

Media release

14 September 2015

Weak euro and low electricity prices force Axpo to make further value adjustments

The market environment remains extremely challenging for energy companies: in addition to the persistently low wholesale prices for electricity on the European market, the currency effect is now also generating considerable financial pressure. For this reason, Axpo must once again make impairments on the value of its power plants and energy supply contracts. Meanwhile, business performance in the current financial year is positive.

An assessment of the impairment of the domestic and foreign production plants and French energy supply contracts of Axpo in view of the end of the 2014/15 financial year indicate that adjustments are once again imperative. The main driving force in this case is the persistent weakness of the euro. Since the wholesale price of electricity in Switzerland is derived from the market rate on the German energy exchange and the current euro/CHF conversion rate, the anticipated sales slump of some 15% impacts directly on power plant value.

Two thirds of value adjustments due to euro/CHF effect

The necessary impairments are expected to impact EBIT for the 2014/15 financial year overall by about CHF 1.2 billion. The value adjustments mean that the financial result of Axpo will again be negative in the current financial year.

The anticipated future cash flow from the use of the power plants and energy supply rights has deteriorated further. About two thirds of this deterioration is due to a currency-related drop in turnover, while the remainder has been caused by the continuing decline in wholesale electricity prices. The fact that prices are so low is mainly due to the ongoing increase in the supply of subsidised energy in Germany in particular, the low price of CO₂ certificates and coal, and the cautious economic outlook in Europe.

As in the past, the facilities affected are domestic hydroelectric and nuclear power plants, small-scale hydroelectric power plants and biomass plants. In other European countries, Axpo has had to adjust the value of its gas-fired combined-cycle and wind power plants.

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Major progress in implementation of new strategy

In view of the challenging market environment, it remains uppermost strategic goal to secure profitability and capital market capability. In the first half of 2014/15 the company made pleasing progress in implementing its strategy to optimise core business, cut costs and tap into new sources of income. The measures adopted in 2014 and consistently applied since then have had a positive effect. In line with this, Axpo recently announced its takeover of the German wind farm developer Volkswind, which will allow the company to enter the wind farm construction business.

Axpo will present full details of its operating result for the financial year 2014/15 (1 October 2014 – 30 September 2015) at the financial press conference on 18 December 2015.

Further information

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About Axpo

The Axpo Group reliably produces, trades, and sells energy for over 3 million people and thousands of companies in Switzerland and over 20 European countries. Some 4500 employees combine the expertise from 100 years of climate-friendly electricity production with innovative power for a sustainable energy future. Axpo is an international leader in energy trading and in the development of tailored energy solutions for its clients.