

Media release

10 December 2020

Robust Axpo achieves a strong result in a challenging environment

- Very good result achieved in a challenging environment
- Operating business further strengthened – trading business very successful
- Contribution to stability in a crisis through smooth operation of power plants and grids
- Targeted expansion of solar and wind energy capacity
- First steps towards strategic focus implemented
- Exceptionally good result for international trading business allows resumption of dividend payment a year earlier than planned

The Axpo Group achieved a very good result in the 2019/20 financial year (1 October 2019 to 30 September 2020) despite the challenges posed by the COVID-19 pandemic. The markedly positive result achieved as in previous years in the Trading & Sales business area was accompanied by solid contributions to earnings from the other business areas. Axpo benefited from slightly higher hedged electricity prices compared to the previous year and took advantage of the opportunities offered by volatility in the energy markets. After the financial markets recovered in the second half of the year, earnings before interest and tax (EBIT) of CHF 791 million were only slightly below the result for the previous year (CHF 850 million), when the company benefited from reversals of impairment losses of over CHF 300 million. Adjusted for the reversals of impairment losses and for the fluctuations in the value of the Decommissioning Fund for Nuclear Facilities and Waste Disposal Fund for Nuclear Power Plants (STENFO), earnings before interest and tax increased by CHF 332 million year on year to CHF 826 million. In view of this strong performance, the Board of Directors will propose to shareholders that a dividend of CHF 80 million be paid out again, a year earlier than originally planned.

Christoph Brand, CEO of Axpo, commented on the results: "Axpo achieved a very good result in the 2019/20 financial year and contributed to stability in the corona crisis by ensuring that production and grids operated perfectly at all times. The intelligent cross-linking of the production, trade and customer business proved its worth even in a very demanding environment. In the future we want to focus even more on these strengths."

Rapid and effective response to outbreak of the COVID-19 pandemic

From March 2020 onwards, the financial year was dominated by the COVID-19 pandemic. Axpo implemented effective measures at an early stage to protect its employees from the disease and ensure that operations in all areas could be maintained without restrictions at all times. The lockdowns imposed by the governments of many countries in the spring to combat the pandemic led to a significant decline in economic output and thus also to a drop in the demand for energy. Uncertainty about how the pandemic would progress and its effects also resulted in high volatility on the energy markets and subdued investment activity.

Good operating result leads to strong cash inflow

At CHF 4808 million, Axpo's total income in the 2019/20 financial year remained stable compared with the previous year. The decline in electricity demand in the wake of the COVID-19 pandemic was more than offset by higher hedged electricity prices and the exceptionally good result in energy trading. This resulted in earnings before interest and tax (EBIT) of CHF 791 million. Compared with the previous year's result

after adjustment for special items, EBIT rose by 67 per cent. Though the result for the first half of the year up to the end of March 2020 was weighed down by fluctuations in the value of the STENFO funds, this effect was almost offset by the close of the financial year at the end of September 2020 by the recovery in the financial markets. Overall, this produced a result for the period of CHF 570 million. The result for the period of CHF 865 million reported in the previous year included reversals of impairment losses of over CHF 300 million. The strong operating result was underscored by the significantly higher free cash flow of CHF 319 million (previous year: CHF - 273 million). The very good trading result and a lower level of funds tied up in net current assets had the greatest impact here. Net investments fell after the acquisition of Urbasolar in the previous year and in some cases as a consequence of project postponements due to the pandemic, totalling CHF 275 million (previous year: CHF 419 million). The good business result also led to a further increase in the equity ratio to 31.1 per cent. The net financial position improved to CHF - 1181 million owing to the inflow of funds. Axpo is thus soundly financed and also has sufficient liquidity to maintain operations in extraordinary situations and for further strategic development.

Exceptionally successful customer and trading business

The Trading & Sales business area continued its successful growth of recent years in the 2019/20 financial year. Earnings before interest and tax (EBIT) again rose on the previous year to CHF 498 million (previous year: CHF 198 million). Axpo is active in customer business and energy trading in 30 countries and 40 markets. Market proximity and disciplined risk management enabled the proprietary and asset-backed trading businesses to benefit from the buoyant market environment and achieve an exceptionally good result. The uncertainty in the markets also led to higher customer demand for customised risk management solutions. The trend towards long-term supply contracts (Power Purchase Agreements; PPAs) in the renewable energy sector, in which Axpo is one of the leading suppliers in Europe, continues unabated. Particularly significant are the PPA with the Green Investment Group for two wind farms in Norway and a ten-year PPA with the Spanish photovoltaic developer Solaria. Demand for natural gas, which will play a key role in the transition to a CO₂-free energy future in many parts of the world, has also increased. Axpo has further strengthened its market position in this business through various measures, including the opening of a new location in Singapore.

Sustained growth in renewable energies

Of all the Swiss energy companies, Axpo is the biggest investor in new renewable energy and has the highest capacity in this area. The photovoltaic business has performed very well following the acquisition of Urbasolar in 2019. The total capacity of the PV systems has increased from 249 MW to 373 MW. The construction of a further 250 MW is planned for the current financial year; the entire project pipeline comes to 1000 MW. Together with a partner, a long-term supply contract was concluded with the operating company of the three Paris airports Paris-Charles-de-Gaulle, Orly and Le Bourget. In connection with this, Axpo is building three solar plants with a capacity of 40 MW, which will start operating in 2021.

Axpo also successfully continued its strategy of profitable growth in the wind energy sector. The focus this year was on further expanding the portfolio and securing future development projects. In France, Axpo won the first 19/20 auction rounds, thus securing 27 per cent of the total auction volume and winning ten projects with a total of 201.5 MW. Axpo operates 130 wind turbines with a total capacity of 300 MW. In addition, 143 wind turbines are managed for third parties. In total, Axpo has projects with a capacity of around 4000 MW under development.

In Switzerland, the framework conditions for major investments in renewable energy are still inadequate. With this in mind, Axpo is actively promoting an auctioned, floating market premium based on the market price as part of the revision of the Energy Act. In addition, the revision lacks a risk guarantee to ensure long-term investment in the existing hydropower plants. In order to better exploit the potential of renewable energies in Switzerland too, especially in view of the looming winter shortage, clear incentives for investors are needed.

Swiss hydropower still economically unattractive

The Generation & Distribution business area also achieved good results. Total income increased from CHF 1925 million to CHF 1960 million, and earnings before interest and tax amounted to CHF 164 million. Adjusted for the reversals of impairment losses in the previous year and STENFO fluctuations, earnings before interest and tax were slightly higher than in the previous year. This improvement was primarily attributable to the higher electricity prices compared with the previous year. In the area of hydro power, Axpo benefited from a good hydrological year, although Swiss hydro power is still economically unattractive and investment in this form of energy is not worthwhile under current conditions. As for nuclear power, the high availability of the Swiss power plants, which had few planned and no unplanned production interruptions, compensated for the reduced availability of the French power plant park. With its production of around 29 billion kilowatt hours, Axpo remains highly exposed to the risk of price fluctuations on the international electricity markets.

CKW: a new solar power plant every day

The Axpo subsidiary Centralschweizerische Kraftwerke AG (CKW) achieved a good result. EBIT amounted to CHF 124 million. Adjusted for special effects, this line item rose from CHF 87 million to CHF 133 million. Growth in the solar technology business field was again strong in the past financial year and was well above the market average. On average, CKW connects a new solar plant to the grid every day. Solar contracting – the construction and operation of solar plants at customer premises – was also expanded very successfully within a short period of time. CKW is already one of the leading providers of solar energy in Switzerland and is expected to further strengthen this position for the Axpo Group.

Further development of strategy: 20 times more photovoltaics

The first steps have been taken in further developing strategy. Going forward, it will focus on three pillars: in Switzerland, on its leading role in the transition to a CO₂-free energy future; internationally, on its customer and trading business and the expansion of renewable energy, with battery storage and hydrogen playing a more important role in the future alongside hydro power, wind and solar energy. In photovoltaics, for example, Axpo has set itself the ambition of increasing installed capacity by 10 GW by 2030 – 20 times more than today. The ambition for wind power is 3 GW of additional capacity. And the volume of long-term renewable energy supply contracts (PPAs) is to be quadrupled by 2030. In order to obtain additional funds for this growth, a high level of cost efficiency is central. Targeted divestments are also being examined.

Persistent economic uncertainty dampening outlook

The COVID-19 pandemic continues to cause uncertainty, dampening economic performance and with it energy demand and investment activity. Any negative effects of the pandemic on the financial markets and on electricity prices over the medium term could have a negative impact on Axpo's results in the future. Axpo is therefore expecting a lower result for the 2020/21 financial year. In this uncertain environment, Axpo is concentrating on minimising the economic risks in its Swiss business and on exploiting the opportunities presented by the changing energy market by further expanding its renewable energy activities and international customer and trading business.

Key figures for the Axpo Group 2019/20 (1 October 2019 to 30 September 2020)

	2019/20 CHF million	2018/19 CHF million
Total income	4 808	4 856
Of which energy sales and grid utilisation	4 639	4 725
Earnings before interest and tax (EBIT), before impairment reversals and STENFO fluctuations	826	494
As % of total income	17.1	10.2
Earnings before interest and tax (EBIT)	791	850
As % of total income	16.5	17.5
Result for the period	570	865
As % of total income	11.9	17.8
Free cash flow	319	-273
Net investment	-275	-419
Total assets	21 674	20 806
Equity	6 734	5 900
Equity ratio in % of total assets	31.1	28.4
Employees (full-time equivalents)	5 350	4 958

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. 5000 employees combine experience and expertise with a passion for innovation. Axpo develops innovative energy solutions for its customers in 30 countries in Europe, North America and Asia based on state-of-the-art technologies. We open up perspectives and generate new impulses for a life full of energy.

Further information

Axpo Holding AG, Corporate Communications
 T 0800 44 11 00 (Switzerland), T +41 56 200 41 10 (International)
www.axpo.com

Further information such as the presentation for the annual results as well as the annual report, financial report and sustainability report can be found at www.axpo.com/results20.