

Axpo Holding AG

Interim report 2020/21

1 October 2020 to 31 March 2021

Key figures

For first half 2020/21

in CHF million

	First half 2020/21	First half 2019/20
Income statement		
Total income	2 902	2 787
of which revenues from energy sales and grid usage	2 729	2 721
Earnings before interest and tax (EBIT, before STENFO value fluctuations and additional compensation for transmission systems)	515	496
as % of total income	17.7%	17.8%
Earnings before interest and tax (EBIT)	722	329
as % of total income	24.9%	11.8%
Result for the period	781	-24
as % of total income	26.9%	-0.9%
Total cash flow and investments		
Cash flow from operating activities	-9	-146
Net investments in non-current assets (excl. loan receivables)	-80	-74
Free cash flow	-89	-220
Balance sheet		
Total assets	25 034	22 815
Equity incl. non-controlling interests	7 626	6 168
as % of total assets	30.5%	27.0%
Employees (full-time equivalents)		
Number of employees on 31 March	5 069	5 051

Axpo improves operating results and starts to implement growth strategy

The Axpo Group maintained operational stability during the first half of the 2020/21 financial year (1 October 2020 to 31 March 2021). Before one-off effects, operating profit (adjusted EBIT) increased by 4 percent over the previous year to CHF 515 million.

- **Operating results slightly higher than previous year**
- **International presence expanded within scope of strategy implementation, investments in renewable energies, hydrogen and battery businesses launched and Avectris sold**
- **Regulatory conditions limit growth prospects in Switzerland – Axpo has proposed specific improvements**

Christoph Brand, CEO of Axpo: “As evidenced by good results for the first half of the 2020/21 financial year, the performance of our operating business is steady. At the same time, we are also working on setting our future course. We have expanded our international presence, are continuing to successfully invest in renewable energies, and are also investing in future-oriented technologies like batteries and hydrogen. Over the course of the next few months, we will accelerate this development and drive international growth forward in a targeted way. While we would like to invest considerably more in renewable energies in Switzerland, current regulatory conditions make investments like these economically unattractive. In an effort to change this, we have contributed to the political debate by proposing several different

solutions, one of which is a floating market premium. We will also continue to promote advances in the transition to a CO₂-free energy future.”

Good operating performance

Increases in the hedged electricity price on the electricity market in the first half of the 2020/21 financial year resulted in a CHF 115 million year-on-year rise in total revenues to CHF 2,902 million.

Earnings before interest and tax (EBIT) amounted to CHF 722 million. A year-on-year comparison of EBIT must consider fluctuations in funds for the decommissioning and disposal of nuclear power plants (STENFO). The collapse of financial markets in March 2020 had a highly negative impact on the STENFO return in the prior-year period's income statement. During the current



7.6 billion

Equity increased to CHF 7.6 billion in the reporting period.

reporting period, on the other hand, positive financial market developments sent the STENFO return soaring. Adjustments for these financial market fluctuations and the one-off additional compensation for transferring the power grid to Swissgrid (based on a ruling by EICOM, the Federal Electricity Commission), led to an operating result of CHF 515 million, which is slightly higher than the previous year. This increase is particularly attributable to higher production revenues. These more than offset the lower trading results, which had been extremely high in the prior-year period.

The net result amounted to CHF 781 million. Here, too, developments in the financial markets made an extremely positive contribution during the reporting period. While liquidity remained high, net debt rose from CHF 1,181 million to CHF 1,229 million and equity amounted to CHF 7,626 million, as of 31 March 2021.

Axpo aims to build up over 10 GW of photovoltaic capacity by 2030, twenty times more than currently levels.

Ambitious strategic targets set

As a producer of climate-friendly electricity and a leading provider of innovative energy services, Axpo's group strategy has set high targets. The company wants to expand internationally, play a leading role in Switzerland's transition to a CO₂-free energy supply, and embrace sustainability in every aspect of its operations. Building on Axpo's current position as Switzerland's largest producer of renewable energies, it plans to build up more than

10 GW of photovoltaic capacity across the countries in which it operates, twenty times more than current levels. During that same timeframe, the company will also aim to build up an additional 3 GW in wind power, representing a tenfold increase in the Group's current capacity. Special focus is being placed on long-term power purchase agreements (PPAs) for renewable energy, the annual volume of which is to be tripled.

Leading position in electricity marketing reinforced

During the reporting period, Axpo reinforced its role as a leading marketer of renewable energy in Europe and, among other developments, concluded a PPA with CGN Europe Energy to market the full output of Belgium's largest onshore wind farm. The 82-MW, 11-turbine wind farm produces some 150 GWh of electricity per year. Axpo concluded an extremely important electricity supply agreement in Poland that will see Axpo Polska supplying Johnson Matthey, a leader in sustainable technologies, with green electricity to operate an e-car battery factory in Konin. The factory is expected to be commissioned in 2022.

Customers and counterparties have also confirmed Axpo's position as an industry leader, once again awarding top marks in the annual survey conducted by renowned international trade media outlets "Energy Risk" and "Risk.net". In this year's ranking, Axpo was voted number three among the best commodities dealers in the world and also earned top marks in the energy trading, power trading and natural gas trading categories.

International: investments in renewable energies and new technologies and as well as an expanded presence

When it comes to the wind and solar energy sectors, Axpo is well positioned with its Volkswind and Urbasolar subsidiaries. Both companies have continued on their growth trajectory. Volkswind realised projects of around 80 MW during the reporting period, while Urbasolar has projects totalling 300 MW still under construction and scheduled for completion during the current financial year. The development pipelines of both companies amount to a combined total of around 4 GW.

Axpo is currently establishing dedicated departments for its battery and hydrogen businesses to realise concrete projects and opportunities. As a means of storing electricity from renewable sources and making it permanently available, these sectors are set to rapidly gain in importance in coming years. In all areas, Axpo aims to accelerate growth in existing markets and tap into new ones. To that end, Axpo opened offices in Singapore and Greece at the end of 2020, further strengthening the company's international presence.

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Axpo is the largest Swiss producer of renewables

Axpo continues to advance as Switzerland's largest producer of renewables, as demonstrated by the unique AlpinSolar project. Initiated by Axpo, this joint development with IWB will install a large-scale alpine solar plant on the Muttssee dam and is due for completion by the end of the year. Under the terms of Switzerland's first big solar PPA, the Denner retail chain will purchase the plant's alpine solar power for a 20-year period. However, Axpo cannot yet harness its expertise in the area of large-scale solar plants without own consumption in its home country. The company would be prepared to take a leading role here but, unlike other countries, Switzerland lacks the regulatory conditions needed for investing in this type of plant, such as a tender-based, floating market premium.

In the retail solar energy business, on the other hand, Axpo and its subsidiary CKW have enjoyed continued success in the Central Switzerland market, taking an ambitious approach to the future. CKW's focus is on photovoltaic systems on the roofs of residential dwellings, larger buildings and public facilities. It is expanding this business segment with the takeover of Solarville AG, as announced in early May 2021. Furthermore, CKW offers a growing portfolio of solutions in energy management and smart energy building systems.

Axpo is also expanding its leading position in biomass and is implementing further battery projects through CKW. At the end of 2020, the company announced the construction of a 6.25-MW storage system at CKW's headquarters in Rathausen/Lucerne, and in February 2021 commissioned the country's largest indoor battery

**126
million**

In the 2019/20 financial year alone, Axpo paid CHF 126 million for concession rights.

storage system in Arbon will also market a newly constructed 1.25-MW storage system on behalf of Rhienergie AG and offer it on the power balancing market.

The Group's growth plans are based on a number of overarching initiatives including advanced analytics, data platforms, and technology as well as corporate culture and employee development, in particular. Henriette Wendt, who left Microsoft Switzerland to join Axpo on 1 June 2021 as Chief Operating Officer and member of the Executive Board, will also play an important role in these projects.

Switzerland: growth limited by regulatory conditions

While Axpo is driving growth in renewable energies in international markets, the regulatory conditions in Switzerland mean there are still very few opportunities to do this in the Group's home country. Specifically, Axpo believes that Switzerland could adopt the following instruments, which several other countries have already successfully pursued to encourage the expansion of renewable energies:

- Market-driven funding instruments such as a floating market premium for new investments, which efficiently incentivise more long-term investments.
- Accelerated, streamlined approval and recourse proceedings.
- Increased economic attractiveness of hydropower through a reduction or reallocation of the fee burden.

Axpo paid CHF 126 million for hydropower concession rights in the 2019/20 financial year alone. This tax burden makes hydropower unnecessarily expensive, impedes its expansion and runs counter to the goals of the federal government's energy strategy. To increase productivity

and efficiency, however, Axpo still intends to digitally optimise its hydroelectric power plants for troubleshooting and maintenance from 2022 onwards, following promising results from a pilot project at the Sarganserland power plant.

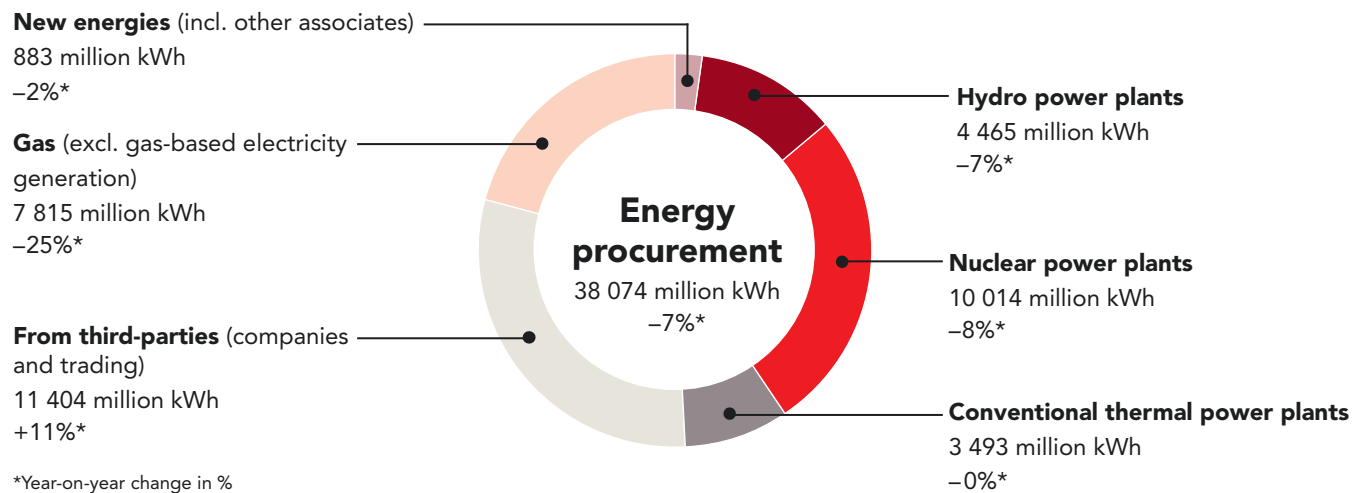
Outlook

Higher electricity prices are enabling Axpo to hedge its production at higher prices. Since January 2021, there has been a tendency in the market for years in the near future, such as 2022 and 2023, to achieve slightly higher prices than later ones. This reflects the greater expectations placed on efforts to expand wind and solar plants, particularly in Germany and France. A higher price level than today is also foreseeable for later years, however, and this will tend to have a positive impact on Axpo's results in financial years to come.

Financial market volatility means that fluctuations can be expected in the future value of STENFO funds and the securities portfolio, which will have a corresponding impact on Axpo's financial results. Those for the current financial year will be influenced by, among other things, the further effects of the pandemic. Defaults due to customers' inability to pay were low at Axpo in the first half of the year. Should the economic situation stabilise, no negative effects on results are expected. Taking into account the special items incurred in the first half of the year, and while anticipating that the operational business will remain robust, the company expects operating results for the 2020/21 financial year to be lower than in the previous year.

Key figures

Energy statistics the first half 2020/21



Segment reporting the first half 2020/21¹

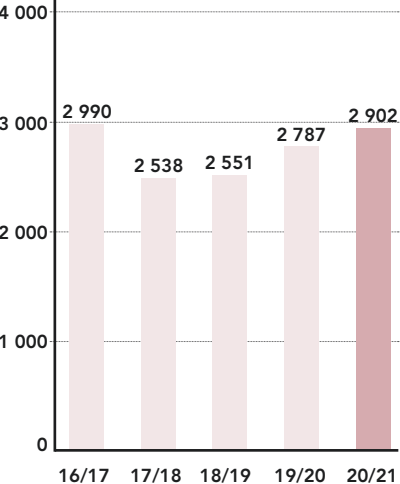
in CHF million	Generation & Distribution		Trading & Sales		CKW		Reconciliation ²		Axpo Group	
	First half 2020/21	First half 2019/20	First half 2020/21	First half 2019/20	First half 2020/21	First half 2019/20	First half 2020/21	First half 2019/20	First half 2020/21	First half 2019/20
Total income	1 397	1 088	1 939	1 892	444	435	-878	-628	2 902	2 787
Operating expenses	-747	-869	-1 847	-1 701	-311	-369	879	648	-2 026	-2 291
Share of profit of partner plants and other associates	25	30	0	0	4	5	0	1	29	36
Depreciation, amortisation and impairments	-146	-144	-12	-8	-32	-30	7	-21	-183	-203
Earnings before interest and tax (EBIT)	529	105	80	183	105	41	8	0	722	329

¹ A retrospective change was made to the currency risks associated with electricity price hedging that had been reported in the segment information of the financial statements for 2019/20, (see also the Financial Report of Axpo Holding AG 2019/20). The comparative figures were adapted accordingly for the 2019/20 half-year financial statement.

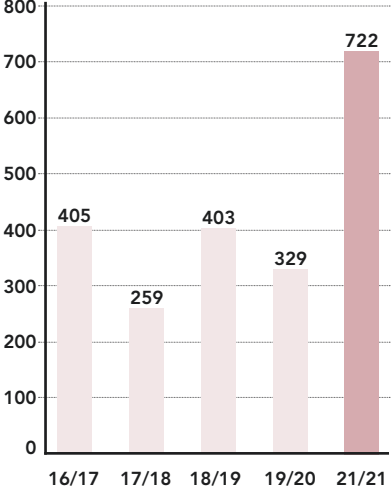
² In compliance with IFRS 8, Axpo Holding AG, Axpo Services AG – neither of which is an operating segment – and consolidation effects are combined under 'Reconciliation' (in the previous year: the scope also included the Avectris Group).

Five-year development – half-year comparison of key Group figures

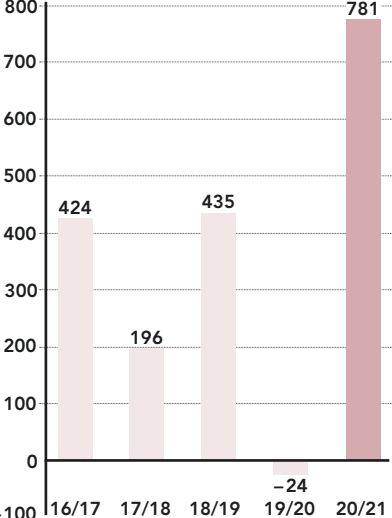
Total income
in CHF million



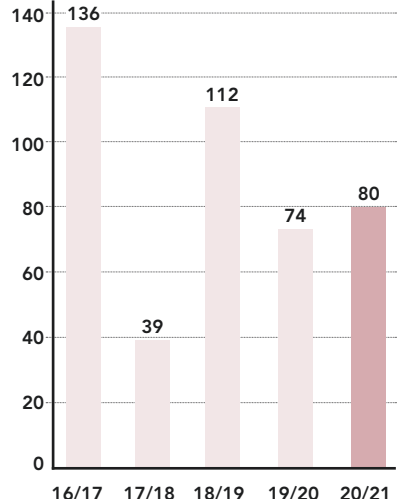
Earnings before interest and tax (EBIT)
in CHF million



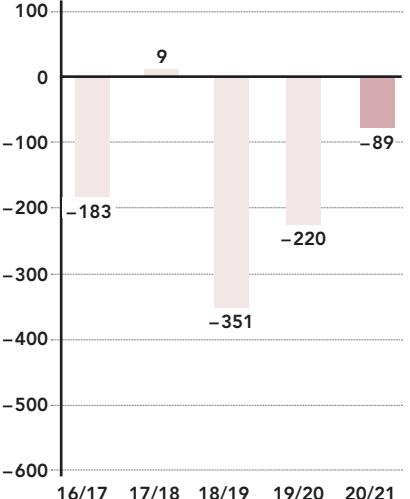
Result for the period
in CHF million



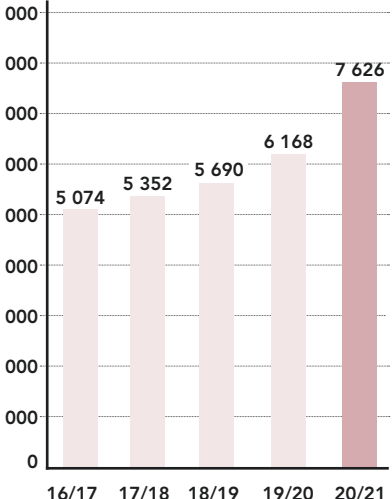
Net investment in non-current assets
(excl. loan receivables) in CHF million



Free cash flow
in CHF million



Equity incl. non-controlling interests
in CHF million



Consolidated income statement

in CHF million	First half 2021/20	First half 2019/20
Revenues from energy sales and grid usage	2 728.7	2 720.8
Own work capitalised	27.9	21.2
Other operating income	145.4	44.6
Total income	2 902.0	2 786.6
Energy procurement, grid usage and cost of goods	-1 381.3	-1 613.5
Materials and third-party supplies	-110.2	-102.7
Personnel expenses	-361.9	-371.4
Other operating costs	-172.9	-202.7
Share of profit of partner plants and other associates	28.9	35.5
Earnings before interest, tax, depreciation and amortisation (EBITDA)	904.6	531.8
Depreciation, amortisation and impairments	-182.8	-202.8
Earnings before interest and tax (EBIT)	721.8	329.0
Financial income	380.1	32.3
Financial expense	-124.9	-450.2
Earnings before tax	977.0	-88.9
Income tax expense	-196.4	64.6
Result for the period	780.6	-24.3
Attributable to:		
Axpo Holding shareholders	762.7	-36.3
Non-controlling interests	17.9	12.0

Consolidated balance sheet

in CHF million

	31/3/2021	30/9/2020	31/3/2020
Assets			
Property, plant and equipment	4 739.5	4 723.8	4 747.9
Rights of use for leased assets	164.8	176.3	158.0
Intangible assets	928.6	978.6	1 001.0
Investments in partner plants and other associates	1 558.4	1 477.8	1 471.7
Derivative financial instruments	1 576.0	1 570.7	1 613.9
Financial receivables	2 033.0	2 081.6	1 967.1
Investment properties	40.6	41.0	41.3
Other receivables	3 239.3	2 823.8	2 562.5
Deferred tax assets	137.8	148.0	152.3
Total non-current assets	14 418.0	14 021.6	13 715.7
Assets held for sale	34.5	34.8	6.2
Inventories	664.8	659.2	272.0
Trade receivables	1 056.4	891.8	911.7
Financial receivables	1 129.4	950.1	545.0
Current tax assets	28.9	20.0	24.4
Derivative financial instruments	3 108.6	1 359.6	3 606.0
Other receivables	3 243.6	2 224.7	2 353.5
Other financial assets	81.7	0.0	0.0
Cash and cash equivalents	1 268.2	1 512.7	1 380.1
Total current assets	10 616.1	7 652.9	9 098.9
Total assets	25 034.1	21 674.5	22 814.6

Consolidated balance sheet

in CHF million

	31/3/2021	30/9/2020	31/3/2020
Equity and liabilities			
Share capital	370.0	370.0	370.0
Retained earnings	7 193.4	6 234.2	5 530.2
Other reserves	-477.5	-397.2	-247.5
Total equity excluding non-controlling interests	7 085.9	6 207.0	5 652.7
Non-controlling interests	540.5	527.2	515.1
Total equity including non-controlling interests	7 626.4	6 734.2	6 167.8
Financial liabilities	3 884.7	4 137.1	4 314.1
Derivative financial instruments	1 619.2	1 409.7	1 343.2
Other liabilities	279.2	394.6	520.7
Deferred tax liabilities	253.4	203.3	172.9
Provisions	3 844.8	3 839.5	3 924.5
Total non-current liabilities	9 881.3	9 984.2	10 275.4
Liabilities held for sale	28.5	28.7	0.0
Trade payables	414.6	326.4	375.6
Financial liabilities	1 195.8	891.8	666.4
Current tax liabilities	195.7	92.6	62.7
Derivative financial instruments	3 320.0	1 338.3	2 955.5
Other liabilities	2 190.4	2 099.9	2 152.0
Provisions	181.4	178.4	159.2
Total current liabilities	7 526.4	4 956.1	6 371.4
Total liabilities	17 407.7	14 940.3	16 646.8
Total equity and liabilities	25 034.1	21 674.5	22 814.6

Consolidated cash flow statement

in CHF million	First half 2021/20	First half 2019/20
Earnings before tax (EBT)	977.0	-88.9
Financial result	-255.2	417.9
Earnings before interest and tax (EBIT)	721.8	329.0
(Gain)/loss on disposal of non-current assets and of non-current assets and liabilities held for sale	-117.4	-0.6
Non-cash expenses and income	448.9	-440.2
Change in net working capital	-918.2	-136.9
Change in derivative financial instruments and other financial results	-41.2	171.6
Change in provisions (excluding interest, net)	-51.3	-77.2
Dividends received	16.6	28.0
Income taxes paid	-68.3	-19.7
Cash flow from operating activities	-9.1	-146.0

Consolidated cash flow statement

in CHF million	First half 2021/20	First half 2019/20
Property, plant and equipment:		
Acquisitions (excl. capitalised borrowing costs)	-145.2	-82.6
Disposals and cost contributions	1.7	6.8
Intangible assets:		
Investments (excl. goodwill)	-5.6	-14.1
Investments in subsidiaries (net of cash acquired)	-0.2	-10.7
Divestment of subsidiaries, net of cash disposed	67.0	0.0
Cash flow from non-current assets and liabilities held for sale	-0.6	36.4
Investments in partner plants and other associates:		
Investments	-0.8	-8.3
Other financial assets:		
Investments	-202.2	-324.2
Disposals and repayments	74.9	66.4
Receivables from state funds	3.2	-1.4
Investment properties and change in other financial assets	0.7	1.9
Financial receivables (current)	59.0	562.6
Interest received	22.3	18.9
Cash flow from investing activities	-125.8	251.7

Consolidated cash flow statement

in CHF million	First half 2021/20	First half 2019/20
Financial liabilities (current and non-current)		
Proceeds	1 020.5	974.3
Repayment	-1 009.1	-1 252.5
Other liabilities (non-current):		
Proceeds	6.6	4.5
Dividend payments (incl. non-controlling interests)	-85.1	-5.9
Interest paid	-65.0	-72.6
Cash flow from financing activities	-132.1	-352.2
Foreign currency translation effect	22.5	-28.8
Change in cash and cash equivalents	-244.6	-275.3
Cash and cash equivalents at beginning of reporting period	1 512.7	1 655.4
Cash and cash equivalents at end of reporting period	1 268.2	1 380.1