

Ad hoc announcement pursuant to Art. 53 of the Listing Rules

Media release

9 December 2021

Axpo well-positioned for future growth as company reports good results

- **Positive earnings contributions from all business areas**
- **Excellent result in international customer business and marketing of power plant capacity**
- **Operating result of CHF 500 million was below previous year (CHF 826 million), as expected**
- **Free cash flow of CHF 562 million higher than in previous year (CHF 319 million)**
- **Result for the period higher than in previous year (CHF 607 million vs. CHF 570 million)**
- **Dividend of CHF 80 million proposed**

The Axpo Group (Axpo) posted adjusted earnings before interest and tax of CHF 500 million for the 2020/21 financial year (1 October 2020 to 30 September 2021), with all business areas (Generation & Distribution, Trading & Sales and CKW) making a positive contribution.

Christoph Brand, CEO of Axpo said: “Axpo has achieved a good result in a volatile market environment. Once again, interaction between our various business areas and international diversification proved key to success. At the same time, we successfully continued to drive forward the pursuit of our three strategic objectives – expanding our base in renewable energies abroad, achieving growth in the international customer business and trading, and taking a leadership role on the path to a CO₂-free energy future in Switzerland – thus strengthening our position in the long term. Our ambition is to make a significant contribution to the successful implementation of the energy transition.”

Leading role in international customer business strengthened

In this reporting year, Axpo again achieved excellent results, particularly in its international customer business (origination) and marketing of power plant capacity (asset-backed trading). In origination especially, Axpo has benefitted from the fact that it established itself early on as a reliable and innovative partner in the market for long-term purchase and supply agreements (PPAs) for electricity from renewable energies. Numerous new PPAs were concluded in the reporting year, underlining Axpo's leading position in this attractive market of the future. In addition to the progress made in Scandinavia, the UK and Eastern Europe, Axpo has significantly expanded its position on the Iberian Peninsula. The company also reached a milestone in the USA with the conclusion of a PPA with a leading US solar and energy company for the purchase of electricity from a 270 megawatt (MW) solar park currently under construction in Texas. Demand for PPAs and associated services will continue to rise as renewable energies expand across the globe.

Wind and solar energy further expanded

Since 2015, Axpo has developed more than 80 wind farms with a total installed capacity of over 1,350 megawatts, 132 megawatts of this in the reporting period. Further plants with a total capacity of more than 3,000 megawatts are in the pipeline. While some of the wind farms will remain in the portfolio, others will be sold to investors to generate additional income. For example, in July 2021 Axpo announced that it had completed the sale of five newly built wind farms in France with an installed capacity of 74.5 MW. In the

solar energy sector, plants with an installed capacity of 200 megawatts were constructed in the reporting year while the project pipeline totals more than 5,700 MW.

Key role for green hydrogen and battery storage

In many countries, especially in the EU, green hydrogen is expected to be one of the most important climate-friendly energy sources of the future, especially in the industrial and mobility sectors, and looks set to become a key component of decarbonisation. Axpo has already gained experience in this area and is making targeted investments in individual projects. For example, the company intends to use existing Swiss hydro power plants to produce green hydrogen, with plans to develop a production facility at the Wildegg-Brugg hydro power plant. As the largest such plant in Switzerland, it will supply around 2,000 tonnes of green hydrogen annually using electrolysis. This can be used to power around 300 heavy goods vehicles or buses. Another similar plant is planned at the Eglisau-Glattfelden power station. Axpo has been involved in the construction, operation, management and marketing of large batteries for some time, with projects both in Switzerland and abroad, and markets around 100 megawatts of battery storage capacity across Europe. In the reporting year, Axpo began construction of a 6.25 MW battery storage system at CKW in Rathausen, which is unique in Switzerland, and took over the management and marketing of a newly built 1.25 MW battery storage system from Rhienergie in Domat/Ems.

Result marked by sharp rise in energy prices

The 2020/21 financial year was characterised by high volatility in energy prices, which rose sharply in the final month of the reporting period in particular. In the income statement, this exceptionally marked uptick in prices led to a shift in income of CHF 272 million into the future. This shift was due to the treatment of financial instruments used for hedging that is required by the International Financial Reporting Standards (IFRS), especially in the Trading & Sales business area. As a consequence, Axpo's economic performance is not fully reflected in the reported result for the financial year. Furthermore, Axpo has so far only derived limited benefits from rising energy prices. This is due to the company's hedging strategy, under which electricity from its own power plants is sold up to three years in advance. However, higher prices will have a positive impact on results over the coming years.

Positive price effect – negative volume effect

The Axpo Group's total income of CHF 6,056 million was CHF 1,248 million higher than in the previous year. This increase was largely attributable to higher hedges from growth in the end-customer business in Italy and Spain resulting from the rise in prices, which was also offset by higher energy procurement expenses. The increase also includes a positive price effect of CHF 175 million from electricity prices hedged up to three years in advance, while the volume effect from lower electricity production had a negative impact of CHF 104 million. Production from nuclear power plants fell by 6% or 1.2 terawatt hours (TWh) year on year, primarily due to the extended maintenance-related shutdown of the Leibstadt nuclear power plant. Swiss hydro power plants produced 9.9 TWh of electricity, a decrease of 1%. The expansion of wind and solar energy resulted in a 12% increase in electricity production from these renewable sources to 1.7 TWh (previous year: 1.5 TWh). Several wind farms and solar plants were also sold in the reporting year, boosting total income by CHF 165 million compared with the previous year.

Additional impairments on power plants

This resulted in similarly high earnings before interest, taxes, depreciation and amortisation as in the previous year, at CHF 1,126 million (previous year: CHF 1,168 million). Although ordinary depreciation and amortisation were on a par with the previous year, the annual impairment test on power plants led to an additional write-down of CHF 232 million. The Limmern pumped storage plant accounted for a large part of this. Although market prices are currently higher, there has been a further deterioration in the forecast medium to long-term deployment and marketing opportunities for this highly flexible power plant, making it necessary to recognise another substantial impairment charge.

Decrease in earnings before interest and tax due to shifts in income

Earnings before interest and tax (EBIT) came to CHF 516 million in the 2020/21 financial year (previous year: CHF 791 million). Adjusted for the positive effect on results from the valuation of funds for the

decommissioning and disposal of nuclear power plants (STENFO), to the amount of CHF 168 million, and compensation for transfer of the electricity grid to Swissgrid, to the amount of CHF 79 million, and for the aforementioned impairments, the operating result was CHF 500 million. This constituted a decrease of CHF 326 million compared with the previous year, which was mainly due to the aforementioned conditional shifts of income into the future.

Higher financial result thanks to good performance of capital markets

The financial result improved by CHF 426 million year on year to CHF 235 million. A good performance by capital markets led to a higher STENFO return of CHF 313 million compared with the previous year and higher gains of CHF 62 million on the securities portfolio. Currency gains of CHF 12 million were also recorded (previous year: losses of CHF 30 million). Overall, Axpo therefore closed the 2020/21 financial year with a result for the period of CHF 607 million (previous year: CHF 570 million).

Strong cash inflow thanks to high contribution from Trading & Sales

Cash flow from operating activities increased by CHF 295 million year-on-year to CHF 888 million. The increase was due in particular to higher cash inflow from the Trading & Sales segment of CHF 300 million compared with the previous year. Gross investments were CHF 125 million higher in the 2020/21 financial year, at CHF 482 million, with investments in wind and solar energy in particular increasing from CHF 107 million to CHF 249 million. This was offset by higher divestments of CHF 84 million and payments of CHF 49 million received from the decommissioning and waste disposal funds, resulting in net investments of CHF 327 million (previous year: CHF 275 million). As a result of the significantly higher operating cash flow and the slight rise in net investments, free cash flow increased to CHF 562 million (previous year: CHF 319 million).

Equity strengthened and net debt significantly reduced

The sharp rise in energy prices, chiefly towards the end of the reporting year, resulted in a marked expansion of the balance sheet. The Group had total assets of CHF 44.7 billion as at 30 September 2021 (previous year: CHF 21.7 billion). The rise in energy prices led to a more than sixfold increase in both the positive and negative replacement values of derivative financial instruments. The expansion of the balance sheet was in part attributable to Axpo's hedging strategy, which involves selling electricity from its own power plants up to three years in advance and hedging the price. As at 30 September 2021, production hedged for three years stood at around 70 TWh. In the reporting period, equity grew by CHF 493 million to CHF 7,228 million, while liquidity increased from CHF 3.8 billion to CHF 4.3 billion. At the same time, financial liabilities of CHF 5.0 billion were reduced to CHF 4.5 billion. This resulted in a fall in net financial liabilities to CHF 223 million as at 30 September 2021 (previous year: CHF 1,181 million).

Outlook

Axpo forecasts a similarly high operating result for the 2021/22 financial year. The company is confident that it can successfully continue on its chosen path. Axpo will benefit from an increase in hedged electricity prices in the coming year and is also expecting a positive effect from the previously mentioned shifts in income. On the other hand, maintenance of the Leibstadt nuclear power plant, which is taking longer than planned, will have a negative impact on the result. Fluctuations in the value of STENFO and the securities portfolio will also continue to affect the result going forward.

Key financials for the Axpo Group, FY 2020/21

(1 October 2020 to 30 September 2021)

	2020/21 (in CHF million)	2019/20 (in CHF million)
Total income	6,056	4,808
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,126	1,168
as % of total income	18.6%	24.3%
Earnings before interest and tax (EBIT)	516	791
as % of total income	8.5%	16.5%
Adjusted EBIT (excluding STENFO return effect, compensation for transmission systems and extraordinary impairments)	500	826
as % of total income	8.2%	17.1%
Result for the period	607	570
as % of total income	10.0%	11.9%
Cash flow from operating activities	888	594
Net investments in non-current assets (excl. loan receivables)	-327	-275
Total assets	44,676	21,674
Equity incl. non-controlling interests	7,228	6,734
Equity ratio	16.2%	31.1%
Employees (full-time positions) as at 30 September	5,338	5,350

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 40 countries in Europe, North America and Asia.

Additional information

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