

Press release

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Axpo significantly increased its operating result – success in trading and renewables

- In the 2018/19 financial year, Axpo achieved significantly higher earnings before interest and tax (EBIT) of CHF 850 million compared with the previous year; this was mainly due to impairment reversals.
- EBIT before one-off effects of CHF 542 million (+56% year-on-year) underscored a strong operating performance.
- Trading business achieved a record result, mainly thanks to success with long-term power purchase agreements.
- The strategy of networking production, trading and international customer business was a success.
- Investments in renewables and digitisation enabled promising growth in Switzerland and abroad.

BADEN - Axpo posted a strong operating result for the 2018/19 financial year. Earnings before interest and tax (EBIT) before one-off effects were up 56% to CHF 542 million, or CHF 850 million after one-off effects (previous year: CHF 348 million). Axpo raised the result for the period from CHF 131 million to CHF 865 million. The strategy of networking production, trading business and international customer business has paid off, even in a difficult market environment, with all Axpo Group business areas achieving pleasing operating results.

Trading & Sales made a major contribution to the excellent result by delivering a record performance. In addition to higher electricity sales volumes and the sale of wind farms, the good return on the Decommissioning and Waste Disposal Funds as well as regulatory changes also had a positive impact on earnings. The contribution made by the ancillary services once again matched the high level of the previous year, while lower electricity revenues had a negative impact of CHF 104 million on EBIT compared with the previous year.

Networking of production, trading and customer business paid off

With innovative services such as long-term power purchase agreements (PPAs), Axpo has succeeded in further expanding its market position as an international leader in energy trading and the development of tailor-made energy solutions for its customers. With the successful takeover of French photovoltaic company Urbasolar, Axpo has also strengthened its platform for promising growth in renewable energies.

Thomas Sieber, Chairman and Delegate of the Board of Directors of Axpo Holding AG: “Our strong operating result proves that Axpo set the right course at an early stage. Axpo’s strategy of positioning itself broadly and focussing on growth, optimisation and diversification is paying off. By networking the strongly expanded wind and solar business with the innovative services of the trading business and pursuing a consistent digitisation strategy, it has been possible to leverage synergies within the Group and exploit competitive advantages both in Switzerland and abroad.”

The total income of the Axpo Group in the 2018/19 financial year amounted to CHF 4,856 million, virtually unchanged year-on-year (previous year: CHF 4,850 million). The result for the period was up sharply to CHF 865 million (previous year: CHF 131 million).

EBIT rose to CHF 850 million (+144% year-on-year) on the back of an improved operating performance and one-off effects. These one-off effects mainly include the impairment reversals on power plants and energy purchase agreements totalling some CHF 400 million, which were announced in September 2019.

In addition, November saw the adoption of the third revision of the Ordinance on the Decommissioning and Waste Disposal Funds (SEFV), which lowers the real return on the funds from 2.0% to 1.6%. Axpo felt compelled to adjust the parameters of its provisions for the post-operational phase, decommissioning and waste disposal of the Beznau nuclear power plant, which had a negative impact of CHF 90 million.

Cash flow from operating activities contracted to CHF 146 million (previous year: CHF 474 million). This decline is due to an increase in funds tied up in net current assets as well as to lower electricity revenues. Net investments, including the acquisition of French photovoltaic company Urbasolar, totalled CHF 418 million (previous year: CHF 198 million). The very good business result boosted the equity ratio to 28.4%. The growth strategy in international customer business led to an increase in full-time equivalents by 517 to 4,958.

Successful trading business achieved a record result

Axpo's trading business achieved the best result in its history in a very dynamic market environment. EBIT was markedly improved to CHF 323 million (previous year: CHF 230 million). Axpo profited here from strong demand for long-term power purchase agreements (PPAs), particularly in Scandinavia. PPAs are being used increasingly frequently in other markets as well in order to enable the construction of renewable energy facilities without subsidies. Axpo U.S., which was founded in 2016 and is active on the electricity and natural gas markets, also made a positive contribution to earnings. In Italy, Axpo already has around 400,000 delivery points in electricity and gas sales for retail customers.

Continued growth with renewable energies

With the acquisition of French photovoltaic company Urbasolar, which was completed in July 2019, Axpo significantly strengthened its position in solar energy. The portfolio comprised operational photovoltaic systems with a total capacity of 249 MW as at the end of the 2018/19 financial year. Urbasolar's specific know-how will be of benefit to other national companies for their photovoltaic projects going forward.

Axpo subsidiary Volkswind sold four wind farms in France in the past financial year. This income helped improve EBIT, before one-off effects, of the Assets business area to CHF 223 million. The Volkswind development pipeline amounts to around 3,000 MW at various stages of development. The gas-fired combined-cycle power plants in Italy again made a substantial contribution to earnings with ancillary services.

Investments in Swiss distribution network

With its power plant portfolio in Switzerland, a production capacity of around 25 billion kilowatt hours and its grid infrastructure, Axpo makes a significant contribution to security of supply. Axpo is currently in the process of upgrading its 50-kilovolt distribution grid to 110 kilovolts, significantly increasing the transmission capacity and reducing grid losses by 75%. These measures will help ensure security of supply throughout north-eastern Switzerland at a high level over the long term. Axpo also plans to invest more than CHF 100 million annually in the modernisation and maintenance of its distribution networks over the next three years.

Axpo would also like to harness its expertise – already successfully applied in Europe in particular – to expand solar and wind energy in Switzerland. However, the conditions for major investments in Switzerland are not yet conducive to this.

Axpo's subsidiary Centralschweizerische Kraftwerke AG (CKW) reported impairment reversals of CHF 88 million. Excluding these one-off effects, EBIT remained at the prior-year level, at CHF 99 million (previous year: CHF 103 million). Solar technology is developing into a successful business segment, with CKW Gebäudetechnik increasing its sales in this area by 93%. Together with the Grids business area, CKW is setting up a new business segment for battery storage systems. Given the expansion of volatile renewable energies, such electricity storage systems are increasingly necessary to ensure grid stability. A battery storage facility with a capacity of 2 MW was realised for a customer for the first time.

Innovations: from big data to large solar power plant in the mountains

In Switzerland, business that is not dependent on electricity prices developed positively. IT service provider and Axpo subsidiary Avectris continued its growth trajectory, both organically and through acquisitions. With the acquisition of the SAP solution provider ERP sourcing, Avectris took targeted steps to strengthen its industry-specific SAP expertise. Avectris also expanded its market position in the IT services sector by merging with IT provider Comicro.

Axpo pushed ahead with the digital transformation in all business areas, focussing on added value, enhanced efficiency and cost savings through the application of state-of-the-art technologies for data usage in energy trading. The first digitalised hydroelectric power plant in Switzerland is currently being built as a pilot project by Kraftwerke Sarganserland, promising fewer routine operations, less administration and greater efficiency. In Spain, Axpo Iberia successfully launched an application that helps market the large wind power portfolio even more effectively on the Iberian electricity exchanges. This application is based on artificial intelligence algorithms and is currently being introduced in other European markets as well.

Axpo sees the planned installation of the first large-scale alpine photovoltaic plant in Switzerland on the Lake Mutt dam wall of the Limmern pumped-storage plant as a pioneering venture. The plant will have an installed capacity of 2 MW and an annual electricity output of 2.7 GWh. The alpine solar plant will supply around half of its electricity production during the winter, i.e. in a season in which there tends to be too little electricity. However, the broader use of such alpine solar systems is still hampered by disadvantageous conditions.

Rising electricity revenues – markets remain challenging

Given that electricity prices have been hedged for three years, the past 2018/19 financial year was once again characterised by lower electricity revenues. For the current and the next two financial years, Axpo has been able to sell most of its production at higher prices, which will gradually have a positive impact on results from 2020 onwards.

However, European economic performance, developments on the energy markets as well as political regulation in Switzerland and Europe are clouded by uncertainties that could have a significant impact on Axpo's results. In the 2018/19 financial year, Axpo benefited from numerous positive effects and was largely spared any negative ones; however, there is no guarantee that the same will be true for the current financial year. On the whole, we are aware that the 2019/20 result is likely to be not as good as the 2018/19 result.

Axpo will therefore continue to focus on realising efficiency gains and synergies while exercising cost discipline. At the same time, Axpo intends to consolidate the successful interplay of production, energy trading and international customer business and seize market opportunities as and when they arise.

Key figures of the Axpo Group, 2018/19 financial year (01/10/2018 - 30/09/2019)

	2018/19	2017/18
Total assets in CHF million	20 806	22 216
Total income in CHF million	4 856	4 850
EBIT in CHF million	850	348
EBIT as % of total income	17.5	7.2
Result for the period in CHF million	865	131
Cash flow from operating activities in CHF million	146	474
Net investment in non-current assets in CHF million	-418	-198
Free cash flow in CHF million	-273	276
Equity in CHF million	5 900	4 979
Net financial assets in CHF million	-610	206
Employees (FTEs), balance sheet date	4 958	4 441

About Axpo: Axpo is Switzerland's largest producer of renewable energy and an international leader in energy trading and the marketing of solar and wind power. 5,000 employees combine experience and expertise with a passion for innovation. Axpo develops innovative energy solutions for its customers based on state-of-the-art technologies in over 30 countries in Europe and the USA. We open up perspectives and generate new impulses for a life full of energy.

Further information

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