

**Letter to the shareholders of Axpo Holding AG**

# **Interim report 2019/20**

# Key figures

for the first half of 2019/20

in CHF million	First half of 2019/20 <sup>1)</sup>	First half of 2018/19
<b>Income statement</b>		
Total income	2 787	2 551
of which revenues from energy sales and grid usage	2 721	2 472
Earnings before interest and tax (EBIT, before STENFO value fluctuations)	496	391
as % of total income	17.8%	15.3%
Earnings before interest and tax (EBIT)	329	403
as % of total income	11.8%	15.8%
Result for the period	-24	435
as % of total income	-0.9%	17.1%
<b>Cash flow and investments</b>		
Cash flow from operating activities	-146	-239
Net investments in non-current assets (excl. loan receivables)	-74	-112
Free cash flow	-220	-351
<b>Balance sheet</b>		
Total assets	22 815	20 972
Equity (including non-controlling interests)	6 168	5 690
as % of total assets	27.0%	27.1%
<b>Employees (full-time equivalents)</b>		
Number of employees on 31 March	5 051	4 580

<sup>1)</sup>The Axpo Group is applying IFRS 16 "Leases" and IFRIC 23 "Uncertainty over Income Tax Treatments" for the first time for the 2019/20 financial year. The prior-year figures have not been restated.

# Strong operating performance – but earnings impacted by value fluctuations

**The Axpo Group's results for the first half of the year were shaped by a strong operating performance that was once again up on the prior-year period and by the negative effect of value fluctuations on the financial markets. The funds for the decommissioning and disposal of nuclear power plants (STENFO) had a particularly significant negative impact on results of CHF 389 million. While earnings before interest and tax (EBIT) were still only slightly lower at CHF 329 million, the result for the period actually fell to CHF –24 million.**

The outbreak of the Covid-19 pandemic occurred during the Axpo Group's reporting period for the first half of 2019/20 (1 October 2019 to 31 March 2020). The company implemented a comprehensive package of measures to protect employees and ensure orderly operations. Axpo responded quickly and effectively to the crisis, and has so far handled it well on an operational level.

**Axpo responded quickly and effectively to the coronavirus crisis, and has so far handled it well on an operational level.**

Total income increased to CHF 2,787 million (+ CHF 236 million year on year) in the first half of 2019/20 on the back of higher electricity sales and a significantly higher trading result, with the opportunities presented by the market exploited across all trading areas. Excluding the effects of the pandemic, Axpo recorded a strong operating profit,

up by 26.9 per cent on a comparable basis. This strong operating performance is attributable to a record result for the Trading & Sales business area and good operating contributions from CKW and the Assets business area.

**Turbulence on the capital markets had a huge impact on the results for the first half of 2019/20**

However, the pandemic has triggered fluctuations in value on the financial markets that have had a substantial impact towards the good operating result. Earnings before interest and tax (EBIT) were down CHF 74 million year on year (prior-year period: CHF 403 million) at CHF 329 million. At this level, the fluctuations in the value of the funds for the decommissioning and disposal of nuclear power plants (STENFO) had a clearly negative impact in the reporting period (CHF –167 million).

The result for the period was even more severely affected. The fluctuations in the value of the STENFO funds and the return on the securities portfolio also led to a significantly lower financial result compared with the previous year, resulting in a loss of CHF 24 million for the period (prior-year period: profit of CHF 435 million). Operating cash flow was CHF –146 million due to seasonal factors, an improvement on the prior-year figure of CHF –239 million. Net

**26.9%**

Earnings before interest and tax (EBIT) excluding value fluctuations increased by 26.9 per cent.

investments declined year on year due to the sale of an investment. Free cash flow improved by CHF 131 million year on year to CHF –220 million. Equity increased by a further CHF 268 million in the reporting period to CHF 6.2 billion. Liquidity declined by around CHF 600 million to CHF 3.3 billion due to the scheduled repayment of a bond and the negative free cash flow. At the beginning of April 2020, a confirmed syndicated credit line for CHF 550 million was concluded with a group of banks. This agreement allows Axpo to access additional liquidity flexibly and efficiently.

### **Domestic hydropower and photovoltaics**

CKW made progress on important projects relating to the maintenance and expansion of hydropower. For example, it completed the renovation of the weir at the Rathausen power plant and connected the Urnerloch discharge power plant to the grid. The Schächen power plant owned by the CKW subsidiary EWA was also commissioned in November 2019.

Axpo is also active in the photovoltaics segment in Switzerland. Axpo has received building permission for the planned large-scale Alpine solar power plant on the Lake Mutt dam wall with a capacity of 2 MW. Axpo plans to construct the plant in the summer of 2021.

### **Customised electricity supply and purchase agreements**

Axpo is one of the world's leading providers of complex customised purchase agreements (PPAs) for electricity from renewable energies in Europe and the USA. Axpo concluded numerous PPAs during the reporting period. In October 2019, for example, Axpo Nordic signed a PPA with the Kröpuln and Storbacken wind farms currently being constructed in Finland's Ostrobothnia region. Axpo also made progress with electricity supply agreements, with Axpo UK concluding

ing agreements for electricity supply and market access with UK energy suppliers in January 2020.

While the volume of customised power purchase agreements has been increasing for years, the market for standardised PPAs is still in its infancy. In conjunction with GE Renewable Energy, the Axpo spin-off Elblox plans to launch an online auction platform – Green Accelerator – designed specifically for standardised PPAs. The innovative platform will bring together buyers and sellers of electricity from renewable energies.

## **Axpo is one of the world's leading providers of complex customised power purchase agreements.**

### **Renewable energies in Europe**

Axpo has further expanded its strong position in wind and solar power in Europe. The Axpo subsidiary Urbasolar added 37 MW of capacity in the reporting period, meaning that the pipeline has now risen to 426 MW. Current projects include three solar plants to produce electricity for the airports serving Paris. Another project will be built on an artificial lake in an old gravel pit near the city of Toulouse. This year, Urbasolar will also build a solar carport (covered car park with solar panels on the roof) at the Disneyland Paris theme park. The solar plant will have a peak output of 33 MW.



**6.2 billion**

Equity increased  
by a further  
CHF 268 million in  
the reporting period  
to CHF 6.2 billion.

Axpo subsidiary Volkswind commissioned a wind farm in Leigné-les-Bois in western France with seven turbines and a capacity of 14 MW. This brings Volkswind's installed capacity to 284 MW, while the pipeline for projects to be realised in the next two financial years (2020/21 and 2021/22) has risen to around 300 MW. Volkswind's very strong position in France is also reflected in the auction results for new wind power projects in France. The company was able to secure around 200 MW in the current penultimate auction round, which equates to 27 percent of the tender volume. Among all the bidders, Volkswind was therefore awarded the contract for the largest capacity in each of the five rounds.

Axpo's headcount rose to over 5,000 full-time equivalents for the first time at the end of the first half of 2019/20. Since 1 April 2019, the workforce has been expanded, particularly in international trading and customer segments and the photovoltaic business, through the acquisition of Urbasolar.

## **Axpo has further expanded its strong position in wind and solar power in Europe.**

### **Business continuity solutions highly sought after**

The Axpo subsidiary Avectris acquired new high-profile customers and mandates. Against the backdrop of the Covid-19 pandemic, the added value offered by Avectris's business continuity management services was particularly appreciated by customers operating critical infrastructures in Switzerland. There was a pleasing increase in demand for the company's SAP-S/4HANA and cloud projects.

### **Christoph Brand is the new CEO**

Christoph Brand (50) took over as CEO of Axpo Holding AG on 1 May 2020. He replaced Thomas Sieber, who had been acting CEO on an interim basis since 1 October 2019 as Delegate of the Board of Directors,

in addition to his role as Chairman of the Board of Directors of Axpo. Before joining Axpo, Christoph Brand was CEO of TX Markets, which includes companies such as Ricardo, Tutti, Jobs and Homegate. He has many years of CEO experience in various industries and markets.

### **Outlook**

Axpo is facing up to the challenges posed by the coronavirus crisis and is endeavouring to minimise the negative impact. The economic slump caused by the pandemic and the associated uncertainties on the financial markets may have a direct impact on the Axpo Group's results. Axpo therefore expects the result for the 2019/20 financial year to be significantly lower than in the comparable prior-year period.



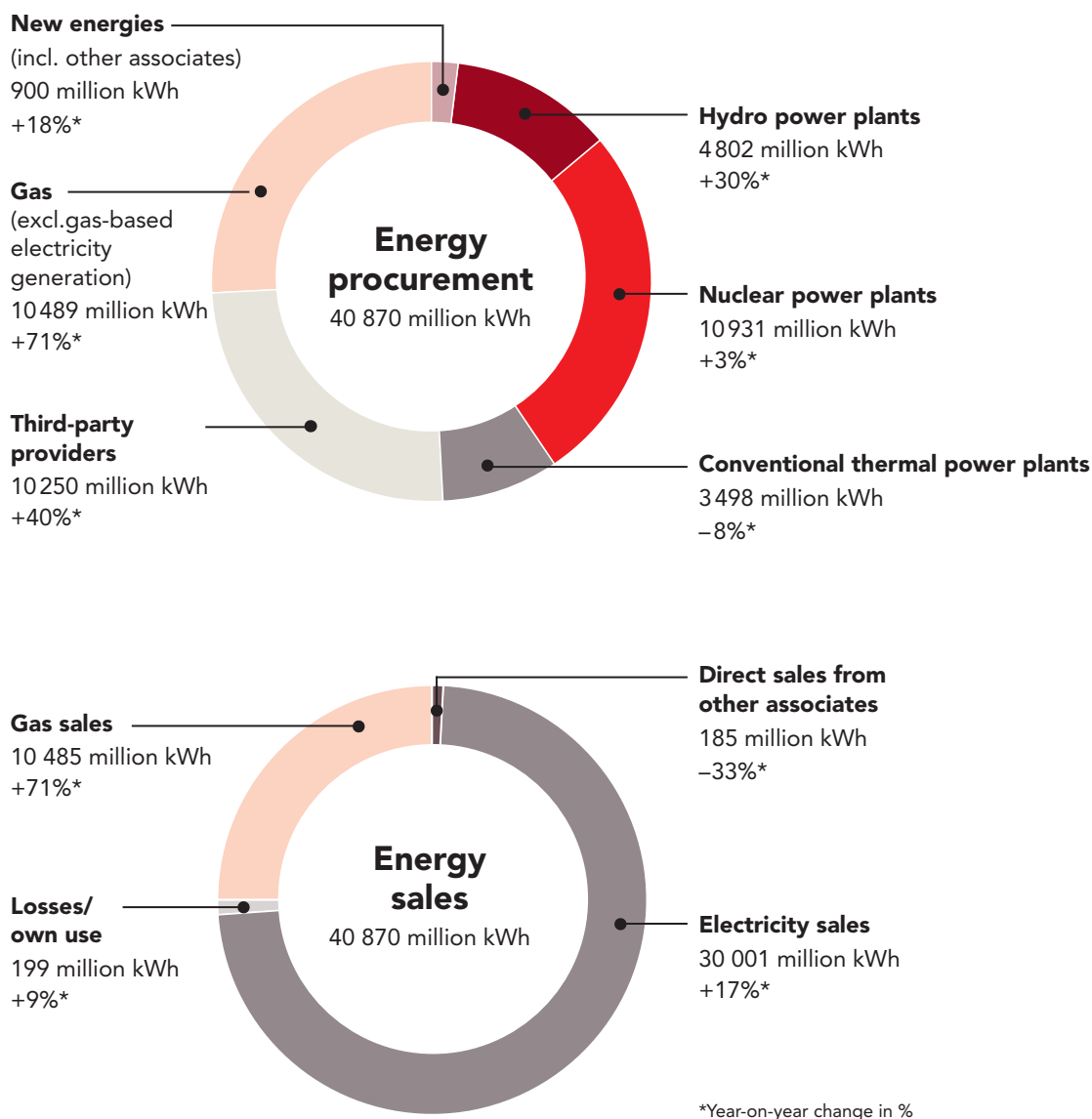
**Thomas Sieber**  
Chairman of the  
Board of Directors of  
Axpo Holding AG



**Christoph Brand**  
CEO of  
Axpo Holding AG

# Key figures

## Energy statistics for the first half of 2019/20



## Segment reporting for the first half of 2019/20<sup>1)</sup>

in CHF million	Assets		Trading & Sales		CKW		Reconciliation <sup>2)</sup>		Axpo Group	
	First half of 2019/20	First half of 2018/19	First half of 2019/20	First half of 2018/19	First half of 2019/20	First half of 2018/19	First half of 2019/20	First half of 2018/19	First half of 2019/20	First half of 2018/19
Total income	1 088	1 080	1 937	1 793	435	402	-673	-724	2 787	2 551
Operating expenses	-869	-755	-1 701	-1 647	-369	-328	648	700	-2 291	-2 030
Share of profit of partner plants and other associates	30	24	0	0	5	6	1	2	36	32
Depreciation, amortisation and impairments	-144	-107	-8	-3	-30	-29	-21	-11	-203	-150
Earnings before interest and tax (EBIT)	105	242	228	143	41	51	-45	-33	329	403

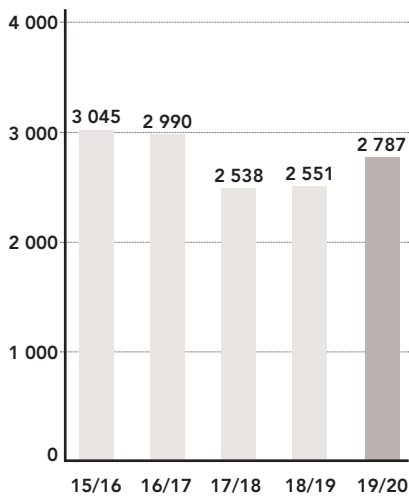
<sup>1)</sup>The Axpo Group is applying IFRS 16 "Leases" and IFRIC 23 "Uncertainty over Income Tax Treatments" for the first time for the 2019/20 financial year. The prior-year figures have not been restated.

<sup>2)</sup>In compliance with IFRS 8, Axpo Holding AG, Axpo Services AG and Avectris Group (which are not operating segments) as well as consolidation effects are combined under "Reconciliation".

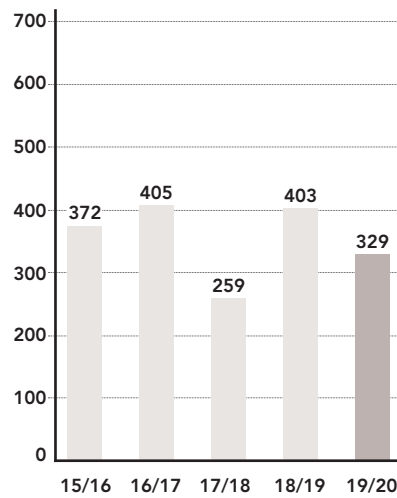
## Five-year development – half-year comparison of key Group figures<sup>1)</sup>

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

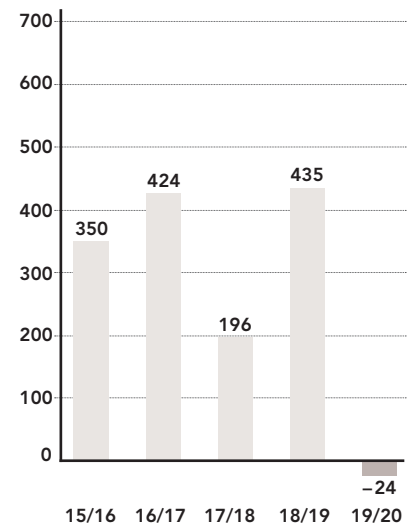
**Total income**  
in CHF million



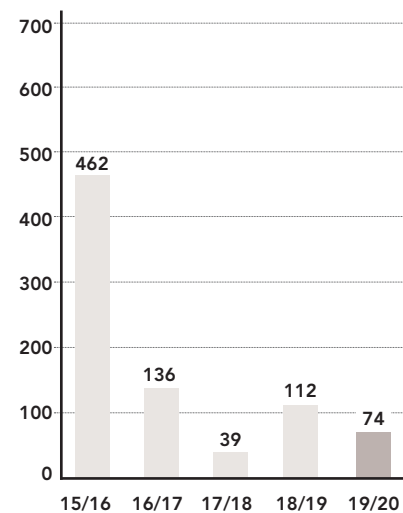
**Earnings before interest and tax (EBIT)** in CHF million



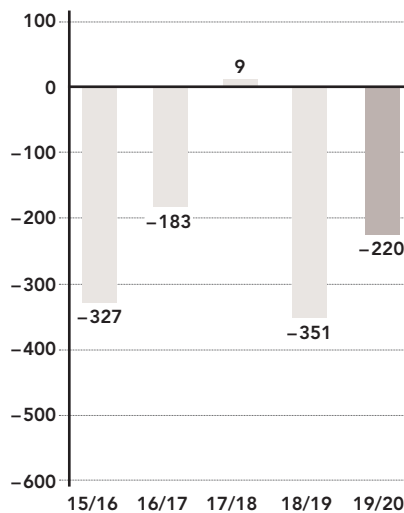
**Result for the period**  
in CHF million



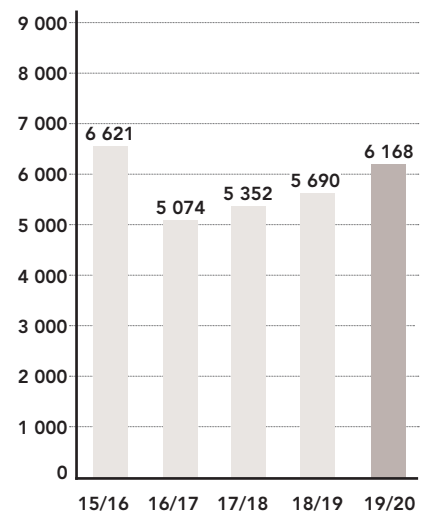
**Net investment in non-current assets**  
(excl. loan receivables) in CHF million



**Free cash flow**  
in CHF million



**Equity incl. non-controlling interests**  
in CHF million



<sup>1)</sup>The Axpo Group is applying IFRS 16 "Leases" and IFRIC 23 "Uncertainty over Income Tax Treatments" for the first time for the 2019/20 financial year. The prior-year figures have not been restated.

## Consolidated income statement

in CHF million	First half <sup>1)</sup> of 2019/20	First half of 2018/19
Revenues from energy sales and grid usage	2 720.8	2 472.2
Changes in inventories	3.9	8.4
Capitalised production costs	21.2	18.6
Other operating income	40.7	51.3
<b>Total income</b>	<b>2 786.6</b>	<b>2 550.5</b>
Expenses for energy procurement, grid usage and goods purchased	-1 613.5	-1 421.4
Expenses for materials and third-party supplies	-102.7	-131.0
Personnel expenses	-371.4	-323.6
Other operating expenses	-202.7	-153.1
Share of profit of partner plants and other associates	35.5	32.0
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>531.8</b>	<b>553.4</b>
Depreciation, amortisation and impairments	-202.8	-150.4
<b>Earnings before interest and tax (EBIT)</b>	<b>329.0</b>	<b>403.0</b>
Financial income	32.3	141.5
Financial expense	-450.2	-175.8
<b>Earnings before tax</b>	<b>-88.9</b>	<b>368.7</b>
Income tax expense	64.6	66.4
<b>Result for the period</b>	<b>-24.3</b>	<b>435.1</b>
Attributable to:		
<b>Axpo Holding shareholders</b>	<b>-36.3</b>	<b>420.7</b>
<b>Non-controlling interests</b>	<b>12.0</b>	<b>14.4</b>

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## Consolidated balance sheet

in CHF million	31.3.2020 <sup>1)</sup>	30.9.2019	31.3.2019
<b>Assets</b>			
Property, plant and equipment	4 747.9	4 839.0	4 473.3
Rights of use for leased assets	158.0	0.0	0.0
Intangible assets	1 001.0	1 047.5	757.2
Investments in partner plants and other associates	1 471.7	1 465.4	1 506.6
Derivative financial instruments	1 613.9	1 258.4	1 065.0
Other financial assets	1 967.1	2 009.7	2 235.7
Investment properties	41.3	23.0	24.1
Other receivables	2 562.5	2 796.3	2 717.7
Deferred tax assets	152.3	110.8	80.8
<b>Total non-current assets</b>	<b>13 715.7</b>	<b>13 550.1</b>	<b>12 860.4</b>
Assets held for sale	6.2	35.9	0.0
Inventories	272.0	467.6	411.1
Trade receivables	911.7	862.1	1 124.8
Financial receivables	545.0	870.4	1 034.9
Current tax assets	24.4	45.8	20.0
Derivative financial instruments	3 606.0	1 250.7	2 013.9
Other receivables	2 353.5	2 068.0	2 188.9
Cash and cash equivalents	1 380.1	1 655.4	1 318.1
<b>Total current assets</b>	<b>9 098.9</b>	<b>7 255.9</b>	<b>8 111.7</b>
<b>Total assets</b>	<b>22 814.6</b>	<b>20 806.0</b>	<b>20 972.1</b>
<b>Equity and liabilities</b>			
Share capital	370.0	370.0	370.0
Retained earnings	5 530.2	5 467.0	5 302.1
Other reserves	-247.5	-440.7	-484.3
<b>Total equity excluding non-controlling interests</b>	<b>5 652.7</b>	<b>5 396.3</b>	<b>5 187.8</b>
Non-controlling interests	515.1	504.0	502.3
<b>Total equity including non-controlling interests</b>	<b>6 167.8</b>	<b>5 900.3</b>	<b>5 690.1</b>
Financial liabilities	4 314.1	4 204.9	3 866.2
Derivative financial instruments	1 343.2	1 042.4	867.3
Other liabilities	520.7	608.6	337.1
Deferred tax liabilities	172.9	189.6	178.9
Provisions	3 924.5	3 895.8	4 184.2
<b>Total non-current liabilities</b>	<b>10 275.4</b>	<b>9 941.3</b>	<b>9 433.7</b>
Trade payables	375.6	598.3	734.8
Financial liabilities	666.4	941.1	917.9
Current tax liabilities	62.7	66.1	64.3
Derivative financial instruments	2 955.5	1 262.5	2 079.9
Other liabilities	2 152.0	1 893.1	1 855.0
Provisions	159.2	203.3	196.4
<b>Total current liabilities</b>	<b>6 371.4</b>	<b>4 964.4</b>	<b>5 848.3</b>
<b>Total liabilities</b>	<b>16 646.8</b>	<b>14 905.7</b>	<b>15 282.0</b>
<b>Total equity and liabilities</b>	<b>22 814.6</b>	<b>20 806.0</b>	<b>20 972.1</b>

<sup>1)</sup>The Axpo Group is applying IFRS 16 "Leases" and IFRIC 23 "Uncertainty over Income Tax Treatments" for the first time for the 2019/20 financial year. The prior-year figures have not been restated.

## Consolidated cash flow statement

in CHF million	First half <sup>1)</sup> of 2019/20	First half of 2018/19
Earnings before tax	-88.9	368.7
Financial result	417.9	34.3
<b>Earnings before interest and tax (EBIT)</b>	<b>329.0</b>	<b>403.0</b>
Gain on disposal of non-current assets	-0.8	-2.1
Loss on disposal of non-current assets and liabilities held for sale	0.2	0.0
Adjustment of non-cash expenses and income:		
Depreciation, amortisation and impairments	202.8	150.4
Share of profit of partner plants and other associates	-35.5	-32.0
Other non-cash items	-607.5	-225.2
Change in net working capital:		
Change in inventories	215.5	137.7
Change in trade receivables and other receivables	-483.6	-474.9
Change in trade payables and other payables	131.2	-224.7
Change in derivative financial instruments and other financial result	171.6	173.9
Change in provisions (excluding interest, net)	-77.2	-164.3
Dividends received	28.0	29.8
Income taxes paid	-19.7	-10.7
<b>Cash flow used in operating activities</b>	<b>-146.0</b>	<b>-239.1</b>
Property, plant and equipment:		
Investments net of capitalised borrowing costs	-82.6	-85.6
Disposals and cost contributions	6.8	1.0
Intangible assets:		
Investments (excluding goodwill)	-14.1	-9.7
Investments in subsidiaries (net of cash transferred)	-10.7	-6.7
Cash flow from non-current assets and liabilities held for sale	36.4	1.5
Investments in partner plants and other associates:		
Investments	-8.3	-6.5
Other financial assets:		
Investments	-324.2	-207.0
Disposals and repayments	66.4	400.0
Receivables from state funds	-1.4	-6.3
Investment properties and change in other financial assets	1.9	0.0
Financial receivables (current)	562.6	285.5
Interest received	18.9	16.7
<b>Cash flow from investing activities</b>	<b>251.7</b>	<b>382.9</b>
Financial liabilities:		
Proceeds	974.3	1 367.2
Repayment	-1 243.4	-1 418.7
Payment of lease liabilities	-9.1	-0.2
Other liabilities:		
Proceeds	4.5	5.1
Other cash flows from financing activities	0.0	-2.0
Dividend payments (including non-controlling interests)	-5.9	-8.9
Interest paid	-72.6	-63.4
<b>Cash flow used in financing activities</b>	<b>-352.2</b>	<b>-120.9</b>
Currency translation effect	-28.8	-9.6
<b>Change in cash and cash equivalents</b>	<b>-275.3</b>	<b>13.3</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>1 655.4</b>	<b>1 304.8</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>1 380.1</b>	<b>1 318.1</b>

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