9.2019	30.9.2018
Property, plant and equipment (Note 16)	1.0	1.4
Investment properties	0.3	0.0
Investments in partner plants and other associates (Note 18)	25.0	0.0
Other financial assets	9.6	0.0
Total	**35.9**	**1.4**

With the exception of other financial assets, which are allocated to the business segment Reconciliation, all items are allocated to the business area Assets.
Property, plant and equipment included in the item "Assets held for sale" in the previous year with a net carrying amount of CHF 1.4 million as at 30 September 2018 was sold in the 2018/19 financial year.
All assets held for sale are expected to be sold within the next 12 months.

22 Inventories

CHF million	30.9.2019	30.9.2018
Gas inventories held for own use	5.6	0.0
Nuclear fuel	99.2	99.3
Certificates held for own use	4.5	4.9
Work in progress	22.6	90.6
Materials	89.6	86.8
Inventories of other energy sources held for own use	2.3	1.5
Gas inventories held for trading	256.3	279.8
Certificates held for trading	84.3	331.3
Loss allowances	–96.8	–97.4
Total	**467.6**	**796.8**

Wind farms from the Volkswind Group portfolio which are developed with the intention of selling them are presented as "Work in progress" in inventories. Customer-specific work in progress is now reported as contract assets (see Note 24 "Other receivables").
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.

23 Financial receivables (current)

CHF million	30.9.2019	30.9.2018
Time deposits	662.9	784.0
Other current financial receivables	208.4	239.9
Loss allowances	–0.9	–0.5
Total	**870.4**	**1 023.4**

Time deposits are invested in financial institutions and cantons and have a maturity of up to 12 months and an interest rate of between –0.78% and 3.10% (previous year: between –0.65% and 0.00%). Other current financial receivables include current account balances due from related parties and short-term loans.

24 Other receivables

CHF million	30.9.2019	30.9.2018
Receivables from state funds	2 715.0	2 542.0
Receivables from pension plans	4.5	4.8
Other (financial instruments)	48.7	60.2
Other (non-financial instruments)	62.0	64.8
Loss allowances on other receivables (financial instruments)	–33.9	–38.3
Total non-current other receivables	**2 796.3**	**2 633.5**
Accrued income and prepaid expenses (financial instruments)	4.3	3.4
Accrued income and prepaid expenses (non-financial instruments)	59.0	52.2
Advance payments to suppliers	63.4	66.8
Revenues not yet invoiced (financial instruments)	1 198.2	1 180.0
Contract assets	30.9	0.0
Other (financial instruments)	568.4	645.5
Other (non-financial instruments)	154.4	111.7
Loss allowances on other receivables (financial instruments)	–2.8	0.0
Loss allowances on other receivables (non-financial instruments)	–7.8	–7.6
Total current other receivables	**2 068.0**	**2 052.0**
Total	**4 864.3**	**4 685.5**

Receivables from state funds relate to the Decommissioning Fund for Nuclear Facilities and the Disposal Fund for Nuclear Power Plants. As at the balance sheet date, the provisions for decommissioning and disposal of nuclear waste totalled CHF 3,060.4 million (previous year: CHF 2,899.9 million). The impact of the change in receivables from state funds on the income statement is explained in Note 14 "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" totalled CHF 1,386.4 million (previous year: CHF 1,695.9 million; see Note 30 "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 30 "Other liabilities (current)" (see also Note 6 "Financial risk management").

25 Cash and cash equivalents

CHF million	30.9.2019	30.9.2018
Petty cash and cash at banks	1 596.6	1 220.9
Time deposits	58.8	83.9
Total	**1 655.4**	**1 304.8**

Short-term investments are available within 90 days from the date of acquisition. At the end of the reporting period, cash and cash equivalents held in Swiss francs and euros amounted to CHF 903.3 million (previous year: CHF 721.3 million) and CHF 489.6 million (previous year: CHF 349.5 million), respectively.

26 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 2019, Centralschweizerische Kraftwerke AG owned 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 30.9.2017	**–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 after tax	**–218.8**	**–8.9**	**–2.2**	**–229.9**
Balance as at 30.9.2018	**–458.6**	**121.9**	**–345.6**	**–682.3**
Effect of first-time adoption of IFRS 9		–121.9		**–121.9**
Balance as at 1.10.2018 restated	**–458.6**	**0.0**	**–345.6**	**–804.2**
Foreign currency translation			–48.6	**–48.6**
Cash flow hedges				
Fair value adjustments	191.9			**191.9**
Gains (–)/losses (+) transferred to the income statement	305.1			**305.1**
Deferred tax / income tax thereon	–82.1			**–82.1**
Total comprehensive income, net after tax	**414.9**	**0.0**	**–48.6**	**366.3**
Purchase of non-controlling interests			0.5	**0.5**
Change in scope of consolidation	–3.3			**–3.3**
Balance as at 30.9.2019	**–47.0**	**0.0**	**–393.7**	**–440.7**

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.

27 Financial liabilities

CHF million	Bonds	Loans	Other financial liabilities	Total
Balance as at 30.9.2018	**3 787.6**	**388.9**	**514.5**	**4 691.0**
Cash relevant				
Increase	46.2	112.1	1 937.2	2 095.5
Repayment	0.0	–18.3	–1 925.8	–1 944.1
Not cash relevant				
Change in consolidation scope	0.0	0.5	0.8	1.3
Interest	2.5	0.0	0.0	2.5
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**
Cash relevant				
Increase	76.0	571.0	1 735.8	2 382.8
Repayment	–106.0	–565.6	–1 817.3	–2 488.9
Not cash relevant				
Change in consolidation scope	8.9	404.2	28.6	441.7
Interest	2.0	0.0	0.0	2.0
Valuation change	0.3	0.0	0.0	0.3
Reclassifications	30.0	100.3	–123.2	7.1
Currency translation effect	–17.5	–14.0	–5.8	–37.3
Balance as at 30.9.2019	**3 794.6**	**971.5**	**379.9**	**5 146.0**
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**
Maturities as at 30.9.2019				
Due within 1 year	499.1	62.1	379.9	941.1
Due within 1 to 5 years	1 904.7	254.3	0.0	2 159.0
Due in more than 5 years	1 390.8	655.1	0.0	2 045.9
Total	**3 794.6**	**971.5**	**379.9**	**5 146.0**

Other financial liabilities include the financing of the wind farms built for sale, which are reported under inventories as “work in progress”. Other financial liabilities also include current account liabilities.

Bonds outstanding at the balance sheet date

CHF million	Duration years	Nominal value in local currency	Nominal interest rate 30.9.2019	Effective interest rate 30.9.2019	Carrying amount 30.9.2019	Carrying amount 30.9.2018
CH0109674470	2010–2020	CHF 429.8 m	2.63%	3.16%	429.5	428.7
CH0330143147	2016–2024	CHF 350.0 m	1.75%	1.79%	349.3	349.2
CH0109674488	2010–2025	CHF 300.0 m	3.13%	3.25%	298.4	298.1
CH0290876496	2015–2021	CHF 170.0 m	0.50%	0.53%	169.9	169.8
CH0110118574	2010–2022	CHF 200.0 m	2.75%	2.97%	199.1	198.7
CH0319403702	2016–2022	CHF 170.0 m	1.50%	1.56%	169.7	169.6
CH0130501304	2011–2023	CHF 200.0 m	2.75%	2.87%	199.2	199.0
CH0357483160	2017–2023	CHF 245.0 m	2.00%	2.05%	244.5	244.4
CH0252703050	2014–2024	CHF 270.0 m	1.25%	1.31%	269.3	269.2
CH0228531437	2013–2026	CHF 175.0 m	2.38%	2.47%	175.2	175.2
CH0132163434	2011–2031	CHF 125.0 m	2.88%	3.11%	122.4	122.2
CH0180428531	2012–2042	CHF 150.0 m	2.88%	2.90%	149.4	149.4
CH0208271541	2013–2048	CHF 160.0 m	3.00%	2.97%	160.8	160.8
CH0194958960	2012–2052	CHF 200.0 m	3.00%	3.01%	199.7	199.7
Total					**3 136.4**	**3 134.0**

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 amounted to CHF 3,525.6 million (previous year: CHF 3,208.1 million).

Private placement outstanding at the balance sheet date

CHF million	Duration in years	Interest rate 30.9.2019	Carrying amount 30.9.2019	Carrying amount 30.9.2018
Private placements in EUR	2020–2036	0.43%–6.00%	416.2	424.9
Private placements in CHF	2019–2041	1.50%–3.88%	242.0	242.0
Total			**658.2**	**666.9**

The fair value of the private placements outstanding on the balance sheet date amounted to CHF 694.0 million (previous year: CHF 664.4 million).

Loans (carrying amount > CHF 10 million) outstanding at the balance sheet date

CHF million	Maturity date	Interest rate 30.9.2019	Carrying amount 30.9.2019	Carrying amount 30.9.2018
CA Unifergie	08.06.2036	1.40%	42.0	0.0
Commerzbank	30.09.2033	2.20%	18.3	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%	13.1	16.5
Natrixis Energego	01.07.2041	1.35%	17.7	0.0
Norddeutsche Landesbank	30.12.2031	1.45%	17.0	20.1
Norddeutsche Landesbank	30.09.2032	2.20%	12.6	14.2
Norddeutsche Landesbank	30.06.2033	2.80%	11.6	13.6
Norddeutsche Landesbank	30.12.2033	2.15%	14.6	0.0
Norddeutsche Landesbank	30.09.2033	2.10%	29.7	0.0
Pax, Schweizerische Lebensversicherungs-Gesellschaft AG	13.08.2020	2.25%	20.0	20.0
Migros Pensionskasse	27.08.2027	0.25%	15.0	0.0
PostFinance AG	16.09.2022	1.15%	20.0	20.0
PostFinance AG	20.03.2028	1.57%	22.0	22.0
St. Galler Kantonalbank AG	17.04.2023	1.94%	15.0	15.0
Zürcher Kantonalbank	19.03.2025	1.50%	15.0	15.0
Consortium of banks 1	15.08.2038	1.64%–1.95%	17.5	0.0
Consortium of banks 2	31.03.2037	1.40%	25.7	0.0
Consortium of banks 3	31.03.2037	1.95%	11.8	0.0
Consortium of banks 4	31.12.2041	1.00%–2.36%	102.9	0.0
Consortium of banks 5	02.02.2034	1.40%	15.8	0.0
Consortium of banks 6	30.11.2032	1.40%	10.3	0.0
Consortium of banks 7	30.06.2036	1.64%	12.2	0.0
Total			**562.8**	**239.4**

In addition to the above-listed loans from Norddeutsche Landesbank and Commerzbank, there were other non-current financial liabilities outstanding related to wind farms. As at the balance sheet date they amounted to CHF 80.0 million (previous year: CHF 83.2 million), with interest rates ranging from 0.00% to 5.65% (previous year: 0.00% to 5.65%). These loans are being repaid in tranches until 2033 at the latest. In addition, there were financial liabilities in connection with the photovoltaic systems of the Urbasolar companies with a carrying amount of CHF 140.0 million as at 30 September 2019. These bear interest at rates of between 1.79% and 5.51% and will be repaid in instalments on an ongoing basis by 2041 at the latest.

28 Other liabilities (non-current)

CHF million	30.9.2019	30.9.2018
Assigned energy procurement and usage rights	65.0	68.9
Pension liability (Note 31)	338.5	19.1
Other (financial instruments)	31.6	40.3
Other (non-financial instruments)	173.5	161.3
Total	**608.6**	**289.6**
Maturities at the end of the financial year: 1)		
Due within 1 year	4.0	4.3
Due within 1 to 5 years	118.4	115.5
Due in more than 5 years	486.2	169.8
Total	**608.6**	**289.6**

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").

29 Provisions

CHF million	Post-operation, decommissioning, disposal	Onerous energy procurement contracts	Other provisions	Total
Balance as at 30.9.2018	**2 899.9**	**1 300.2**	**264.8**	**4 464.9**
Effect of first-time adoption of IFRS 9	0.0	0.0	0.5	0.5
Balance as at 1.10.2018 restated	**2 899.9**	**1 300.2**	**265.3**	**4 465.4**
Change in consolidation scope	0.0	0.0	17.7	17.7
Increase 1)	101.8	31.2	50.6	183.6
Interest	98.0	31.3	4.1	133.4
Reversal	–5.0	–377.6	–46.1	–428.7
Usage	–34.3	–226.6	–9.6	–270.5
Currency translation effect	0.0	0.0	–1.8	–1.8
Balance as at 30.9.2019	**3 060.4**	**758.5**	**280.2**	**4 099.1**
Current portion of provisions	74.6	112.1	16.6	203.3
Non-current portion of provisions	2 985.8	646.4	263.6	3 895.8
Total	**3 060.4**	**758.5**	**280.2**	**4 099.1**

1) The line item "Increase" of the "Post-operation, decommissioning, disposal" provision and "Other provisions" contains amounts of CHF 101.8 million and CHF 1.1 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 create the provision. CHF 101.8 million was capitalised under "Power plants" (see Note 16 "Property, plant and equipment") and CHF 1.1 million under "Work in progress" (see Note 22 "Inventories").

Expected cash outflows from provisions

CHF million	Post-operation, decommissioning, disposal	Onerous energy procurement contracts	Other provisions	Total
Due within 1 year	74.6	112.1	16.6	203.3
Due in 1 to 5 years	177.2	253.3	198.5	629.0
Due in more than 5 years	2 808.6	393.1	65.1	3 266.8
Total	**3 060.4**	**758.5**	**280.2**	**4 099.1**

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 758.5 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 13 "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 121.4 million (previous year: CHF 96.4 million) has been recognised in the balance sheet of the CKW Group as at 30 September 2019. 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 also includes provisions for storage contracts resulting from lost arbitration proceedings, personnel obligations and the cost of dismantling wind farms.

30 Other liabilities (current)

CHF million	30.9.2019	30.9.2018
Accrued expenses and deferred income (non-financial instruments)	79.8	63.5
Accrued expenses and deferred income (financial instruments)	46.6	46.4
Operating expenses not yet invoiced	1 268.6	1 448.1
Advance payments from customers	0.0	61.1
Contract assets	25.3	0.0
Other (financial instruments)	344.5	560.1
Other (non-financial instruments)	128.3	65.9
Total	**1 893.1**	**2 245.1**

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 1,386.4 million (previous year: CHF 1,695.9 million; see Note 24 "Other receivables"). The line item "Other (financial instruments)" mainly contains credit support annexes received. The credit support annexes delivered are reported in Note 24 "Other receivables" (see also Note 6 "Financial risk management").

31 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. Besides this, there are only a few other defined benefit and defined contribution plans, all of which are insignificant.
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 agreed in 2018 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. In the 2017/18 financial year, 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	30.9.2019	30.9.2018
Present value of defined benefit obligation as at 30.9.	2 982.0	2 604.1
Fair value of plan assets as at 30.9.	2 643.5	2 585.5
Pension liability recognised in the balance sheet as at 30.9.	**338.5**	**18.6**
thereof recognised as separate asset	0.0	–0.5
thereof recognised as separate liability (Note 28)	338.5	19.1

Pension costs in income statement

CHF million	2018/19	2017/18
Current service cost	53.6	61.2
Past service cost	–0.7	0.0
Interest expense on defined benefit obligation	23.5	16.1
Interest income on plan assets	–23.3	–14.8
Administration cost excluding asset management cost	1.2	1.3
Pension cost in income statement	**54.3**	**63.8**
thereof service cost and administration cost	54.1	62.5
thereof net interest expense/(income)	0.2	1.3

Pension costs in other comprehensive income

CHF million	2018/19	2017/18
Actuarial (gains)/losses on defined benefit obligation	379.8	–123.3
(Gains)/losses on plan assets excluding interest income	–75.5	–87.1
Pension cost recognised in other comprehensive income	**304.3**	**–210.4**

Change in pension liability reported in the balance sheet

CHF million	2018/19	2017/18
Pension liability as at 1.10.	18.6	207.4
Pension cost recognised in the income statement	54.3	63.8
Pension cost recognised in other comprehensive income	304.3	–210.4
Employer contributions	–44.3	–42.4
Effect of business combination and disposal	0.0	0.2
Others	5.6	0.0
Pension liability as at 30.9.	**338.5**	**18.6**

Change in the fair value of plan assets

CHF million	2018/19	2017/18
Fair value of plan assets as at 1.10.	2 585.5	2 477.7
Interest income on plan assets	23.3	14.8
Employer contributions	44.3	42.4
Employee contributions	27.9	26.4
Benefits paid in/(out)	–132.7	–71.1
Effect of business combination and disposal	0.0	8.2
Others	19.7	0.0
Return on plan assets excluding interest income	75.5	87.1
Fair value of plan assets as at 30.9.	**2 643.5**	**2 585.5**

Change in the present value of the defined benefit obligation

CHF million	2018/19	2017/18
Present value of defined benefit obligation as at 1.10.	2 604.1	2 685.1
Interest expense on defined benefit obligation	23.5	16.1
Current service cost	53.6	61.2
Employee contributions	27.9	26.4
Benefits paid in/(out)	–132.7	–71.1
Past service cost	–0.7	0.0
Effect of business combination and disposal	0.0	8.4
Administration cost excluding asset management cost	1.2	1.3
Others	25.3	0.0
Actuarial (gains)/losses on defined benefit obligation	379.8	–123.3
Present value of defined benefit obligation as at 30.9.	**2 982.0**	**2 604.1**

Breakdown of defined benefit obligation

CHF million	30.9.2019	30.9.2018
Present value of defined benefit obligation for active members	1 511.2	1 309.6
Present value of defined benefit obligation for pensioners	1 470.8	1 294.5

Actuarial gains/losses on defined benefit obligation

CHF million	2018/19	2017/18
Actuarial (gains)/losses on defined benefit obligation from		
changes in financial assumptions	296.0	–92.3
changes in demographic assumptions	–21.1	–77.9
experience adjustments	104.9	46.9
Actuarial (gains)/losses on defined benefit obligation	**379.8**	**–123.3**

Actuarial assumptions

	30.9.2019	30.9.2018
Discount rate for active members	0.1	1.0
Discount rate for pensioners	–0.1	0.8
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.

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	30.9.2019	30.9.2018
Discount rate (–0.25% change)	3 093.8	2 694.8
Discount rate (+0.25% change)	2 877.3	2 518.9
Salary trend (–0.25% change)	2 971.7	2 596.4
Salary trend (+0.25% change)	2 992.4	2 611.8
Life expectancy (–1 year change)	2 877.2	2 521.3
Life expectancy (+1 year change)	3 085.6	2 685.5

Estimate of employer and employee contributions for subsequent period

CHF million	30.9.2019	30.9.2018
Expected employer contributions	45.5	42.4
Expected employee contributions	27.5	26.5

Major categories of plan assets

CHF million	30.9.2019	30.9.2018
Cash and cash equivalents	34.9	10.6
Equity instruments	1 029.1	1 042.5
Debt instruments	771.4	745.4
Real estate	143.5	135.1
Others	294.0	278.4
Total plan assets at fair value (quoted market price)	**2 272.9**	**2 212.0**
Real estate	370.6	373.5
Total plan assets at fair value (non-quoted market price)	**370.6**	**373.5**
Total plan assets at fair value	**2 643.5**	**2 585.5**

Maturity profile of the defined benefit obligation

CHF million	30.9.2019	30.9.2018
Weighted average duration of defined benefit obligation in years	14.5	13.4

32 Transactions with related parties

Based on their shareholdings, the Canton of Zurich (18.3%), Electricity Utilities of the Canton of Zurich (18.4%), the Canton of Aargau (14.0%) and AEW Energie AG (14.0%) exert a significant influence over the Axpo Group. Transactions involving these shareholders and other important companies controlled by them are disclosed under "Shareholders".
An overview of the partner plants and other associates is given in Note 36 "Investments". Transactions between the Axpo Group and PKE-CPE Vorsorgestiftung Energie are shown in Note 31 "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 2018/19

CHF million	Shareholders	Partner plants	Associates
Total income			
Revenues from energy sales and grid usage	372.7	48.7	135.5
Other operating income	2.9	4.4	2.3
Operating expenses			
Expenses for energy procurement, grid usage and cost of goods purchased	–18.2	–665.5	–213.1
Expenses for materials and third-party supplies	–1.5	–1.4	–7.7
Other operating expenses	–17.6	0.0	–0.6
Financial result			
Financial result	–2.4	–19.6	23.9
Income tax			
Income tax expense	–16.3	0.0	0.0

Open positions with related parties as at 30 September 2019

CHF million	Shareholders	Partner plants	Associates
Non-current assets			
Intangible assets	16.0	38.3	7.9
Positive replacement values	48.1	1.5	7.7
Other financial assets	0.0	47.2	389.2
Current assets			
Assets held for sale	0.0	0.0	34.7
Trade receivables	15.7	23.0	13.1
Financial receivables	164.9	83.9	66.9
Positive replacement values	52.2	2.3	7.8
Other receivables	23.6	198.8	22.2
Cash and cash equivalents	337.9	0.0	0.0
Liabilities (non-current)			
Financial liabilities	86.0	0.0	0.0
Negative replacement values	11.5	0.0	13.5
Other liabilities	19.8	3.4	17.2
Liabilities (current)			
Trade payables	11.5	6.7	5.6
Financial liabilities[1)]	0.5	223.3	5.8
Current tax liabilities	17.2	0.0	0.0
Negative replacement values	27.7	0.3	3.3
Other liabilities	13.5	11.3	30.4

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

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 as at 30 September 2018

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.

Remuneration paid to the Board of Directors and the Executive Board

CHF million	2018/19	2017/18
Board of Directors		
Current compensation	1.2	1.2
Total	**1.2**	**1.2**
Executive Board		
Current compensation	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.

33 Pledged assets

CHF million	30.9.2019	30.9.2018
Property, plant and equipment	599.4	196.5
Inventories	5.8	62.4
Cash and cash equivalents	182.1	160.0
Other	64.8	9.1
Total	**852.1**	**428.0**

Pledged property, plant and equipment are related to the wind farms and solar plants in France and Germany built for own use, whereas pledged inventories are related to the wind farms in France and Germany for sale in the portfolio of the Volkswind Group.

34 Contingent liabilities and contingent assets

CHF million	30.9.2019	30.9.2018
Liabilities to capital payments	105.3	123.3
Delivery and purchase commitments	428.5	446.2
Other contingent liabilities	6.9	6.5
Total	**540.7**	**576.0**

The Axpo Group entered into fixed delivery and purchase obligations of multi-year duration totalling CHF 374.7 million (previous year: CHF 364.8 million) relating to the manufacture of fuel rods and to capital expenditure and maintenance work on its own plants.
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 4.9 million (previous year: CHF 4.6 million). In the 2016/17 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.
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 were 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 (PSWL) stage of expansion. This dispute was settled by a court settlement agreement reached in the instructional hearing before the Supreme Court of the Canton of Berne on 25

March 2019. The main provisions of this settlement agreement are as follows: The PSWL's annual costs, which were incurred up to its commissioning on 18 August 2017, are borne in proportion to the respective shareholdings, i.e. 15% by the Canton of Glarus and 85% by Axpo; the PSWL's annual costs incurred since 19 August 2017 and to be incurred in the future (until further notice) will be fully borne by Axpo; in return, the Canton of Glarus (until further notice) will desist from procuring energy from the PSWL and agree to reduce the dividend on the entire share capital.
The concession of a partner plant of the Axpo Group obliges it to deliver concessionary power to the concession municipalities. In 2009, the costs of energy and transport were unbundled in accordance with the Electricity Supply Act. The concession municipalities have concluded on this basis that the grid usage fees for additional energy are to be treated in the same way as concessionary energy, although there is no delivery obligation for additional energy in accordance with the concession. The exchange of correspondence is complete. ElCom's decision is awaited.
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. Further information is provided in Note 5 "Estimation uncertainties and significant judgements in the application of accounting policies". For obligations in connection with partner plants, please refer to Note 18 "Investments in partner plants and other associates".

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 Solutions AG has to submit an application by no later than 31 May of the subsequent year. The Swiss Federal Office for Energy sent the second ruling for the 2018 market premium to the applicants on 7 November 2019. It states that the portion of the market premium to which Axpo is entitled in the application year 2018 amounts to CHF 33.9 million. This amount takes into account that the requests for market premiums in financial year 2018 exceeded the amount of the available funds, and thus that the market premium was reduced by a factor of 0.886 on a straight-line basis for all eligible recipients. With this second ruling for the application year 2018, the Swiss Federal Office for Energy decreed the disbursement of the remaining amount of CHF 7.9 million of the awarded market premium. The CHF 26.0 million was already disbursed with the first ruling in December 2018. Also on 7 November 2019, the Swiss Federal Office for Energy sent the ruling for the 2019 market premium. It states that Axpo is entitled to a market premium of CHF 30.5 million. As sufficient funds are available for the 2019 market premium, no reduction will apply and the aforementioned amount is the final one. As soon as the ruling is binding, the entire amount will be disbursed. Due to the lack of legal force of the second ruling for the market premium 2018 and the ruling for the market premium 2019, Axpo did not recognise any receivables or corresponding income from these two rulings in the financial year 2018/19.
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. The counterclaim filed by the counterparty was dismissed by the court in full. Corresponding compensation was paid in 2018/19 to Axpo.

35 Events after the balance sheet date

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

36 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
Comicro AG	Wangen-Brüttisellen	30.09.	CHF	0.2	100.0	100.0	D
ERPsourcing AG	Wallisellen	31.12.	CHF	0.2	100.0	100.0	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	100.0	100.0	100.0	N
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
Axpo Hydro AG	Baden	30.09.	CHF	200.0	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	100.0	100.0	D
Fricompost Freiburgische Grünentsorgungsgesellschaft 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 Tegra AG	Domat/Ems	30.09.	CHF	2.1	100.0	100.0	P
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 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 Suisse AG	Baden	30.09.	CHF	0.1	100.0	100.0	V
Elblox AG	Baden	30.09.	CHF	0.1	96.0	96.0	D
Kraftwerke Linth-Limmern AG	Glarus Süd	30.09.	CHF	350.0	85.0	85.0	P
Axpo Services AG	Baden	30.09.	CHF	0.1	100.0	100.0	D
Axpo Solutions AG	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	Sofia (BG)	31.12.	BGN	18.1	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 Energy Romania S.A.	Bucharest (RO)	30.09.	RON	42.0	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 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

	Domicile	Balance sheet date	Currency	Registered capital in millions	Share of votes in %	Share of capital in %	Purpose
Group companies							
Axpo Italia S.p.A.	Rome (IT)	30.09.	EUR	3.0	100.0	100.0	V
Axpo Energy Solutions Italia S.p.A.	Rome (IT)	30.09.	EUR	2.0	100.0	100.0	V
Axpo Gas Service Italia S.r.l. [1)]	Rome (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 [2)]	Ganderkesee (DE)	30.09.	EUR	0.03	100.0	100.0	D
Axpo Servizi Produzione Italia S.p.A.	Rome (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	7.7	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.	Rome (IT)	30.09.	EUR	0.1	85.0	85.0	P
Frea Axpo EOOD [1)]	Sofia (BG)	31.12.	BGN	8.2	100.0	100.0	V
Gold Energy-Comercializadora de Energía, S.A.	Vila Real (PT)	31.12.	EUR	1.5	83.3 [3)]	83.3 [3)]	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.	Rome (IT)	30.09.	EUR	0.5	100.0	100.0	P
Urbasolar SAS [4)]	Montpellier (FR)	30.04.	EUR	2.1	100.0	100.0	D
WinBis S.r.l.	Rome (IT)	30.09.	EUR	0.1	100.0	100.0	P
Consorzio Energie Rinnovabili	Naples (IT)	30.09.	EUR	0.02	99.0	99.0	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	59.0	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“	Kiev (UA)	31.12.	UAH	29.4	100.0	100.0	V
Centralschweizerische Kraftwerke AG [5)]	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
Fürst Hägendorf AG	Hägendorf	30.09.	CHF	0.1	100.0	100.0	D
CKW Bern-Köniz GmbH [6)]	Köniz	30.09.	CHF	0.02	100.0	100.0	D
Fürst Lostorf AG	Lostorf	30.09.	CHF	0.1	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

1) In liquidation.
2) Volkswind GmbH is the parent company of Volkswind Group with business activities in the field of development and operation of wind power stations. The company controls and holds the majority of the shares of fully consolidated group companies and associated companies accounted for using the equity method. They are not listed here.
3) Axpo Iberia S.L., Madrid, holds a direct share of 16.7%.
4) Urbasolar SAS is the parent company of Urbasolar Group with business activities in the field of development and construction of solar plants. The company controls and holds the majority of the shares of fully consolidated group companies and associated companies accounted for using the equity method. They are not listed here.
5) Registered shares with a nominal value of CHF 29,692 held as treasury shares. 6)Change of company name to CKW Bern-Köniz GmbH (formerly Teltech GmbH).

	Domicile	Balance sheet date	Currency	Registered capital in millions	Share of votes in %	Share of capital in %	Purpose
Group companies							
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	100.0	100.0	D

	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 [7]	41.4 [7]	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 [7]	58.2 [7]	P
Engadiner Kraftwerke AG	Zernez	30.09.	CHF	140.0	30.0	30.0	P
Etrans AG	Baden	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 [9]	37.5 [7]	36.0 [7]	P
Kernkraftwerk Leibstadt AG	Leibstadt	31.12.	CHF	450.0	52.7 [7]	34.6 [7] [8]	P
Kernkraftwerk-Beteiligungsgesellschaft AG	Berne	31.12.	CHF	150.0	33.3	33.3	P
Kraftwerk Erstfeldertal AG [10]	Erstfeld	30.09.	CHF	2.0	38.0	38.0	P
Kraftwerk Göschenen AG	Göschenen	30.09.	CHF	60.0	50.0	50.0	P
Kraftwerk Palanggenbach AG [11]	Seedorf UR	31.12.	CHF	0.7	15.0	15.0	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 [7]	58.3 [7]	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

7) 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.
8) 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%.
9) Of which CHF 290.0 million paid in.
10) Formation in 2018/19 financial year.
11) Formation in 2018/19 financial year.

	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
Global Tech I Offshore Wind GmbH	Hamburg (DE)	31.12.	EUR	1.0	24.1	24.1	P
Grischelectra AG	Chur	30.09.	CHF	1.0[12)]	20.0	20.0	V
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[13)]	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	319.0	37.5	37.5	N
Terravent AG	Lucerne	30.09.	CHF	16.0	23.4	23.4	S
Trans Adriatic Pipeline AG	Baar	31.12.	CHF	1 295.6	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

12) Of which CHF 0.2 million paid in.
13) 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 2019 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 5 to 79) give a true and fair view of the consolidated financial position of the Group as at 30 September 2019, 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.

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

Key Audit Matter

As at 30 September 2019, the company recognised net impairments on assets and net provisions released amounting to CHF 343.5 million, whereas the item "Depreciation, amortisation and impairments" was debited with CHF 2.9 million and the item "Expenses for energy procurement, grid usage and cost of goods purchased" was credited with CHF 346.4 million The carrying amounts of PPE and intangible assets diminished by CHF 16 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 reversal, 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, among 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 or impairment reversals.

For PPE, intangible assets, energy procurement contracts and investments in partner plants where there were signs of impairment or significant impairment reversals, 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 impairment 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, 10, 13, 16, 17, 18 and 29

KPMG

Classification and valuation of energy derivatives

Key Audit Matter

The replacement values of energy derivatives as at 30 September 2019 are disclosed in the line item “Derivative financial instruments” in non-current assets with CHF 1‘258.4 million and in current assets with CHF 1’250.7 million, as well as in the non-current liabilities with CHF 1‘042.4 million and current liabilities with CHF 1’262.4 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:

- 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;
- 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;

For further information on the energy derivatives, refer to the following sections of the notes to the consolidated financial statements:

— Notes 4, 5 and 6

KPMG

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

Key Audit Matter

As at 30 September 2019, Axpo Group discloses provisions in the amount of CHF 4‘099.1 million. Of these, CHF 3‘060.4 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 operational 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 2018/19 consolidated financial statements. The provisioning budget contained in the 2016 cost analysis as well as its modeling and mathematical accuracy are reviewed by external experts. Moreover, the Swiss 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 as well as the discount rates used 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 comparison of the discount rate with data from external studies, past experience and market data.
- 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 29

KPMG

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, 9 December 2019

KPMG AG, Räffelstrasse 28, P.O. Box, CH-8036 Zurich

Income statement of Axpo Holding AG

CHF million	Notes	2018/19	2017/18
Income			
Income from investments	3	45.3	202.6
Income from the sale of investments	4	0.0	12.5
Financial income	5	142.3	113.8
Impairment reversals on investments	6	466.0	20.9
Total income		**653.6**	**349.8**
Expenses			
Financial expenses		–121.5	–130.6
Personnel expenses		–0.3	–0.5
Other operating expenses		–22.7	–8.7
Total expenses		**–144.5**	**–139.8**
Net profit for the year		**509.1**	**210.0**

Balance sheet of Axpo Holding AG

CHF million	Notes	30.9.2019	30.9.2018
Assets			
Cash and cash equivalents		791.9	598.8
Current financial receivables	7	1 120.7	1 123.8
Current derivatives (positive replacement values)	8	122.6	100.9
Other receivables	9	8.7	13.9
Accrued income and prepaid expenses	10	1.5	1.1
Total current assets		**2 045.4**	**1 838.5**
Other financial assets	11	1 498.7	2 072.2
Non-current derivatives (positive replacement values)	12	111.1	93.9
Investments	13	4 082.1	3 616.1
Total non-current assets		**5 691.9**	**5 782.2**
Total assets		**7 737.3**	**7 620.7**
Equity and liabilities			
Trade payables	14	0.2	0.4
Current interest-bearing liabilities	15	2 172.7	2 300.2
Current bonds	16	429.5	0.0
Current derivatives (negative replacement values)	17	83.7	96.2
Other current liabilities	18	0.0	0.1
Accrued expenses and deferred income	19	15.3	18.9
Total current liabilities		**2 701.4**	**2 415.8**
Bonds	20	647.7	1 076.0
Loans payable	21	270.0	585.0
Non-current derivatives (negative replacement values)	22	136.8	71.6
Total non-current liabilities		**1 054.5**	**1 732.6**
Total liabilities		**3 755.9**	**4 148.4**
Share capital	23	370.0	370.0
Statutory capital reserves (capital contribution reserve)		2 633.0	2 633.0
Voluntary retained earnings		63.0	63.0
Accumulated profit	24	915.4	406.3
Total equity		**3 981.4**	**3 472.3**
Total equity and liabilities		**7 737.3**	**7 620.7**

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: 1).

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 9 December 2019 and they are still to be approved by the Annual General Meeting on 17 January 2020. 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 loss 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 loss allowances. Securities are measured at the lower of cost or fair value.

Investments
Investments in subsidiaries and associates are recognised at cost, subject to any impairment losses.

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	2018/19	2017/18
Dividend income from		
Axpo Power AG, Baden	0.0	180.0
Repower AG, Poschiavo	0.5	0.0
Centralschweizerische Kraftwerke AG, Lucerne	28.9	14.4
Axpo Services AG, Baden	10.0	3.0
Third parties	5.9	5.2
Total	**45.3**	**202.6**

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. Due to a partial sale of the financial assets, the realized profits were around CHF 40.8 million compared to the previous year. Furthermore, foreign exchange gains fell by CHF 15.9 million.

6 Impairment reversals on investments

The investment in Axpo Power AG was revised upwards by CHF 450.0 million in the 2018/19 financial year. In addition, the investment in Repower AG was revised upwards by CHF 16.0 million. In the previous year, the reversals of impairment losses on investments were reported under expenses under the item “Reversals/reductions in value of investments”. To improve comparability, the presentation of the previous year was adjusted accordingly.

7 Current financial receivables

CHF million	30.9.2019	30.9.2018
Third parties	373.8	560.0
Investments and group companies	746.9	563.8
Total	**1 120.7**	**1 123.8**

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

8 Current derivatives (positive replacement values)

CHF million	30.9.2019	30.9.2018
Third parties	21.2	0.8
Investments and group companies	101.4	100.1
Total	**122.6**	**100.9**

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 12.

9 Other current receivables

CHF million	30.9.2019	30.9.2018
Third parties	6.7	12.7
Investments and group companies	2.0	1.2
Total	**8.7**	**13.9**

10 Accrued income and prepaid expenses

CHF million	30.9.2019	30.9.2018
Third parties	0.6	1.1
Investments and group companies	0.9	0.0
Total	**1.5**	**1.1**

11 Other financial assets

CHF million	30.9.2019	30.9.2018
Third parties	20.0	35.0
Investments and group companies	196.9	319.6
Securities	1 281.8	1 717.6
Total	**1 498.7**	**2 072.2**

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).

12 Non-current derivatives (positive replacement values)

CHF million	30.9.2019	30.9.2018
Third parties	25.6	15.2
Investments and group companies	85.5	78.7
Total	**111.1**	**93.9**

The current derivative financial instruments (positive replacement values) are stated in Note 8.

13 Investments

The overview in Note 36 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.

14 Trade payables

CHF million	30.9.2019	30.9.2018
Third parties	0.2	0.3
Investments and group companies	0.0	0.1
Total	**0.2**	**0.4**

15 Current interest-bearing liabilities

CHF million	30.9.2019	30.9.2018
Investments and group companies	2 172.7	2 300.2
Total	**2 172.7**	**2 300.2**

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

16 Current bonds

CHF million		30.9.2019	30.9.2018
Bonds outstanding at the balance sheet date:	Nominal value		
2.625% bond 26.2.2010–26.2.2020	429.8	429.5	0.0
Total		**429.5**	**0.0**

17 Current derivatives (negative replacement values)

CHF million	30.9.2019	30.9.2018
Third parties	0.5	4.3
Investments and group companies	83.2	91.9
Total	**83.7**	**96.2**

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	30.9.2019	30.9.2018
Third parties	0.0	0.1
Total	**0.0**	**0.1**

19 Accrued expenses and deferred income

CHF million	30.9.2019	30.9.2018
Third parties	15.0	15.6
Investments and group companies	0.3	3.3
Total	**15.3**	**18.9**

20 Bonds

CHF million		30.9.2019	30.9.2018
Bonds outstanding at the balance sheet date:	Nominal value		
2.625% bond 26.2.2010–26.2.2020	0.0	0.0	428.7
3.125% bond 26.2.2010–26.2.2025	300.0	298.3	298.1
1.750% bond 28.7.2016–29.5.2024	350.0	349.4	349.2
Total		**647.7**	**1 076.0**

21 Loan liabilities

CHF million	30.9.2019	30.9.2018
Due dates:		
Remaining term to maturity 1–5 years	270.0	585.0
Total	**270.0**	**585.0**
of which:		
Investments and group companies	270.0	585.0

22 Non-current derivatives (negative replacement values)

CHF million	30.9.2019	30.9.2018
Third parties	4.4	4.5
Investments and group companies	132.4	67.1
Total	**136.8**	**71.6**

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

23 Share capital

CHF million		30.9.2019	30.9.2018
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	30.9.2019	30.9.2018
Result for the year	509.1	210.0
Profit carried forward	406.3	196.3
Total	**915.4**	**406.3**

25 Changes in equity

CHF m	Share capital	General legal reserves	Free reserves	Accumulated profit/loss	Total equity
As at 30.9.2016	**370.0**	**2 663.0**	**538.0**	**–472.2**	**3 068.8**
Partial release of free reserves			–475.0	475.0	
Result for the year 2016/17				193.5	193.5
As at 30.9.2017	**370.0**	**2 663.0**	**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**
Result for the year 2018/19				509.1	509.1
As at 30.9.2019	**370.0**	**2 633.0**	**63.0**	**915.4**	**3 981.4**

26 Collateral provided for third-party liabilities

CHF million	30.9.2019	30.9.2018
Guarantees	1 697.5	1 476.8
Sureties	90.9	93.2
Other delivery and acceptance obligations	0.4	0.6
Total	**1 788.8**	**1 570.6**

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 32 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 2018/19 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 2018/19 financial year

Name CHF thousand	Function	Remuneration for directorship [1]	Pension benefits [2]	Total
Thomas Sieber	Chairman of the Board of Directors Member of the Strategy Committee Member of the Compensation and Nominations Committee	300	77	377
Dorothée Deuring	Member of the Board of Directors Member of the Audit and Finance Committee	88	7	95
Roland Eberle	Vice Chairman of the Board of Directors (from January 2019) Chairman of the Strategy Committee	115	6	121
Hanspeter Fässler	Member of the Board of Directors Member of the Strategy Committee Chairman of the Compensation and Nominations Committee	116	9	125
Rudolf Hug	Vice Chairman of the Board of Directors (until January 2019) Chairman of the Audit and Finance Committee	51	3	54
Martin Keller	Member of the Board of Directors (from April 2019) Member of the Compensation and Nominations Committee (from June 2019)	45	3	48
Stefan Kessler	Member of the Board of Directors Chairman of the Audit and Finance Committee (from January 2019)	99	7	106
Peter Kreuzberg	Member of the Board of Directors Member of the Audit and Finance Committee Member of the Corporate Risk Council	90	13	103
Stephan Kuhn	Member of the Board of Directors Member of the Compensation and Nominations Committee (until June 2019) Member of the Audit and Finance Committee (from January 2019)	108	8	116 [4]
Roger Wüthrich-Hasenböhler	Member of the Board of Directors Member of the Strategy Committee	78	6	84
Total		**1 090**	**139**	**1 229**

1) The remuneration for a Board of Directors mandate consists in principle of fixed annual remuneration.
2) Employer contributions to AHV/IV and pension funds are shown under "Pension benefits".

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

Name CHF thousand	Function	Remuneration for directorship (fixed) [1]	Pension benefits [2]	Total
Thomas Sieber	Chairman of the Board of Directors Member of the Audit and Finance Committee (until GM 2018) Member of the Strategy Committee Member of the Compensation and Nominations 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 Chairmant 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
Peter Kreuzberg	Member of the Board of Directors Member of the Audit and Finance Committee Member of the Corporate Risk Council	82	13	95
Stephan Kuhn	Member of the Board of Directors (from GM 2018) Member of the Compensation and Nominations Committee	65	0	65 [4]
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 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 30,000 of the remuneration was paid to the employer. Left January 2018.
4) CHF 65,000 of the remuneration was paid to the employer.
5) CHF 17,000 of the remuneration was paid to the employer. Left January 2018.

Remuneration to Executive Board members and the highest-paid member

CHF thousand	Andrew Walo CEO		Total for Executive Board	
	2018/19	2017/18	2018/19	2017/18
Gross salaries (fixed)	650	650	2 409	2 427
Gross salaries (variable) [1) 4)]	325	302	1 319	1 257
Non-cash benefits [2)]	7	7	37	54
Pension benefits [3)]	244	234	830	838
Total	**1 226**	**1 193**	**4 595**	**4 576**

1) Gross salaries (variable) include variable salary components that are dependent on the achievement of company targets and individual objectives. These are values for the completed 2018/19 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".
4) The total of the Group Executive Board includes the compensation of U. Erkens as CFO a.i. (Member of the Group Executive Board) until 31 March 2019. As of 1 April 2019, the compensation of J. Gröflin is listed. The variable remuneration is calculated for an additional two months (as compensation for the loss of the bonus at the previous employer).

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 178,666 (previous year: CHF 175,557) 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 2018/19 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.

28 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	406 343 340
Reported net profit	509 061 979
Total	**915 405 319**
Profit to be carried forward	915 405 319
Total	**915 405 319**

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 income statement for the year then ended and the balance sheet as at 30 September 2019 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 86 to 96) for the year ended 30 September 2019 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, 9 December 2019

KPMG AG, Räffelstrasse 28, PO Box, CH-8036 Zurich

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

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