

Media Release

19 September 2017

Axpo anticipates positive annual result - Strategy to go forward initially with own re- sources

In contrast to previous years, no substantial impairments are expected so that Axpo Holding AG anticipates a positive annual result for the financial year 2016/17 (ending on 30 September 2017). Thanks to operative progress and improved income prospects as of 2020, Axpo will be able to finance the new strategic direction of the Group that was announced in 2016 with its own resources. The combination of growth fields in one unit "Axpo Solutions" will be pursued in such a way as to make entering the capital market possible if the market environment changes within a year. In doing so, Axpo is ensuring its strategic flexibility in order to quickly respond to new market situations.

At the end of 2016, the Axpo Holding AG Board of Directors decided to consolidate the competences in the growth fields of renewable energies and international origination together with grids and energy utilisation in a new, to-be-founded unit called "Axpo Solutions" that would be open for investors. In doing so, this step would generate additional capital for the expansion of this business area.

Axpo Holding AG has decided to forego the step of opening "Axpo Solutions" to investors for the time being owing to the successful implementation of the strategy to strengthen cash flow and increase value, the expected improved political framework conditions, and the foreseeable easing of the power price situation as of 2020, as well as the recovery of the euro.

"Initially we can develop 'Axpo Solutions' with our own resources and without any additional capital," says CEO Andrew Walo. "The structure of 'Axpo Solutions', which was founded at the beginning of September 2017, will be implemented as planned. In doing so, we are creating the prerequisites to acquire additional capital from new or current shareholders within the course of a year should this prove desirable for the further development of 'Axpo Solutions'."

Positive development in the financial year 2016/17

In the closing financial year, Axpo continued to successfully implement the strategy of focussing on core business, generating new sources of revenue and reducing costs. This was achieved despite continued pressure owing to low electricity wholesale prices and

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the weak euro. In contrast to previous years, no substantial impairments are expected so that Axpo currently anticipates a positive operating result for financial year 2016/17.

Axpo was able to conclude the first energy contracts for the year 2020 at higher prices. The markets also generally expect a trend to wholesale price recovery after 2020, among other factors, owing to the fact that numerous large-scale power plants in Europe will go off grid.

Furthermore, Axpo expects the political and regulatory framework conditions for power production in Switzerland to improve - in particular relative to the unprofitable, domestic hydropower plants that are the pillar for security of supply in Switzerland.

Despite these positive developments for the company and its shareholders, the challenges facing the Axpo Group will be considerable in the up-coming years. CEO Andrew Walo: "Owing to its price and currency hedging up until 2019, Axpo is directly impacted by the negative effects from the low power price and the weak euro. The situation is expected to improve after 2019. However, there is no certainty that prices will recover sustainably. The situation for Swiss power producers remains challenging."

Decreasing water rates and the Swiss stabilisation model

The prices attainable on the market in Switzerland for electricity produced from hydropower are still below production costs and will remain so for the time being owing to low coal and CO₂ prices, as well as the intervening energy policy of numerous European states. As a result, a revision of water rates with greater flexibility is urgently needed. A new, long-term Swiss power market model that ensures the security of supply in Switzerland and the stability of the Swiss energy industry is also critical. The federal government and the cantons are faced with the challenge of creating the appropriate framework conditions. Axpo will continue to engage in the discussion on the energy future of Switzerland.

Axpo will present the detailed results for the current financial year 2016/17 (1 October 2016 - 30 September 2017) at the media conference on 20 December 2017.

Further information

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**About Axpo**

The Axpo Group produces, trades and distributes energy reliably in Switzerland and in over 30 countries throughout Europe. Around 4500 employees combine the expertise from 100 years of climate-friendly power production with innovative strength for a sustainable energy future. Axpo is an international leader in energy trading and in the development of tailor-made energy solutions for its customers.