Financial Report 2016|17

Axpo Holding AG

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Financial Report

Encouraging results, improved outlook

The Axpo Group achieved positive results again during the 2016/17 financial year just ended. After significant impairments caused by low electricity prices and low exchange rates had burdened the results of the 2013/14 to 2015/16 financial years, the past financial year brought recovery for both the electricity prices and the euro exchange rate. The recovery of these two pivotal external factors meant that no renewed impairments of a significant nature needed to be taken on the power plants or energy procurement contracts. Due to Axpo's electricity price and exchange rate hedging strategy, the recovery of electricity prices and the exchange rate, if sustained, will only impact the results of the Axpo Group beginning in the 2019/20 financial year.

The reported operating result for the 2016/17 financial year came to CHF 269 million. This result includes positive one-off effects of CHF 78 million. The one-off effects mainly consist of the expropriation compensation from Swissgrid in the amount of CHF 139 million as well as CHF 61 million in additional impairments on energy procurement contracts and power plants. Consequently, the 2016/17 result before one-off effects was CHF 191 million (previous year: CHF 390 million), a decline that was attributable to the lower electricity prices and exchange rates which were hedged at a lower level. Cost cuts as well as the results of energy trading and customer-specific transactions had a positive impact on EBIT in 2016/17. The shutdown of Block I of the Beznau nuclear power plant and the extended overhaul-related shutdown of the Leibstadt nuclear power plant only had a minor impact on the 2016/17 operating result since the negative effect had already been accounted for in advance through impairments taken in the previous year. The non- or reduced availability of the two nuclear power plants, however, had a negative CHF 238 million impact on cash flow from operating activities, which declined from CHF 361 million in the previous year to CHF 175 million in 2016/17. The net result for the financial year was CHF 310 million (previous year: CHF –1,252 million). The previous year included a total of CHF 1.6 billion in impairments. As a consequence, the net result before one-off effects of CHF 208 million for the 2016/17 financial year was CHF 157 million lower than the previous year's result. Both overall liquidity and the net financial position have only changed insignificantly year-on-year, and as at 30 September 2017, the equity ratio of the Axpo Group had increased from 24.9% to 25.7% since the last reporting date.

Total revenue

In 2016/17, the Axpo Group generated revenues of CHF 5,567 million (previous year: CHF 5,416 million). The sales revenue generated from the Group's own power plants and procurement contracts was CHF 270 million lower than in the previous year due to electricity prices which had been hedged at a lower level. However, this negative impact on prices at the Group's own power plants was compensated by higher electricity prices in Italy and an increase in the proceeds received from the sale of electricity in other European countries. Sales from the gas and certificates business declined slightly year-on-year while net gains from energy trading were significantly higher than in the previous year. Other operating income mainly relates to the expropriation compensation from Swissgrid. No margin was earned through the sale of wind farms during the financial year just ended due to the deferred sale of newly developed wind farms at Volkswind. The effects from foreign currency hedging, which are also included in this item, were CHF 70 million lower year-on-year.

Operating expenses

At CHF 3,927 million, reported costs related to energy procurement, grid usage and goods were CHF 762 million lower compared with the previous year. The previous year contains provisions for onerous energy procurement contracts of CHF 1.0 billion whereas only CHF 10 million in provisions were necessary during the 2016/17 financial year. Without these one-off effects, energy procurement expenses rose by CHF 229 million over the previous year. Main drivers of this increase include the procurement of the replacement energy needed as a result of the decreased availability of the Leibstadt nuclear power plant as well as greater electricity procurement abroad, which is directly linked to higher sales revenue. Reductions in the cost of materials and third-party services are directly connected to the conclusion of overhaul work and the proof of safety at the Beznau nuclear power plant. Compared to the previous year, personnel expenses declined by CHF 7 million to end the period at CHF 623 million. The reduction in personnel expenses was attributable to a lower headcount. During the 2016/17 financial year, the number of employees decreased by more than 70 full-time equivalents (FTEs) to 4,222 FTEs (previous year: 4,294 FTEs). The reduction in staff in Switzerland, prompted by measures to increase efficiency, was offset by an increase in staff in the Group's origination and retail activities outside Switzerland. Other operating expenses were also down year-on-year and reflect ongoing cost-cutting efforts, among other things. At CHF 429 million, earnings before interest, tax, depreciation and amortisation (EBITDA) and one-off effects were CHF 208 million below the prior-year figure of CHF 637 million. Substantial provisions for onerous energy contracts of CHF 1.0 billion in the previous year caused reported EBITDA to increase from CHF –364 million in 2015/16 to CHF 557 million in 2016/17.

Depreciation and impairments

Depreciation, amortisation and impairments of fixed assets amounted to CHF 288 million during the 2016/17 financial year (previous year: CHF 862 million). The previous year was burdened by CHF 615 million in impairments on power plants while only CHF 51 million in impairments were necessary during the financial year just ended. Excluding one-off effects, depreciation and amortisation remained nearly unchanged versus the previous year.

Operating profit

The Axpo Group's reported earnings before interest and tax (EBIT) amounted to CHF 269 million in the 2016/17 financial year (previous year: CHF –1.2 billion). The previous year's result contained impairments and provisions of CHF 1.6 billion while the positive one-off effects of the financial year just ended amounted to CHF 78 million. Excluding one-off effects, the operating result came to CHF 191 million (previous year: CHF 390 million). The decline is largely attributable to electricity prices that were hedged at a lower level. This was offset by ongoing improvements to the cost base and a significantly higher result from trading activities and customer-specific business transactions. EBIT in the Assets segment came to CHF 97 million (previous year: CHF –916 million). Excluding one-off effects, the operating result was down CHF 387 million year-on-year due to lower electricity prices and the delay in the sale of newly developed wind farms into the next financial year. Compared to the previous year, the operating result from trading and sales rose by CHF 188 million to CHF –58 million. Main drivers behind the improved results included higher margins from trading and origination transactions in Europe, shifts in income from the previous year as well as the expiration of cross-segment transfer mechanisms that are based on production costs. The last two months of the financial year brought an increase in the euro to Swiss franc exchange rate, which had a negative impact of CHF 153 million on this segment and the otherwise good result from trading and sales. The result for the CKW Group was CHF 78 million (previous year: CHF –81 million). One-off effects amounted to CHF 200 million in the previous year and CHF 28 million in the financial year just ended. Excluding one-off effects, EBIT of the CKW Group remained nearly unchanged over the previous year at CHF 106 million (previous year: CHF 119 million).

Profit for the period

Compared to the previous year, the financial result of the Axpo Group improved by CHF 205 million to end the period at CHF 144 million. The significantly improved financial result is attributable to gains of CHF 150 million realised through security portfolio restructuring, CHF 24 million in interest payments from the expropriation compensation from Swissgrid and currency gains from monetary positions. Income taxes for the 2016/17 financial year just ended came to CHF 104 million (previous year: CHF –36 million), which brings the net result for the 2016/17 financial year to CHF 310 million (previous year: CHF –1,252 million).

Solid balance sheet

At CHF 19.0 billion as at 30 September 2017, the total assets of the Group were CHF 0.4 billion higher than in the previous year. Cash and cash equivalents increased from CHF 1.1 billion in the previous year to CHF 1.4 billion. Sales of current financial investments offset the negative free cash flow and repayments of financial liabilities so that cash and cash equivalents increased by CHF 378 million. The Group's overall liquidity came to CHF 3.9 billion at the end of the financial year (previous year: CHF 4.1 billion) and net financial assets were down insignificantly from CHF 93 million as at 30 September 2016 to CHF 56 million at the end of the 2016/17 financial year. The equity ratio rose by 0.8 percentage points to 25.7% at the end of the 2016/17 financial year.

Cash flow statement

Cash flow from operating activities came to CHF 175 million, thus falling CHF 186 million short of the previous year's figure. The decline in cash flow from operating activities is primarily due to the lower electricity price, decreased availability of the Leibstadt nuclear power plant and the deferred sale of wind farms. Net investments in fixed assets declined significantly from CHF 890 million in the previous year to CHF 294 million. This substantial reduction is attributable to a decrease in investments in the pumped-storage power plant in Linth-Limmern, which has nearly reached the commissioning stage together with all four of its hydroelectric generator sets. The previous year also included the acquisition of subsidiaries worth CHF 285 million. Cash flow from investing activities surpassed the cash flow from operating activities, which resulted in a free cash flow of CHF –119 million in the 2016/17 financial year (previous year: CHF –529 million).

The Board of Directors will propose to the Annual General Meeting that the dividend payout be waived.

Outlook

Rising wholesale prices for electricity in Europe and the euro's newfound strength against the Swiss franc make the medium-term outlook much more positive than it had been just twelve months ago. However, due to the Axpo Group's hedging strategy, which hedges both electricity prices and the exchange rate against the euro for up to three years in advance, the positive development of both of these external factors will only impact the Group's results beginning in the 2019/20 financial year. As a result, Axpo will have to spend the next two financial years focusing on cutting costs even further and optimising its core business. Ensuring sustainable profitability, liquidity and capital market viability continues to be Axpo's top-most strategic objective.

Consolidated income statement

CHF million	Notes	2016/17	2015/16
Revenues from energy sales and grid usage	8	5 330.1	5 169.0
Changes in inventories		–4.3	–1.7
Capitalised production costs		59.7	71.8
Other operating income		181.8	177.0
Total income		**5 567.3**	**5 416.1**
Expenses for energy procurement, grid usage and goods purchased	9	–3 926.6	–4 689.0
Expenses for materials and third-party supplies		–168.7	–190.6
Personnel expenses	10	–622.5	–629.3
Other operating expenses	11	–359.3	–371.4
Share of profit of partner plants and other associates	17	67.1	99.8
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**557.3**	**–364.4**
Depreciation, amortisation and impairments	12	–288.2	–861.8
Earnings before interest and tax (EBIT)		**269.1**	**–1 226.2**
Financial income	13	461.1	253.6
Financial expense	13	–316.8	–314.5
Earnings before tax		**413.4**	**–1 287.1**
Income tax expense	14	–103.5	35.6
Result for the period		**309.9**	**–1 251.5**
Attributable to:			
Axpo Holding shareholders		**280.8**	**–1 251.0**
Non-controlling interests		**29.1**	**–0.5**

	2016/17	2015/16
Earnings per share		
Total average registered shares issued at a par value of CHF 10.–	37 000 000	37 000 000
Result for the period in CHF million	280.8	–1 251.0
Earnings per share in CHF	**7.6**	**–33.8**

There are no circumstances that would lead to a dilution in earnings per share.

Consolidated statement of comprehensive income

CHF million	2016/17	2015/16
Result for the period	**309.9**	**–1 251.5**
Available-for-sale financial assets	**–103.3**	**76.0**
Fair value adjustments	32.8	85.1
Result transferred to the income statement	–145.0	–2.6
Income taxes on fair value adjustments	8.9	–6.5
Cash flow hedges Group companies	**–352.6**	**–293.0**
Fair value adjustments	–357.6	–59.3
Result transferred to the income statement	–67.5	–300.5
Income taxes on fair value adjustments	72.5	66.8
Cash flow hedges other associates	**6.5**	**–3.7**
Fair value adjustments	6.8	1.0
Income taxes on fair value adjustments	–0.3	–4.7
Currency translation differences Group companies	**66.6**	**–0.8**
Currency translation differences for the year	66.6	–0.8
Currency translation differences other associates	**0.0**	**10.2**
Currency translation differences for the year	0.0	1.4
Recycling dilution effect on currency translation differences	0.0	8.8
Income and expenses to be reclassified subsequently to profit or loss, net after income tax	**–382.8**	**–211.3**
Remeasurement of defined benefit plans Group companies	**279.3**	**36.3**
Remeasurement of defined benefit plans	336.9	47.0
Income taxes	–57.6	–10.7
Remeasurement of defined benefit plans partner plants and other associates	**52.0**	**1.3**
Remeasurement of defined benefit plans	65.0	1.6
Income taxes	–13.0	–0.3
Income and expenses not to be reclassified subsequently to profit or loss, net after income tax	**331.3**	**37.6**
Other comprehensive income, net after income tax	**–51.5**	**–173.7**
Total comprehensive income	**258.4**	**–1 425.2**
Attributable to:		
Axpo Holding shareholders	**208.9**	**–1 426.6**
Non-controlling interests	**49.5**	**1.4**

Consolidated balance sheet

CHF million	Notes	30.9.2017	30.9.2016
Assets			
Property, plant and equipment	15	4 399.3	4 348.1
Intangible assets	16	785.2	797.3
Investments in partner plants and other associates	17	1 388.3	1 382.7
Derivative financial instruments	6	648.8	778.9
Other financial assets	19	2 669.6	2 653.1
Investment properties		42.2	45.9
Other receivables	24	2 559.4	2 397.5
Deferred tax assets	14	60.1	76.7
Total non-current assets		**12 552.9**	**12 480.2**
Assets held for sale	20	84.7	4.2
Inventories	21	628.6	501.5
Trade receivables	22	840.0	804.1
Financial receivables	23	640.7	1 134.4
Current tax assets		42.9	42.6
Derivative financial instruments	6	1 154.6	870.2
Other receivables	24	1 641.8	1 692.8
Cash and cash equivalents	25	1 436.8	1 058.4
Total current assets		**6 470.1**	**6 108.2**
Total assets		**19 023.0**	**18 588.4**
Equity and liabilities			
Share capital	26	370.0	370.0
Retained earnings		4 499.1	3 924.1
Other reserves	26	−452.4	−81.8
Total equity excluding non-controlling interests		**4 416.7**	**4 212.3**
Non-controlling interests		467.6	422.0
Total equity including non-controlling interests		**4 884.3**	**4 634.3**
Financial liabilities	27	4 176.5	4 213.6
Derivative financial instruments	6	965.4	739.1
Other liabilities	28	500.3	810.5
Deferred tax liabilities	14	167.7	143.1
Provisions	29	4 216.7	4 242.8
Total non-current liabilities		**10 026.6**	**10 149.1**
Trade payables		579.6	575.4
Financial liabilities		514.5	539.3
Current tax liabilities		54.4	54.3
Derivative financial instruments	6	1 162.6	790.3
Other liabilities	30	1 562.9	1 529.9
Provisions	29	238.1	315.8
Total current liabilities		**4 112.1**	**3 805.0**
Total liabilities		**14 138.7**	**13 954.1**
Total equity and liabilities		**19 023.0**	**18 588.4**

Consolidated statement of changes in equity

CHF million	Share capital	Retained earnings	Other reserves	**Total equity excluding non-controlling interests**	Non-controlling interests	**Total equity including non-controlling interests**
Equity at 30.9.2015	**370.0**	**5 145.3**	**127.5**	**5 642.8**	**422.5**	**6 065.3**
Other comprehensive income		33.7	−209.3	**−175.6**	1.9	**−173.7**
Result for the period		−1 251.0		**−1 251.0**	−0.5	**−1 251.5**
Total comprehensive income		**−1 217.3**	**−209.3**	**−1 426.6**	**1.4**	**−1 425.2**
Dividend		0.0		**0.0**	−5.3	**−5.3**
Change in consolidation scope		−3.9		**−3.9**	1.0	**−2.9**
Increase and decrease in capital of non-controlling interests					2.4	**2.4**
Equity at 30.9.2016	**370.0**	**3 924.1**	**−81.8**	**4 212.3**	**422.0**	**4 634.3**
Other comprehensive income		298.7	−370.6	**−71.9**	20.4	**−51.5**
Result for the period		280.8		**280.8**	29.1	**309.9**
Total comprehensive income		**579.5**	**−370.6**	**208.9**	**49.5**	**258.4**
Dividend		0.0		**0.0**	−4.1	**−4.1**
Change in consolidation scope		−4.5		**−4.5**	0.9	**−3.6**
Increase and decrease in capital of non-controlling interests					−0.7	**−0.7**
Equity at 30.9.2017	**370.0**	**4 499.1**	**−452.4**	**4 416.7**	**467.6**	**4 884.3**

Consolidated cash flow statement

CHF million	Notes	2016/17	2015/16
Earnings before tax		413.4	–1 287.1
Financial result	13	–144.3	60.9
Earnings before interest and tax (EBIT)		**269.1**	**–1 226.2**
Gains on disposal of non-current assets		2.4	–58.9
Loss on disposal of non-current assets and liabilities held for sale		–0.7	–0.4
Adjustment of non-cash expenses and income:			
Depreciation, amortisation and impairments	12	288.2	861.8
Change in provisions (excluding interest, net)	29	–266.5	952.4
Share of profit of partner plants and other associates	17	–67.1	–99.8
Other non-cash items		99.6	257.0
Change in net working capital:			
Change in inventories		–61.0	–5.1
Change in trade receivables and other receivables		46.0	–18.5
Change in trade payables and other payables		–52.0	–244.6
Change in derivative financial instruments and other financial result		–116.1	–88.4
Dividends received		69.0	62.6
Income taxes paid		–36.0	–30.5
Cash flow from operating activities		**174.9**	**361.4**
Property, plant and equipment:			
Investments net of capitalised borrowing costs	15	–269.0	–474.2
Disposals and cost contributions		8.4	11.9
Intangible assets:			
Investments (excluding goodwill)	16	–15.3	–8.1
Disposals		4.1	0.5
Investments in subsidiaries (net of cash transferred)		–1.3	–284.5
Cash flow from non-current assets and liabilities held for sale		4.7	2.0
Investments in partner plants and other associates:			
Investments		–13.0	–19.0
Disposals and capital repayments		10.4	0.8
Other financial assets:			
Investments		–1 245.8	–638.1
Disposals and repayments		1 028.1	94.1
Receivables from nuclear disposal funds		–22.8	–120.0
Investment properties and change in other financial assets		8.0	3.5
Financial receivables (current)		843.5	251.7
Interest received		71.7	43.3
Cash flow from/used in investing activities		**411.7**	**–1 136.1**

CHF million	Notes	2016/17	2015/16
Financial liabilities:			
Proceeds		2 250.7	2 898.6
Repayment		–2 349.4	–2 782.0
Other liabilities:			
Proceeds		16.9	14.3
Repayment		–0.7	–0.5
Other cash flows from financing activities		–4.1	–1.7
Dividend payments (including non-controlling interests)		–4.1	–5.3
Interest paid		–130.7	–144.6
Cash flow used in financing activities		**–221.4**	**–21.2**
Currency translation effect		13.2	–3.2
Change in cash and cash equivalents		**378.4**	**–799.1**
Cash and cash equivalents at the beginning of the reporting period		**1 058.4**	**1 857.5**
Cash and cash equivalents at the end of the reporting period	25	**1 436.8**	**1 058.4**

Notes to the consolidated financial statements

1 | General information

Axpo Holding AG is a public limited company incorporated under Swiss law and was established on 16 March 2001 with its registered office in Baden. Axpo Holding and its subsidiaries constitute the Axpo Group. An overview of the Group's principal investments is provided in Note 36 "Investments". The Axpo Group owns and operates power-generating plants and distribution grids. The company also engages in international energy trading. The Axpo Group employed 4,222 staff as at 30 September 2017.

2 | Basis of accounting

General principles

The consolidated financial statements for the 2016/17 financial year provide a true and fair view of the assets, financial position and results of operations of the Axpo Group in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law. The consolidated financial statements were approved by the Board of Directors of Axpo Holding AG on 18 December 2017 and are still to be approved by the Annual General Meeting on 19 January 2018.

Measurement bases

The consolidated financial statements are based on the historic cost principle. Exceptions are described in the accounting policies.

Significant changes in accounting policies

All standards and interpretations effective at the end of the reporting period were applied when preparing the consolidated financial statements. The Axpo Group adopted no new or revised standards and interpretations for the first time for the 2016/17 financial year which have a material impact on the financial statements and the disclosures.

Future application of new standards and interpretations

The Axpo Group is currently analysing the potential impact of the following new and revised standards and interpretations that have already been issued but whose adoption in the Axpo Group accounts is not yet mandatory. They will be adopted by the Axpo Group no later than the financial year beginning on or after the date specified in brackets.

- IFRS 2 (amended) – Classification and Measurement of Share-based Payment Transactions (1 January 2018)
- IFRS 9 – Financial Instruments (1 January 2018)
- IFRS 15 – Revenue from Contracts with Customers (1 January 2018)
- Clarifications to IFRS 15 – Revenue from Contracts with Customers (1 January 2018)
- IFRS 16 – Leases (1 January 2019)
- IAS 7 (amended) – Disclosure Initiative (1 January 2017)
- IAS 12 (amended) – Recognition of Deferred Tax Assets for Unrealised Losses (1 January 2017)
- IAS 40 (amended) – Transfers of Investment Property (1 January 2018)
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (1 January 2018)
- IFRIC 23 – Uncertainty over Income Tax Treatments (1 January 2019)
- IFRSs (2014–2016 cycle) – Annual Improvements (1 January 2018)

The impact on the consolidated financial statements of some standards and interpretations has not yet been determined on a sufficiently reliable basis. Based on current analyses which are still ongoing and with the exception of the application of IFRS 9, IFRS 15 and IFRS 16, the Axpo Group does not anticipate any material impact on the Group's financial position and results of operations.

IFRS 9 – Financial Instruments

IFRS 9 – Financial Instruments replaces the requirements of IAS 39 governing the classification and measurement of financial assets and liabilities, hedge accounting and impairments. The new standard reduces the number of measurement categories for financial assets. The aim of the new hedge accounting requirements is to better reflect risk management activities in the consolidated financial statements. For this purpose, IFRS 9 among other things extends the qualifying transactions for hedge accounting and simplifies effectiveness testing. Impairments are no longer recognised on the basis of losses already incurred, but instead on the basis of expected losses. The impact of IFRS 9 on the consolidated financial statements of the Axpo Group is still being analysed.

IFRS 15 – Revenue from Contracts with Customers

In May 2014 the IASB published the new standard IFRS 15 – Revenue from Contracts with Customers. The new standard replaces IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services. The standard defines when and at which amount revenues have to be recognised. According to IFRS 15, revenues will be recognised at an amount that reflects the performance obligation to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The recognition occurs at a certain point in time (or over time) when control over goods or services has been transferred from the entity to the client. The framework is given by a five-step model. The new standard also contains new and extensive disclosure requirements. The impact of IFRS 15 on the consolidated statements of the Axpo Group has not yet been finally assessed.

IFRS 16 – Leases

IFRS 16 – Leases was published on 13 January 2016 and specifies how leases are recognised, measured, presented and disclosed in financial statements. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value (elective). Lessors continue to classify leases as operating or finance leases, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. The impact of IFRS 16 on the consolidated financial statements of the Axpo Group has not yet been assessed.

3 | Consolidation principles

Scope of consolidation

The consolidated financial statements are based on the audited separate financial statements of the subsidiaries. Subsidiaries are companies controlled by the Group. The Group controls a company if it is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the company concerned. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ends.

Business combinations

Business combinations are accounted for on the date of acquisition using the acquisition method. The purchase price for an acquisition must be calculated from the sum of the fair value of the assets transferred, the liabilities incurred or assumed and the equity instruments issued by the Group. Transaction costs incurred in connection with an acquisition are recognised in the income statement. The goodwill arising from an acquisition is recorded as an asset. It corresponds to the excess of the sum of the purchase price, the contribution of non-controlling interests in the acquired company and the fair value of the previously held equity share over the balance of the assets, liabilities and contingent liabilities measured at fair value. There is an option for measuring non-controlling interests in each transaction. They can either be valued at fair value or at the share of the non-controlling interests in the fair value of the net assets acquired. Where the costs of acquisition are lower than fair value, the remaining surplus is immediately recognised in the income statement after reassessing the fair value of the net assets acquired. Goodwill is tested for impairment at least annually, or earlier if there is any indication of impairment. Non-controlling interests are reported separately from the equity of the Group. Changes to the proportion of ownership interest that do not result in a loss of control are treated as equity transactions with owners. Any difference between the purchase price paid or the consideration received and the amount by which the non-controlling interest is changed is recognised directly in equity.

Investments in partner plants and other associates

An associate is a company over which the Axpo Group exercises significant influence without having control over its financial and business policy. Associates are accounted for using the equity method. As of the date of acquisition, the fair value of the proportional net assets is calculated and, together with any goodwill, recognised in the balance sheet under investments in partner plants and other associates. In subsequent reporting periods, this amount is adjusted for any change in the Axpo Group's share of the additional capital and income earned, impairments, reversals on impairments as well as any dividends. Partner plants are companies that design, construct, maintain or operate power plants, grids or nuclear storage facilities, or companies that administer energy procurement rights. The shareholders commit to purchasing a pro rata share of the energy and to pay a pro rata share of the annual costs. Partner plants in which the Axpo Group does not hold a majority interest or does not have control are also classified as associates and accounted for using the equity method.

Due to the legal obligation to pay the annual costs, the acquisition of an investment in a partner plant may result in a provision for an onerous energy procurement contract rather than an asset for an energy procurement right.

Intragroup transactions

Electricity produced by partner plants is invoiced to the shareholders at annual production cost on the basis of existing partnership agreements and regardless of market prices. Market prices generally apply for the invoicing of other goods and services between Group companies and related parties. Intercompany profits and transactions within the Axpo Group are eliminated in the consolidated financial statements.

Presentation currency and foreign currency translation

The presentation currency, which is Axpo Holding AG's functional currency, is the Swiss franc. Transactions in foreign currencies are translated at the exchange rate prevailing on the date of the transaction or at an exchange rate which approximates the transaction rate. At the end of the reporting period, monetary assets and liabilities in foreign currencies are translated at the exchange rates prevailing at the balance sheet date. Any resulting translation differences are recognised in the income statement.

Assets and liabilities of subsidiaries and of associates accounted for using the equity method whose functional currency is not the Swiss franc are translated on consolidation into Swiss francs at the exchange rate prevailing on the balance sheet date. Goodwill and fair value adjustments arising from acquisitions of foreign operations are recognised in the balance sheet as assets of the acquired entity. The income statement, cash flow statement and other movement positions are translated at the average exchange rate for the reporting period. Exchange differences arising from the translation of the balance sheet and the income statement of foreign subsidiaries and associates accounted for using the equity method are recognised directly in other comprehensive income and disclosed separately in the notes. Non-current receivables or loans to Group companies for which repayment is neither planned nor likely to occur in the foreseeable future are, in substance, a part of the Group's net investment in that Group company. Foreign exchange differences resulting from such non-current receivables or loans are recognised in other comprehensive income and in the income statement on liquidation or disposal of the foreign operation.

Foreign currency exchange rates

The following exchange rates were applied:

		Year-end rates		Average rates	
Currency	**Unit**	**30.9.2017**	**30.9.2016**	**2016/17**	**2015/16**
EUR	1	1.1457	1.0876	1.0911	1.0913
USD	1	0.9704	0.9745	0.9882	0.9827

4 | Accounting policies

Revenue recognition

Revenue from the energy business, grid usage and the installation business is recognised in the income statement upon the delivery of goods or rendering of services to the customer or on the date on which the significant risks and rewards related to the sale are transferred to the purchaser. The reported sales are based on invoiced sales and deferred revenue. In general, sales are reported net after deduction of value added tax and other discounts.

Deliveries to end customers are largely based on individual meter readings at the end of the financial year. If the meters cannot be read at this time, the revenue is estimated and recorded on the basis of statistical values.

In the installation business, a significant portion of the revenue derives from short-term small and medium-sized orders. Revenue for these categories is reported on the date on which the benefits and risks pass to the customer. Income earned under construction contracts is calculated according to the stage of completion as at the date of calculation and recognised, provided the contract is significant and the income provided by a construction contract can be estimated reliably. Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense. In general, sales are reported net after deduction of value added tax and discounts.

Net gains from customer-specific business (origination) and energy trading

Contracts related to customer-specific business (origination) and energy trading are measured at fair value. As a result, sales and costs are reported net under "Result from energy derivatives trading". Contracts, portfolios and inventories such as these are always entered into or purchased with the intention of generating a profit from short-term fluctuations in price or a dealer's margin. Additionally, risks associated with this business are managed on a portfolio basis.

Energy trading transactions entered into for solely speculative purposes are reported net under "Result from energy derivatives trading".

Net gains or losses from energy trading consist of two components. Firstly, the gains or losses actually realised from completed transactions are recognised in profit or loss. Secondly, unrealised valuation gains or losses on outstanding contracts based on current market prices are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment (including nuclear fuel rods) is carried at acquisition or manufacturing cost and is subject to regular straight-line depreciation over the estimated useful life of each asset category or over the period to the date of the reversion of power plants. Unscheduled depreciation is only recognised in the case of damage or impairment, as described under "Impairments of non-financial assets" below. The acquisition or manufacturing costs of property, plant and equipment comprise the purchase price, including import duties and any non-recoverable purchase taxes, and all directly allocable costs incurred to make the asset ready for operational use. Further components are the estimated costs of dismantling and removing of the asset and the restoration of the site. In the case of long-term investment projects, borrowing costs are capitalised during the construction phase.

The estimated useful lives for the individual asset categories are reviewed annually and are within the following ranges:

Land and assets under construction	Only in case of impairment
Buildings	15–60 years
Power plants	10–80 years depending on the type of installation and concession period
Distribution systems	10–80 years
Fixtures and fittings	3–15 years

The rates of depreciation are based on the expected useful lives of the assets. If significant components of an item of property, plant and equipment have a different useful life, they are depreciated separately (component approach). Ordinary repairs and maintenance of buildings and operating facilities are accounted for directly as expenses. Investments in refurbishments, improvements of facilities or replacement investments are capitalised if they will bring economic benefits to the Axpo Group in the future.

Assets under construction are assets which are unfinished or not yet ready for operation. Assets in this sense refer to all items of property, plant and equipment. Depreciation of these assets begins upon completion or when they are ready for operational use.

Intangible assets

Intangible assets are recognised in the balance sheet at acquisition cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised using the straight-line method over the estimated useful life of the asset, unless the useful life is indefinite. Goodwill and intangible assets with an indefinite useful life are not amortised, but tested for impairment annually.

The useful lives are reviewed at the end of each financial year. The individual contractual useful lives are applied in all cases. Energy procurement rights comprise advance payments for rights to long-term supply of electricity including capitalised interest. These rights are amortised using the straight-line method over the contract term.

Rights of use for facilities comprise contractually agreed one-time payments to a contracting party as compensation for the use of that party's transmission and distribution systems. These rights are amortised over the contract term using the straight-line method.

Impairments of non-financial assets

At the balance sheet date, the Axpo Group reviews the carrying amounts of tangible and intangible assets and other associates to determine whether there is any indication of impairment. If any such indications exist, the recoverable amount of the asset or, if this is not possible, the recoverable amount of the cash-generating unit to which the asset belongs, is estimated and compared with the carrying amount (impairment test). If the carrying amount exceeds the estimated recoverable amount, an impairment loss is recognised in the amount of the difference. The recoverable amount is equivalent to the higher of the value-in-use and the fair value less costs to sell. When calculating the value-in-use, the estimated future cash flows are discounted using a pre-tax interest rate. This pre-tax interest rate takes into account the current market estimate of the time value of money and the risks inherent in the asset, insofar as these risks have not already been included in the estimate of the cash flows. Once impaired, the carrying amount of assets is adjusted annually to the amount obtained using the discounted cash flow method, but in the case of a reversal the carrying amount is increased to the depreciated amount that would have been determined if no impairment loss had been recognised. This excludes reversals of impairment in respect of goodwill. Goodwill arising from business combinations is allocated on the acquisition date to the cash-generating units that are expected to benefit from the synergies of the business combination. Regardless of indicators, goodwill is tested for impairment annually.

Financial assets

Financial assets are initially recognised at fair value and in the case of financial instruments which are not classified as "measured at fair value through profit or loss" include transaction costs. Purchases and sales are recognised in the balance sheet on the trade date.

The subsequent measurement is based on the category to which the financial assets are assigned. The Axpo Group classifies its financial assets as follows:
– financial assets at fair value through profit or loss;
– loans and receivables;
– available-for-sale financial assets.

Financial assets are classified as "measured at fair value through profit or loss" if they are either held for trading or have been designated as "measured at fair value through profit or loss" on initial recognition. Financial assets held for trading also include derivative financial instruments. Financial assets at fair value through profit or loss are measured at fair value on initial recognition and subsequently. Changes in fair value are recognised in the income statement.

Loans and receivables issued by the Axpo Group are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. They are recorded in the balance sheet after initial recognition at amortised cost using the effective interest method less any impairments. An impairment is calculated as the difference between the carrying amount and the present value of expected recoverable future cash flows discounted using the original effective interest rate.

Available-for-sale assets are remeasured at fair value subsequent to initial recognition in the balance sheet, and the difference is recognised in other income outside the income statement, taking into account deferred taxes. At the time a gain or loss is realised, it is recognised in the income statement. Impairment losses are recognised in the income statement after an analysis of the individual securities. An impairment exists in particular if the fair value of a share either remains below the purchase price for an extended period or is significantly below the purchase price. Debt instruments such as bonds are regarded as impaired if there is objective evidence such as insolvency, default of payment or other significant financial difficulties on the part of the issuer. In contrast to debt instruments, reversals of impairment losses on equity instruments are not recognised in the income statement.

Other financial assets (current and non-current)

All equity investments in which the Axpo Group has no significant or controlling influence but which are held on a non-current basis are recorded under other investments. They are classified as available for sale.

Available-for-sale financial assets include marketable shares and bonds. These are predominantly classified as available for sale as they were not acquired to generate profits from short-term price fluctuations.

Securities that are deposited short term as collateral for energy trading transactions on European energy exchanges are classified as "measured at fair value through profit or loss".

Loans include non-current loans to third parties as well as to associates. They are assigned to the category loans and receivables and are measured at amortised cost using the effective interest method. If, when the loan is paid out, the agreed interest rate equals the market interest rate and both disbursement and repayment are made at the nominal value, the amortised cost is equivalent to the nominal value of the loan.

Other receivables (non-current)

This position comprises almost exclusively receivables from state funds that do not, however, fall within the scope of IAS 32, IAS 39 and IFRS 7. Nuclear power plant operators are obliged by law to make annual payments into government-controlled funds (the Decommissioning Fund and Waste Disposal Funds for Nuclear Installations). Future costs for disposal and decommissioning will be paid from these funds. The funds ensure the availability of liquidity when payments are due and invest the fund assets. Market and estimation risks are borne by the plant operators. The Axpo Group's share of the funds is capitalised pursuant to the provisions of IFRIC 5 as a reimbursement right in accordance with IAS 37. These receivables are recognised at the pro rata fair value of the net fund assets. Changes in fund values are recognised in financial income/expenses for the period in question.

Inventories

Inventories mainly comprise fuel for generating electricity (uranium, oil, gas, etc. used to run thermal plants), stocks of materials for providing operating services, stocks purchased for resale in the near term with a view to generating a profit from fluctuations in price or dealer's margin, emission and green certificates for own use and trading as well as wind farms which are built for sale in the ordinary course of business.

Fuel for electricity generation, green certificates and emission certificates for own use are initially recognised at cost of purchase or production. Fuel is measured at weighted average cost. If the net realisable value is below the purchase or production cost, an impairment loss is recognised in the income statement. Emission certificates which are purchased for own production purposes are initially recognised as inventories and carried at purchase cost. The provision for CO_2 emissions in excess of the CO_2 emission certificates already allocated is measured at fair value at the end of the reporting period. When the company settles its CO_2 emissions with the responsible authority, the inventories purchased are reduced by the amount of the provision created. Any excess emission certificates no longer required for own use are reclassified within inventories and measured at fair value.

Inventories of materials and supplies required for providing operating services are reported in the balance sheet at the lower of purchase/production cost (calculated using the average cost method) or net realisable value. Wind farms which are built for sale in the ordinary course of business are measured at cost incurred or at their lower net realisable value.

Inventories that have been purchased for resale in the short term with a view to generating a profit from fluctuations in price or dealer's margin are measured at fair value less costs to sell. Changes in value are recognised net in the income statement. This mainly concerns trading in emission certificates, green certificates and gas.

Trade receivables and other receivables (current)

Trade receivables and other receivables also belong to the loans and receivables category and are recognised at amortised cost, which is usually equivalent to the nominal value, less impairments. In principle, bad debt allowances are recognised individually for specifically identified risks to receivables. However, in addition to specific bad debt allowances, allowances are also made on a portfolio basis for losses not yet known based on statistical calculations of default risk.

Cash and cash equivalents

Cash and cash equivalents comprise petty cash and credit balances at banks, as well as sight deposits and deposits with a term of no more than 90 days from the time of acquisition.

Financial liabilities (non-current)

Non-current financial liabilities consist of loans from third parties and associates as well as bonds. On initial recognition, they are measured at fair value less transaction costs and thereafter at amortised cost. The amortisation or allocation of the difference between the fair value of the consideration received less transaction costs and the repayment value is calculated using the effective interest rate method and recognised in profit or loss over the duration of the finance term.

Derivative financial instruments

Derivative financial instruments are used as needed to hedge part of the expected future energy purchases or sales as well as to hedge against currency and interest rate fluctuations.

Energy derivatives

Axpo trades in contracts in the form of forward transactions (forwards, futures, swaps) and options with energy as underlying (electricity, gas, oil, coal, LNG, biomass and certificates). Contracts which are entered into with the sole intention of generating a profit from short-term fluctuations in price or dealer's margin are presented as current, regardless of their contract term. Derivatives which have a term to maturity of more than twelve months and have no speculative purpose are presented as non-current.

The management of the production portfolio of Axpo is usually carried out using physical forward or future contracts. First sales of the Group's own production energy with physical forward contracts are treated as own-use contracts. They are not reported as derivative financial instruments at fair value according to IAS 39, rather as executory contracts in accordance with the rules of IAS 37. Revenue from such sales is recognised upon delivery.

Future contracts that can be settled physically, are designated as hedging instruments in a cash flow hedge relationship. Cash flow hedges are applied to hedge future cash flow risks from existing underlying transactions (sale of own energy production) or forecast transactions that are highly probable. The effective portion of the change in fair value of the hedging instrument is initially recognised in other comprehensive income taking into account the deferred taxes. The ineffective portion of the hedging relationship is recognised in profit or loss in the line item "Revenues from energy sales and grid usage". As soon as the underlying transaction is recognised in "Revenues from energy sales and grid usage", the accumulated changes in fair value of the hedging instrument are transferred from equity to the same line item of the income statement.

Other transactions in the management chain of the sale of own production energy are used as hedging instruments and measured at fair value through profit or loss in "Result from energy derivatives trading".

If a framework agreement with a netting clause exists for a counterparty and if there is an enforceable legal right to offset and the intention to settle net, the positive and negative replacement values which fall due simultaneously are netted. However, no netting is applied between derivative financial instruments which are held for trading and derivative financial instruments which are designated as hedging instruments.

Foreign currency and interest rate derivatives

To hedge exchange and interest rate risks, derivative financial instruments are used when required. This is done in accordance with existing guidelines on hedging. Realised and unrealised changes in the fair value of financial instruments which are used to hedge foreign exchange risks of the current operating activities are generally held for trading and accounted for in "Other operating income".

Realised and unrealised changes in fair value from financial instruments which are used to hedge exchange and interest rate risks on financial assets or debt financing are recognised as "Financial income" or "Financial expense" in the income statement.

In some cases cash flow hedge accounting is used to hedge foreign exchange and interest rate risks on planned, highly probable forecasted energy transactions and interest payments. In this case the effective portion of the change in fair value of the hedging instrument is first recognised in other comprehensive income outside the income statement and only recognised in the income statement at such time as the planned underlying transaction has an effect on the income statement. The ineffective part of the hedging relationship is recognised in the income statement, in "Other operating income" in the case of foreign exchange hedges and in "Financial income" or "Financial expense" in the case of interest rate hedges.

Provisions

Provisions are recognised for a present obligation from past business transactions or events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount can be estimated reliably. Long-term provisions are recognised at the present value of the expected cash outflow at the end of the reporting period where the effect is significant. The provisions are reviewed annually at the balance sheet date and adjusted, taking into account current developments.

With regard to long-term energy procurement obligations arising from onerous contracts, identifiable losses are provided for, taking into account market price trends and future procurement costs. The acquisition of an interest in a partner plant may result in a provision for an onerous energy procurement contract instead of an asset for the energy purchase right. Due to the obligation to produce energy, provisions are also established for the company's own power plants wherever an impairment test on a plant reveals a negative present value of future estimated cash flows. In accordance with IAS 36, the capitalised carrying amount of the power plant is adjusted and the amount is then included in the provision for onerous energy procurement contracts.

Provisions are also recognised for the dismantling and removing of conventional thermal gas-fired combined-cycle power plants, wind farms, nuclear power plants and certificates. Provisions for the decommissioning and demolition of nuclear power plants are set out in Note 5 "Estimation uncertainties and significant judgements in the application of accounting policies". For provisions for certificates, please refer to Note 4 "Accounting policies", "Inventories".

Assigned rights of use

Usage rights which have been assigned, i.e. payments received from third parties in consideration for rights to use facilities and procure energy, are recognised under other non-current liabilities. Payments received are recognised in the income statement on a straight-line basis over the life of the relevant usage rights.

Grid cost contributions (connection fees) are also recognised in this item and carried at the nominal value of the cash received less any amounts unwound and recognised in the income statement. Liabilities are unwound on a straight-line basis over the term of the connection agreement, or the expected useful life of the connection where there is an open-ended right to be connected:

Rights to use third parties' systems	40–60 years
Other rights of use	50 years
Energy procurement rights assigned to third parties	50 years

Usage rights are reviewed at the end of each financial year. The individual contractual useful lives are applied in all cases. Assigned rights of use and grid cost contributions are reported as other non-current liabilities.

Employee benefits

The Axpo Group operates pension plans in accordance with national legislation in each country. Most companies belong to the PKE-CPE Vorsorgestiftung Energie, a legally independent pension fund which qualifies as a defined benefit plan under IAS 19. There are also defined contribution plans. Employer contributions paid or owed for pension funds with defined contribution plans are recognised in the income statement. The defined benefit obligation attributable to the Axpo Group is calculated annually by an independent actuary using the projected unit credit method. The discount rate used for the calculation is based on the interest rate of high-quality corporate bonds with nearly the same terms as the liabilities. The fair value of plan assets is deducted from the liabilities.

Pension costs consist of three components:
– service cost, recorded under personnel expenses in the income statement;
– net interest expense, recorded under personnel expenses in the income statement;
– remeasurement components, recorded in other comprehensive income.

The service cost encompasses current service cost, past service cost, and gains and losses from plan settlements. Gains or losses from curtailments form part of the past service cost. Net interest expense is calculated by multiplying the net pension liability (or asset) at the beginning of the financial year with the discount rate, taking into account any changes during the year as a result of contributions and pension payments. Remeasurement components comprise actuarial gains and losses from the development in the present value of the defined benefit obligation arising from changes in the assumptions and experience adjustments, as well as the return on plan assets minus amounts included in net interest expense, and changes in the unrecognised assets included in net interest expense. Remeasurement components are recognised in other comprehensive income and cannot be recycled. The amount recognised in the consolidated financial statements corresponds to the surplus or deficit of the defined benefit plans (net pension liability or asset).

Income taxes

These include current and deferred income taxes and are normally recognised in the income statement unless they are related to transactions that are recognised in other comprehensive income or directly in equity. In this case, income taxes are also recognised in other income or directly in equity.

Current income taxes are calculated on taxable profits and accrued for the relevant period. The deferred taxes shown in the consolidated financial statements are calculated using the balance sheet liability method, where deferred taxes are recognised for all temporary differences. Temporary differences arise from differences between the carrying amount of an asset or liability and its relevant tax value. These differences will reverse in one or more future periods. Temporary differences resulting from the initial recognition of goodwill, from the initial recognition of assets or liabilities in a transaction which impacts neither the taxable results nor profit for the year and from investments in subsidiaries if it is likely that the temporary difference will not be reversed in the foreseeable future, are not recognised. Company-specific tax rates are used for calculating deferred taxes. Tax assets and liabilities are offset if they involve the same tax subject and the same tax jurisdiction. Deferred tax assets or liabilities are presented as non-current assets or liabilities. Deferred tax assets arising from losses carried forward and deductible temporary differences are capitalised only if it is likely that they can be realised in the future.

Contingent liabilities

These are obligations for which an outflow of cash is considered unlikely but possible and obligations which are possible but whose existence is not yet confirmed. They are not recognised in the balance sheet unless they were acquired as part of the acquisition of a subsidiary. In contrast, the amount of a possible obligation is disclosed at the balance sheet date as a contingent liability in the notes to the consolidated financial statements.

5 | Estimation uncertainties and significant judgements in the application of accounting policies

In the process of preparing the consolidated financial statements in accordance with IFRS, Axpo Group management made judgements, estimates and assumptions which have an effect on the applicable accounting policies and the amounts recognised under assets, liabilities, income and expenses as well as their presentation. The estimations and assumptions are based on existing knowledge and various other factors which are regarded as relevant under the given circumstances. These serve as a basis for recognition in the balance sheet of assets and liabilities which cannot be measured directly on the basis of any other source. The actual values may deviate from these estimates.

The estimates and assumptions are regularly reviewed. Where necessary, adjustments are made to estimates if the circumstances on which they were based have changed or if new information and additional facts have become known. Such adjustments are recognised in the period in which the estimates were adjusted.

The key assumptions concerning the future development and other sources of estimation uncertainty, which could result in material adjustments to the recognised assets and liabilities are listed below.

Significant judgements in the application of accounting policies

Classification of partner plants

The Axpo Group holds a majority share in certain partner plants. It is necessary to assess whether the Axpo Group has control over such majority stakes due to the special conditions at the partner plants. The definition of control in accordance with IFRS 10 requires an investor to hold rights that give it power over the relevant activities of the investee. In the case of a corporation, the voting rights constitute such rights. However, IFRS 10 also makes it clear that the (voting) rights must not only exist in principle, but also represent (economically) substantive rights. This means that the holder of the rights must have the practical ability to exercise such rights. Therefore, when assessing whether Axpo has control over individual partner plants, other factors in addition to the proportion of voting rights must be considered. Axpo holds a majority interest in certain partner plants and operates these plants jointly with other commercial energy companies in the Swiss market. At the same time, these partners also hold interests in other partner plants in which Axpo does not hold a majority interest. Given these mutual dependencies/interests and the conditions governing the Swiss energy market, Axpo has concluded that the voting rights it holds in some cases do not represent substantive rights, despite a majority interest being held, and that it therefore does not have control. These partner plants are classified as associates and are accounted for using the equity method. The assessment of whether and in which cases the factors mentioned above prevent Axpo as a majority shareholder from exercising control is a management judgement.

Accounting for energy derivatives

Some contracts need to be analysed to ascertain whether they have to be treated as derivatives or, like "own-use" contracts, as executory contracts. At the Axpo Group, the corresponding accounting of the contracts is based on the allocation to a business model. Contracts concluded under the customer solution business model generally meet the criteria of a derivative and are managed on a portfolio basis. Therefore, all contracts of this business model are measured at fair value.

The production portfolio is managed by means of forward transactions and futures contracts, which are accounted for as "own-use" contracts, like executory contracts, or are designated as hedging instruments in a cash flow hedging relationship.

The distinction between business models and the subsequent definition of accounting for contracts is a discretionary decision by the management.

Estimation uncertainties

Property, plant and equipment and intangible assets (energy procurement and plant usage rights)

The Axpo Group has property, plant and equipment with a carrying amount of CHF 4,399.3 million (previous year: CHF 4,348.1 million; see Note 15 "Property, plant and equipment") and holds energy procurement and plant usage rights as well as concessions totalling CHF 647.6 million (previous year: CHF 513.4 million; see Note 16 "Intangible assets"). These are subjected to annual impairment tests. To determine whether there is an indication of impairment, these asset values are assessed based on the expected future cash flows from the use of these assets. The actual cash flows may differ significantly from the discounted future cash flows based on these assessments. Material parameters such as useful life, energy price movements, the development of the EUR/CHF exchange rate and the discount rate are by their nature subject to major uncertainties. The estimation as regards the development of energy prices is based, as in previous years, on the expected price development in the supply and trading market. In the 2016/17 reporting year, changes in assumptions relating to the described parameters resulted in a net impairment of CHF 57.1 million (previous year: CHF 655.2 million; see Note 12 "Impairment losses, impairment reversals and provisions for onerous energy procurement contracts", Note 15 "Property, plant and equipment" and Note 16 "Intangible assets").

Transmission systems

The Swiss Electricity Supply Act (StromVG) entered into force on 1 January 2008. The law requires all transmission systems to be transferred to the national grid operator Swissgrid AG within five years. On 3 January 2013, on the basis of the non-cash contribution agreements, transmission system owners EGL Grid AG, Nordostschweizerische Kraftwerke Grid AG and CKW Grid AG, and on 5 January 2015 additional facilities owned by Kraftwerke Linth-Limmern AG, Kraftwerke Sarganserland AG, Kraftwerke Vorderrhein AG and Axpo Power AG (grids) were transferred at the provisional transfer value (2012 tariff ruling by the Federal Electricity Commission, ElCom). The owners of the non-cash contribution were compensated in the form of shares in Swissgrid AG and loans to Swissgrid AG. The final evaluation of the transmission systems will be made as part of a new valuation and purchase price adjustment (valuation adjustment 2) with the participation of all former transmission system owners. This requires binding decisions for all open proceedings relevant for the valuation (tariff proceedings for the years 2009 to 2012, proceedings concerning cover differences in 2011 and 2012 as well as the proceedings for determining the asset value for the transfer of the transmission system to Swissgrid). Depending on the outcome of these pending proceedings, the definitive transfer values of the transmission systems may in some cases differ from the provisional transfer values.

In connection with the transfer of the transmission systems and the corresponding plants from the previous owners to Swissgrid, the method for determining the relevant value of the transfer was decreed on 20 October 2016 by ElCom.

For Axpo, this has triggered an initial positive impact on earnings in the amount of CHF 163.4 million in the 2016/17 financial year; however, the cash settlement took place in early 2017. The final application of the valuation method will take place following the conclusion of proceedings concerning tariff and cover differences and of valuation adjustment 2; this is expected to have another positive effect on earnings.

In addition to the transmission systems transferred to Swissgrid on 5 January 2015, Kraftwerke Linth-Limmern AG and Kraftwerke Vorderrhein AG also own physical structures that are used by Swissgrid and the transmission grid. ElCom initiated proceedings on 10 August 2015 to determine the payment due for joint use of these structures from 2009 to 2014. Kraftwerke Linth-Limmern AG and Kraftwerke Vorderrhein AG expect the proceedings to be concluded and a subsequent settlement of around CHF 10 million to be paid out during the 2017/2018 financial year.

Proceedings of the Federal Electricity Commission

In May 2009, the Swiss Federal Electricity Commission (ElCom) initiated proceedings against CKW AG with respect to verifying the correctness of grid usage and electricity tariffs for 2008/09. ElCom issued a partial ruling on 15 April 2013 to the effect that it did not fully recognise the production costs for certain allocations or sales overheads declared by CKW AG. CKW lodged an appeal against this partial ruling with the Federal Administrative Court, and the Federal Administrative Court approved the appeal and rebutted the case for revaluation to ElCom. ElCom has filed a complaint against the decision of the Federal Administrative Court at the Federal Supreme Court. In its 20 July 2016 ruling, the Federal Supreme Court repealed the decision of the Federal Administrative Court and confirmed the ElCom ruling of 15 April 2013. As a result of the Federal Supreme Court ruling and related uncertainty as to how generation costs should be calculated for the tariff years that have not yet been assessed, a cumulative provision of CHF 80.2 million (previous year: CHF 63.4 Mio.) is recognised in the balance sheet dated 30 September 2017 (see Note 29 “Provisions”). Depending on the precise interpretation of this decision, it may become necessary in future to adjust the estimate or the amount of the provision.

Receivables from state funds

Operators of nuclear power plants are required by law to contribute to state-administered funds for decommissioning and the disposal of nuclear waste. Payments to the funds administered by the Swiss federal government are shown as receivables (refund entitlements). These are recognised at the lower of the carrying amount of the provision or the fair value of the share of net fund assets. As at 30 September 2017, they amounted to CHF 2,467.9 million (previous year: CHF 2,282.3 million; see Note 24 “Other receivables”). According to the regulatory requirements, nuclear power plant operators are required to make further contributions to cover any future sustained shortfalls and by the same token are entitled to any future sustained surpluses. The occurrence of such shortfalls or surpluses can only be identified in the future. The increase or reduction is subject to a discretionary decision.

Valuation of energy derivatives

Financial assets and liabilities as well as derivatives are recognised in the balance sheet at their fair value. As at 30 September 2017, the Axpo Group has derivative financial instruments with positive and negative replacement values totalling CHF 1,803.4 million (previous year: CHF 1,649.1 million) and CHF 2,128.0 million (previous year: CHF 1,529.4 million), respectively. Wherever possible, the fair value applied to financial instruments is based on rates and prices quoted on active markets. The fair value of financial instruments for which no active market or official quoted prices exist is determined using valuation models, applying observable market data, if available, as input factors. If no observable market data are available, the input factors are estimated based on reasonable assumptions. Models always provide an estimation or approximation of a value which cannot be determined with certainty. The fair value obtained using this method reflects the assumptions of management and may vary depending on the choice of input factors and model. The actual realisable cash flows may therefore deviate from the model values based on estimates and assumptions (see Note 6 “Financial risk management”).

Employee benefits

The majority of the employees of the Axpo Group are members of the PKE-CPE Vorsorgestiftung Energie, a pension fund which meets the criteria of a defined benefit plan. The carrying value of the assets and liabilities of this pension fund are calculated using statistical and actuarial methods. In particular, the fair value of the pension liabilities is dependent on assumptions such as the discount rate, future wage and salary increases, and the expected increase in pension benefits. Additional assumptions include statistical data, such as the probability of employees leaving the company and the life expectancy of the insured members. The assumptions may deviate substantially from actual results due to changes in market conditions and the economy, a higher or lower leaving rate, longer or shorter life expectancy of members and other estimated factors. These deviations may have an impact on the carrying value of pension fund assets and liabilities in future reporting periods. The key assumptions are explained in Note 31 “Employee benefits”.

Beznau nuclear power plant

As the operator of the Beznau nuclear power plant and in compliance with legal provisions, the Axpo Group is required to decommission the plant at the end of its operational life and to dispose of the radioactive waste. The carrying value of the item “Provisions for nuclear waste disposal” is significant for the assessment of the Axpo Group’s balance sheet. Changes in complex cost calculations and changes in regulatory requirements governing the decommissioning of nuclear power plants and disposal of nuclear waste can have a significant impact on the results of Group operations.

The cost estimates for decommissioning and dismantling nuclear power plants are reviewed by external experts every five years in accordance with the Ordinance on the Decommissioning Fund and the Waste Disposal Fund for Nuclear Installations. The last cost analyses had been performed in 2011. The 2016 cost analyses were prepared in 2015 and 2016. A new cost breakdown structure based on international standards was applied for the first time in the 2016 cost analyses. Under this structure, not only the basic costs but also forecast inaccuracies as well as opportunities and risks are estimated and valued. On 15 December 2016, the results of the new, still unverified 2016 cost analyses were presented to the public at a press conference held by the Decommissioning Fund for Nuclear Installations and the Waste Disposal Fund for Nuclear Installations (SEFV). Based on the still unverified 2016 cost analyses, the funds’ Administrative Commission ordered that fund provisions be built in December 2016 for the years 2017 to 2021. According to this provisional assessment, Axpo does not have to pay any further contributions for the Beznau nuclear power plant. In 2017, the 2016 cost analyses were examined by the Federal Nuclear Safety Inspectorate (ENSI) and external experts from Switzerland and abroad. Based on the results of the 2016 cost analyses and the inspections performed, the funds’ Administrative Commission submitted a request at the end of 2017 to set the amount of the decommissioning and disposal costs to the Federal Department of the Environment, Transport, Energy and Communications (DETEC); a decision on the matter is expected in mid-2018. The annual contributions due from operators of nuclear power plants for 2017 to 2021 will be definitively assessed by the funds’ Administrative Commission based on the DETEC decision.

Findings from the new 2016 cost analyses were already incorporated into the reassessment of provisions for the decommissioning of nuclear power plants and disposal of nuclear waste in the previous year. Axpo currently does not have any information or indications from the review process that the provisions recognised in the balance sheet are inappropriate. An inflation rate of 1.5% and a discount rate of 3.5% have been factored into the calculation for provisions. These parameters are based on those of the SEFV for the calculation of fund contributions. As at the balance sheet date, the carrying amount of the provisions for nuclear waste disposal amounted to CHF 2,812.2 million (previous year: CHF 2,752.5 million; see Note 29 “Provisions”).

Block 1 of the Beznau nuclear power plant was taken offline in mid-March 2015 so that it could be integrated into the major projects AUTANOVE, HERA and NEXIS as well as to permit renovation and inspection work. During scheduled ultrasonic measurements in July 2015, indications of flaws requiring evaluation were discovered for the first time in the base material of the reactor pressure vessel (RPV) of Block 1 of the Beznau nuclear power plant. These findings required an in-depth assessment with regard to their relevance for technical safety, and ENSI, the regulatory authority, called for additional investigations in August 2015 to determine the origin of the indications and to ascertain how they impact the integrity of the pressure vessel.

Since summer 2015, Axpo has performed detailed ultrasonic inspections, a comprehensive review of both the manufacturing documents and process as well as an analysis of the causes of the irregularities detected. Axpo also sought out suitable test material to perform the material inspections required. After the material it had found proved to be either inaccessible or only partially suitable for either commercial or legal reasons, Axpo decided to have a replica of one of the rings made by a specialised forge in England based on the original manufacturing documents. The results of the subsequent examinations and analyses of the replica arrived in early October 2016 and the proof of safety requested by the authorities was submitted to ENSI on 16 November 2016.

Since then, ENSI has ordered additional extensive material inspections which are required in order to grant approval for recommissioning. Axpo expects that the plant can go back online at the end of February 2018. Since it is difficult to say how long ENSI will need to examine the documents, there is still some uncertainty as to when Block 1 can be recommissioned.

Following the disaster at the nuclear reactor in Fukushima in March 2011, ENSI requested that the operators of all Swiss nuclear power plants immediately provide additional proof of the plants’ safety in the event of an earthquake. The Beznau nuclear power plant provided this proof within the time allotted, and ENSI confirmed the seismic safety of the Beznau nuclear power plant in its final statement in July 2012. In a petition to ENSI dated 19 August 2015, local residents living near the Beznau nuclear power plant called the 2012 assessment into question. They demanded that the regulatory framework for nuclear power plants be applied differently when assessing seismic safety and ultimately, based on the change in practice, that the Beznau nuclear power plant be temporarily decommissioned with immediate effect due to insufficient seismic safety. In its final ruling regarding this petition on 27 February 2017, ENSI fully validated its current practice for assessing seismic safety and dismissed all of the residents’ demands. The local residents filed a complaint against this ruling with the Federal Administrative Court. The proceedings are just getting started. An immediate decommissioning of the Beznau nuclear power plant would result in an increase in the level of provisions required. However, since the Beznau nuclear power plant has always provided all proof of seismic safety in full compliance with ENSI’s understanding of the regulatory framework for nuclear power plants, the management feels that the provisions recognised represent the correct amount.

Provision for onerous energy procurement contracts

The provision of CHF 1,445.6 million for onerous energy procurement contracts (previous year: CHF 1,622.1 million; see Note 29 “Provisions”) covers identifiable losses from the procurement of energy from power-generation plants and long-term supply contracts. For the calculation of the provisions and the assumptions used therein, please refer to Note 12 “Impairment losses, impairment reversals and provisions for onerous energy procurement contracts”.

6 | Financial risk management

General principles

The financial risk management is defined in the principles laid down by the Board of Directors with regard to the hedging of exchange rate, interest rate, market and credit risks and the directives governing the management of liquidity and other financial assets as well as short- and long-term financing. The units responsible at the Axpo Group manage their financial risks within the framework of the risk policy predefined for their division. The aim is to reduce financial risks while giving due consideration to hedging costs and the risks to be entered into. If appropriate, derivative financial instruments are used to hedge physical underlying transactions. In order to minimise counterparty risk, transactions are only entered into with selected counterparties and individual limits are defined to prevent risk concentrations with counterparties.

Change in business model

In the current financial year the business model for origination contracts and the sale of own production energy was changed.

On the one hand, the business model for customer-specific contracts based on a single-contract approach was replaced by a business model with a portfolio approach. Since these contracts, portfolios and inventories are principally acquired for the purpose of being sold in the near future and generating a profit from fluctuations in price or dealer's margin, and further risks in this business are managed on a portfolio basis, all contracts of the customer solution portfolio are measured at fair value.

The change in the business model eliminates accounting mismatches, thus resulting in less volatility in the income statement. Due to this change the financial statements of the Axpo Group will provide more meaningful, relevant and useful information to the stakeholders, which also better reflects how risks are managed within this business model. With the change of the business model some contracts, initially acquired for the Group's own use, are now classified as part of the customer solution business. These fall within the scope of IAS 39 and were measured at fair value retroactivley as of 1 October 2016. As at 30 September 2017, instead of recognising net sales from the energy business and expenses from energy procurement, a net amount of CHF 0.03 million was realised under "Result from energy derivatives trading". This change had a CHF –4.1 million impact on "Result from energy derivatives trading" as of 1 October 2016.

On the other hand, there was also a change in the approach toward the management and sale of own production energy. In the past, the last sale of own production energy was treated as a sale to customers. Counterparties of the last sale were mainly Swiss cantonal utilities. Since the partial deregulation, large customers using more than 100,000 kWh per year can freely choose their electricity providers. As a result Axpo has lost most Swiss cantonal utilities as end customers, thus forcing Axpo to sell its own production energy to the OTC market. Therefore, the business model in which the last sale in the management chain was treated as the sale of energy production to customers, had to be changed. According to the new business model, the first sale of the production energy to the OTC market is treated as a sale to customers, whereas all following contracts in the management chain are used as hedging instruments and are measured at fair value through profit or loss. The change in the business model eliminates accounting mismatches, resulting in less volatility in other comprehensive income from contracts designated as hedging contracts according to IAS 39. It further better reflects hedging of the own energy production under the current market conditions. As the business model was adjusted prospectively, there was no effect as of 1 October 2016.

Capital management

The Group manages capital by setting a maximum level of risk tolerance relative to equity and liquidity. The Board of Directors of Axpo Holding AG approves the risk tolerance for the entire Group. The level of risk tolerance is based on the Group's ability to bear risks in relation to equity and liquidity. This overall capability is broken down and distributed among individual divisions for the purpose of allocating risk capital (e.g. in the form of trading limits for the Trading & Sales business area) and monitored accordingly. Compliance is monitored using gearing as the key performance indicator.

CHF million	30.9.2017	30.9.2016
Current financial liabilities	514.5	539.1
Non-current financial liabilities	4 176.5	4 213.6
Total eligible debt	**4 691.0**	**4 752.7**
Cash and cash equivalents	–1 436.8	–1 058.4
Time deposits	–539.0	–1 128.0
Available-for-sale financial assets	–1 936.4	–1 883.8
Other financial receivables	–834.9	–775.7
Total liquidity	**–4 747.1**	**–4 845.9**
Net assets	**–56.1**	**–93.2**

Gearing is an indicator of the company's debt and reflects the ratio between the company's net debt and equity. The gearing for the Axpo Group amounts to –1% (previous year: –2%). The indicator is negative because the calculation of the gearing for the Axpo Group resulted in net assets.

In addition, one subsidiary within the Axpo Group is subject to local supervisory authorities. The regulatory equity requirements which this company must meet were again complied with at all times in the 2015/16 and 2016/17 financial years.

Market price risks

Market price risks arise from price and exchange rate movements in respect of unhedged positions held in energy and financial transactions.

To hedge part of the expected future energy procurement and energy sales and to hedge currency and interest rate fluctuations, the Axpo Group enters into derivative financial instruments when necessary.

Energy price risks

The Axpo Group defines energy price risks as risks arising from changes in energy prices. In most of the countries where Axpo does business, the energy sector is characterised by wholesale markets with freely determined prices and intense competition for sales. The market risks that arise as a result of price developments on energy markets are particularly serious. The Axpo Group is exposed to such risks primarily via the energy it sells in unregulated market segments and on the open market.

The CKW Group, whose corporate strategy is primarily focused on supplying energy in its supply regions, manages energy price risks by optimising the use of futures and forward contracts for physical energy supplies in order to hedge against energy deficits or surpluses. In addition to actively managing energy surpluses and deficits to supply end-customers and re-distributors, the CKW Group also follows proprietary trading strategies to a very limited extent, as part of which relatively small unhedged positions are permitted. According to the existing risk strategy, unhedged positions may only be entered into for the current financial year and the three following years in order to ensure that proprietary trading transactions are only entered into for a time frame within which sufficient market liquidity is available.

Axpo Trading is one of the world's leading energy traders. It trades on a decentralised basis via various trading hubs in Europe. In its capacity as a trading company, energy price risks in the Trading & Sales business area are monitored and reported on a daily basis by the Risk Management & Valuation department. Monitoring is carried out in accordance with the principles set out in the risk management directive as well as the related trading mandates. The market price risk is limited using a transparent limit system consisting of a VaR and a volume limit. The total risk limit for energy trading is approved annually by the Axpo Trading AG Board of Directors at the request of Executive Management and broken down by individual divisions, departments and books within the Trading & Sales business area.

The energy price risk of the production and distribution companies in the Axpo Group are hedged. Energy derivatives are designated as hedging instruments in a cash flow hedge and recognised in other comprehensive income until the realisation of the underlying. As at the reporting date, these derivatives had a contract volume of CHF 1,160.7 million (previous year: CHF 1,870.8 million) and were 100% effective during the reporting period.

The following table shows the expected amounts of reclassifications to profit or loss relating to cash flow hedges from energy hedging transactions:

CHF million	Effect on the income statement 30.9.2017	Contract value 30.9.2017	Effect on the income statement 30.9.2016	Contract value 30.9.2016
2016/17	0.0	0.0	92.9	790.6
2017/18	–115.8	738.0	89.9	672.4
2018/19	–99.5	339.5	–7.6	345.9
2019/20	–29.3	76.2	–11.6	61.9
2020/21	–1.7	7.0	0.0	0.0
Total	**–246.3**	**1 160.7**	**163.6**	**1 870.8**

Sensitivity analysis of the energy price risk

The remaining energy price risks from trading and non-hedged energy from own power plants are quantified using the Value-at-Risk (VaR) method, assuming a holding period of five days and a confidence interval of 99%. Value-at-Risk (VaR) defines a potential loss which, with 99% probability, will not be exceeded, taking into account past market developments.

CHF million	30.9.2017	30.9.2016
VaR business area Trading & Sales	32.1	23.6
VaR business area CKW	0.3	0.1

Currency risk

Due to its international activities, the Axpo Group is exposed to currency risks resulting from business transactions and assets and liabilities that generate cash flows in the future where these are not denominated in the functional currency of the relevant Group company. The energy price and consequently the majority of the procurement and supply sales contracts are denominated in EUR or the price is based on the EUR energy price. In contrast, the production costs of the energy-producing property, especially the power plants in Switzerland, are incurred in CHF. As a result, there is a currency risk primarily against the euro and, to a lesser extent, against the US dollar. The Corporate Treasury department is responsible for monitoring and managing currency risks and implementing the Group's policy on exchange rate risks.

Attempts are made to reduce the currency risk by balancing operating revenue and expenditure in foreign currencies. Remaining net positions in foreign currencies are hedged by means of hedging transactions such as currency forward transactions as part of liquidity planning and in close consultation with the operational Group units (transaction risk). As at the balance sheet date, derivatives designated as cash flow hedges with a contract volume of CHF 585.0 million (previous year: CHF 712.3 million) exist.

Sensitivity analysis of the currency risks

A possible change in foreign exchange rates would, assuming that the other parameters remained the same, have had the following impact on the income statement and on equity:

		30.9.2017		30.9.2016	
CHF million	+/– change	+/– effect on income statement	+/– effect on equity	+/– effect on income statement	+/– effect on equity
CHF / USD foreign currency risk	10%	–5.3	0.0	–5.7	0.0
CHF / EUR foreign currency risk	10%	–41.5	–20.3	–71.9	–14.8

Interest rate risk

The interest rate risk consists of an interest rate-based cash flow risk, i.e. the risk that future interest payments will change due to fluctuations in market interest rates, and an interest rate-based risk of a change in the fair value, i.e. the risk that the fair value of a financial instrument will change due to fluctuations in market interest rates.

Interest-bearing financial assets and liabilities

The interest-bearing financial assets and liabilities held by the Group include cash and cash equivalents, loans, bonds included in other financial assets as well as liabilities to banks and bonds issued. The interest rate profile at the end of the reporting period was as follows:

CHF million	Fixed rate 30.9.2017	Variable rate 30.9.2017	Fixed rate 30.9.2016	Variable rate 30.9.2016
Financial assets at fair value through profit or loss (held for trading)	0.0	0.2	0.0	0.0
Loans and receivables	1 175.3	1 693.6	1 760.4	1 260.9
Petty cash and cash at banks	0.0	1 372.9	0.0	1 008.2
Short-term investments	0.0	63.9	0.0	50.2
Other financial assets (non-current)	592.1	199.3	671.9	156.6
Financial receivables (current)	583.2	57.5	1 088.5	45.9
Available-for-sale financial assets	1 370.2	0.0	1 084.6	0.0
Financial liabilities at fair value through profit or loss (held for trading)	0.0	5.3	0.0	28.7
Financial liabilities measured at amortised cost	4 293.1	393.8	4 092.2	654.5
Net exposure	**–1 747.6**	**1 294.7**	**–1 247.2**	**577.7**

The production of energy and the transmission and distribution grids are capital-intensive. As a general principle, Swiss plants are financed over the long term at fixed interest rates in order to mitigate the impact of short- and medium-term interest rate fluctuations on earnings.

Variable interest-bearing financial liabilities relating to the construction of wind farms in Germany and France expose the Axpo Group to an interest rate risk. This risk is reduced through the adequate use of derivative financial instruments in the form of interest rate swaps. These interest rate swaps were designated as hedging instruments in cash flow hedges and were 100% effective during the reporting period. The interest rate swaps entered into in connection with the construction of the gas-fired combined cycle power plants in Italy expired or were redeemed prematurely due to the change in the financing structure (see Note 27 "Financial liabilities (non-current)"). As at 30 September 2017, interest rate swaps designated as hedging instruments with a contract volume of CHF 12.9 million (previous year: CHF 443.7 million) and a carrying amount of CHF 1.2 million (previous year: CHF 22.3 million) exist. The cash flows from these swaps will mainly occur in the next one to two years, but by 2026 at the latest, and will be recognised in the income statement during this period

Sensitivity analysis of the interest rate risk

A possible change in interest rates would, assuming that the other parameters remained the same, have had the following impact on the income statement and on equity:

			30.9.2017		30.9.2016
CHF million	+/– change	+/– effect on income statement	+/– effect on equity	+/– effect on income statement	+/– effect on equity
Interest rate risk	1%	14.5	0.0	8.5	–0.2

Share price risks

The Axpo Group holds securities which are classified as "available for sale". The securities are invested according to a core-satellite strategy and are managed professionally via asset management mandates. The portfolio is divided into a broadly diversified, index-tracking (passive) core investment and several actively managed individual (fund) positions, known as satellites. The portfolio structure of the core investment, which is based on BVG guidelines, has been approved by the Board of Directors, and regular checks are carried out to ensure it is being complied with.

In order to assess the market price risk for the entire portfolio, the Axpo Group applies a Value-at-Risk (VaR) calculation, which indicates the maximum loss that, with a probability of 95.0%, could be sustained over a period of one year based on statistical data. Unless any sustained impairment is identified, the loss of CHF –121.7 million (previous year: CHF –163.5 million) arising from fluctuations in the price of "available-for-sale" financial assets affects only the equity of the Axpo Group.

The receivables from state funds are not a financial instrument according to IAS 32 and therefore are not part of the risk assessment.

Credit risks

Credit risks are risks of potential losses that may result from the inability of a business partner to pay or the inability of a trading partner and distributor to meet its contractual obligations. Cluster risks with treasury counterparties are avoided. In general, a sufficient minimum liquidity and an adequate staggering of maturities are required.

The Axpo Group controls credit risks via a credit risk management system defined per business area (Trading & Sales and CKW). Credit risks are managed by setting credit limits for each transaction in the respective business area. Receivables from counterparties are continuously monitored, and new contractual parties are subjected to a credit check.

The following table shows the carrying amounts of the financial instruments, grouped according to the categories defined in IAS 39:

CHF million	Notes	Carrying amount 30.9.2017	Carrying amount 30.9.2016
Loans and receivables		**5 051.1**	**5 174.3**
Other financial assets (non-current)	19	733.2	769.3
Other receivables (current and non-current)	24	387.8	396.3
Trade receivables	22	840.0	804.1
Financial receivables (current)	23	640.7	1 134.4
Revenues not yet invoiced	24	1 012.6	1 011.8
Cash and cash equivalents	25	1 436.8	1 058.4
Available-for-sale financial assets		**1 936.4**	**1 883.8**
Other financial assets (current and non-current)	19	1 936.4	1 883.8
Financial assets at fair value through profit or loss (held for trading)		**1 749.4**	**1 399.0**
Energy derivatives		1 736.6	1 390.0
Forward currency contracts		12.6	9.0
Other derivative financial instruments		0.2	0.0
Derivatives designated as hedges		**54.0**	**250.1**
Energy derivatives		52.3	235.3
Forward currency contracts		1.7	14.8
Total financial assets		**8 790.9**	**8 707.2**
./. Total available-for-sale shares and participation certificates		566.2	799.1
Maximum credit default risk		**8 224.7**	**7 908.1**

Credit risk concentration of trade receivables and revenues not yet invoiced by geographical area

CHF million	Carrying amount 30.9.2017	Carrying amount 30.9.2016
Western Europe	403.3	340.7
Southern Europe	690.9	734.7
Central Europe	633.0	653.5
Others	125.4	87.0
Total	**1 852.6**	**1 815.9**

Ageing analysis of trade receivables and their bad debt allowances

CHF million	Gross 30.9.2017	Bad debt allowance 30.9.2017	Gross 30.9.2016	Bad debt allowance 30.9.2016
Not yet due	630.6	–0.3	603.9	–0.5
Past due 1–60 days	130.5	–4.0	112.9	–3.9
Past due 61–150 days	5.2	–2.7	22.8	–1.8
Past due 151–360 days	71.0	–10.0	59.1	–6.2
Past due more than 360 days	98.7	–79.0	93.2	–75.4
Total	**936.0**	**–96.0**	**891.9**	**–87.8**

Bad debt allowances created, released or no longer required on trade receivables

The following table shows the development of bad debt allowances in the 2015/16 and 2016/17 financial years:

	Trade receivables	
CHF million	General allowances	Specific allowances
Bad debt allowances as at 30.9.2015	**–17.6**	**–65.9**
Net increase	0.0	–19.4
Net decrease	5.6	0.0
Uncollectible receivables written off	0.0	8.9
Currency effects	0.1	0.5
Bad debt allowances as at 30.9.2016	**–11.9**	**–75.9**
Net increase	–1.2	–9.1
Uncollectible receivables written off	1.4	4.7
Currency effects	–0.4	–3.6
Bad debt allowances as at 30.9.2017	**–12.1**	**–83.9**

All bad debt allowances relate to smaller receivables with various counterparties that were impaired. Due to the financial difficulties of these counterparties, the management of the Axpo Group no longer expects these receivables to be fully collectible.

Based on past experience, the Axpo Group does not expect any significant impairment losses on trade receivables not yet due. The bad debt allowances consist of specific allowances and general allowances.

Regarding impairment losses and impairment reversals, please refer to Note 19 “Other financial assets”.

Cash and cash equivalents, financial assets and financial receivables

Time deposits and cash and cash equivalents are preferably held with financial institutions which have been rated at least BBB. The Axpo Group holds fund shares of short-dated securities from the global investment grade universe.

Derivative financial instruments

The creditworthiness of the transaction partners in the energy trading sector is promptly checked by Axpo and is assessed by their credit ratings on the basis of external and internal ratings. Interest and currency derivatives are only concluded with banks rated AAA to A.

Collateral

A significant portion of the energy transactions in the Axpo Group are concluded on the basis of framework agreements such as the EFET (European Federation of Energy Traders) General Agreement on Power or Gas, the ISDA (International Swaps and Derivatives Association) or the DRV (German Master Agreement for Financial Forward Transactions). In the event of the insolvency of a business partner, these provide for an offsetting of open transactions (see column “Additional netting potential”, table “Netting of positive and negative replacement values”). In addition, the credit risk is reduced by the collateral received. In the case of major credit risks, credit support annexes (CSAs) are attached to the framework agreements in which regular reciprocal margin payments are agreed as additional collateral, mostly in the form of cash. Since such collateral is not only received for transactions allocated to a trading book but also for off-balance-sheet items that are assigned to an “own use” book, the collateral cannot be meaningfully allocated to individual balance sheet items.

Financial securities received and delivered as at 30 September 2017

CHF million	Financial securities received	Financial securities delivered
Credit support annex (CSA)	225.6	214.0
Bank guarantee	239.3	0.4
Others	837.8	222.2
Total	**1 302.7**	**436.6**

Financial securities received and delivered as at 30 September 2016

CHF million	Financial securities received	Financial securities delivered
Credit support annex (CSA)	103.3	235.9
Bank guarantee	178.8	0.4
Others	580.9	228.9
Total	**863.0**	**465.2**

Guarantees and comfort letters issued within the Axpo Group are only disclosed in the separate statements of the company that granted them.

Netting of positive and negative derivative financial instruments as at 30 September 2017

	Assets which are subject to legally enforceable netting agreements					Additional netting potential	
CHF million	Gross assets before balance sheet netting	Netting	Net assets after balance sheet netting	Assets that are not subject to master netting agreements or are not subject to legally enforceable master netting agreements	Total assets recognised on the balance sheet	Netting potential not reported on the balance sheet	Assets after recognition of the netting potential
Financial assets at fair value							
Financial assets at fair value through profit or loss (held for trading)							
Energy derivatives	3 021.8	–2 143.4	878.4	858.2	1 736.6	–329.6	1 407.0
Forward currency contracts	0.0	0.0	0.0	12.6	12.6	0.0	12.6
Other derivative financial instruments	0.0	0.0	0.0	0.2	0.2	0.0	0.2
Derivatives designated as hedges							
Energy derivatives	118.7	–71.1	47.6	4.7	52.3	–25.5	26.8
Forward currency contracts	0.0	0.0	0.0	1.7	1.7	0.0	1.7
Total	**3 140.5**	**–2 214.5**	**926.0**	**877.4**	**1 803.4**	**–355.1**	**1 448.3**

	Liabilities which are subject to legally enforceable netting agreements					Additional netting potential	
CHF million	Gross liabilities before balance sheet netting	Netting	Net liabilities after balance sheet netting	Liabilities that are not subject to master netting agreements or are not subject to legally enforceable master netting agreements	Total liabilities recognised on the balance sheet	Netting potential not reported on the balance sheet	Liabilities after recognition of the netting potential
Financial liabilities at fair value							
Financial liabilities at fair value through profit or loss (held for trading)							
Energy derivatives	2 972.7	–2 143.4	829.3	1 020.8	1 850.1	–316.5	1 533.6
Forward currency contracts	0.0	0.0	0.0	16.6	16.6	0.0	16.6
Other derivative financial instruments	0.0	0.0	0.0	4.1	4.1	0.0	4.1
Derivatives designated as hedges							
Energy derivatives	275.3	–71.1	204.2	12.3	216.5	–38.6	177.9
Forward currency contracts	0.0	0.0	0.0	39.5	39.5	0.0	39.5
Other derivative financial instruments	0.0	0.0	0.0	1.2	1.2	0.0	1.2
Total	**3 248.0**	**–2 214.5**	**1 033.5**	**1 094.5**	**2 128.0**	**–355.1**	**1 772.9**

Netting of positive and negative derivative financial instruments as at 30 September 2016

CHF million	Assets which are subject to legally enforceable netting agreements: Gross assets before balance sheet netting	Netting	Net assets after balance sheet netting	Assets that are not subject to master netting agreements or are not subject to legally enforceable master netting agreements	Total assets recognised on the balance sheet	Additional netting potential: Netting potential not reported on the balance sheet	Assets after recognition of the netting potential
Financial assets at fair value							
Financial assets at fair value through profit or loss (held for trading)							
Energy derivatives	2 333.2	–1 558.5	774.7	615.3	1 390.0	–305.8	1 084.2
Forward currency contracts	0.0	0.0	0.0	9.0	9.0	0.0	9.0
Derivatives designated as hedges							
Energy derivatives	277.8	–61.0	216.8	18.5	235.3	–57.7	177.6
Forward currency contracts	0.0	0.0	0.0	14.8	14.8	0.0	14.8
Total	**2 611.0**	**–1 619.5**	**991.5**	**657.6**	**1 649.1**	**–363.5**	**1 285.6**

CHF million	Liabilities which are subject to legally enforceable netting agreements: Gross liabilities before balance sheet netting	Netting	Net liabilities after balance sheet netting	Liabilities that are not subject to master netting agreements or are not subject to legally enforceable master netting agreements	Total liabilities recognised on the balance sheet	Additional netting potential: Netting potential not reported on the balance sheet	Liabilities after recognition of the netting potential
Financial liabilities at fair value							
Financial liabilities at fair value through profit or loss (held for trading)							
Energy derivatives	2 234.4	–1 558.5	675.9	711.5	1 387.4	–313.3	1 074.1
Forward currency contracts	0.0	0.0	0.0	6.6	6.6	0.0	6.6
Other derivative financial instruments	0.0	0.0	0.0	6.4	6.4	0.0	6.4
Derivatives designated as hedges							
Energy derivatives	145.1	–61.0	84.1	7.8	91.9	–50.2	41.7
Forward currency contracts	0.0	0.0	0.0	14.8	14.8	0.0	14.8
Other derivative financial instruments	0.0	0.0	0.0	22.3	22.3	0.0	22.3
Total	**2 379.5**	**–1 619.5**	**760.0**	**769.4**	**1 529.4**	**–363.5**	**1 165.9**

Trade receivables from customers who are simultaneously suppliers are netted against trade payables, provided a netting arrangement has been agreed. The netted receivables and payables included in “Revenues not yet invoiced” and “Operating expenses not yet invoiced” total CHF 1,568.8 million (previous year: CHF 1,132.5 million; see Note 24 “Other receivables” and Note 30 “Other liabilities (current)”).

Liquidity risk

Liquidity risk is the risk that arises if the Group is unable to meet its obligations on the due date. The Corporate Treasury department of the Axpo Group is responsible for liquidity management, which encompasses the planning, monitoring, provision and optimisation of liquidity. Various measures are used to ensure liquidity. Cash pooling and smoothing of cash balances within the business areas are used to achieve optimum cash management. Liquidity is also ensured via specific project financing and by appropriate refinancing on the money and capital markets. The majority of receivables in European energy trading are netted and settled on fixed payment deadlines.

By analysing the liquidity effects of risks and by adopting a conservative financing strategy, Axpo ensures that the Axpo Group always has sufficient liquid funds to meet the payment obligations in a timely manner. Such obligations arise, in particular, from the financial liabilities which must be fulfilled.

The following table shows the contractual maturities (including interest rates) of the financial liabilities held by the Axpo Group. The future variable interest rates are determined based on the yield curve on the balance sheet date.

Maturity analysis of financial liabilities and derivative financial instruments as at 30 September 2017

CHF million	Carrying amount	Cash flow	at sight	< 3 mths	3–12 mths	1–5 years	> 5 years
Non-derivative financial liabilities, measured at amortised cost							
Trade payables [1]	579.6	579.6	0.0	604.7	–22.8	–2.6	0.3
Financial liabilities (current and non-current)	4 691.0	5 618.4	20.8	331.1	224.2	1 898.1	3 144.2
Other liabilities (current and non-current)	320.0	320.0	0.0	212.9	53.1	46.7	7.3
Operating expenses not yet invoiced	1 173.8	1 173.8	0.0	1 153.9	19.9	0.0	0.0
Total cash outflow		**7 691.8**	**20.8**	**2 302.6**	**274.4**	**1 942.2**	**3 151.8**
Derivative financial instruments							
Net carrying amount of energy derivatives	–277.7						
Gross cash inflow		21 104.0	9 348.9	2 377.4	4 547.6	4 230.2	599.9
Gross cash outflow		18 412.2	9 353.8	2 080.0	3 449.0	3 039.5	489.9
Net carrying amount of currency forward contracts	–41.8						
Gross cash inflow		857.0	0.8	289.6	292.7	273.9	0.0
Gross cash outflow		901.2	14.7	293.5	316.9	276.1	0.0
Net carrying amount of other derivative financial instruments	–5.1						
Gross cash inflow		18.6	0.0	0.0	0.0	17.7	0.9
Gross cash outflow		25.4	0.0	0.0	0.7	21.5	3.2
Total net cash inflow/outflow (–/+)		**–2 640.8**	**18.8**	**–293.5**	**–1 073.7**	**–1 184.7**	**–107.7**

1) Negative amounts of trade payables result from received credit notes for which the time bucket does not correspond to the time bucket of the related trade payable.

Maturity analysis of financial liabilities and derivative financial instruments as at 30 September 2016

CHF million	Carrying amount	Cash flow	at sight	< 3 mths	3–12 mths	1–5 years	> 5 years
Non-derivative financial liabilities, measured at amortised cost							
Trade payables	575.4	575.4	0.0	562.9	12.2	0.0	0.3
Financial liabilities (current and non-current)	4 752.9	5 728.7	6.1	251.1	357.3	1 704.4	3 409.8
Other liabilities (current and non-current)	277.9	277.9	0.0	197.9	19.5	49.0	11.5
Operating expenses not yet invoiced	1 152.4	1 152.4	0.0	1 138.5	13.9	0.0	0.0
Total cash outflow		**7 734.4**	**6.1**	**2 150.4**	**402.9**	**1 753.4**	**3 421.6**
Derivative financial instruments							
Net carrying amount of energy derivatives	146.0						
Gross cash inflow		20 179.3	9 368.5	1 793.0	3 773.3	4 601.1	643.4
Gross cash outflow		16 942.1	9 246.4	1 414.9	2 746.5	2 967.0	567.3
Net carrying amount of currency forward contracts	2.4						
Gross cash inflow		1 236.3	5.8	522.1	281.5	426.9	0.0
Gross cash outflow		1 239.2	4.1	518.5	279.5	437.1	0.0
Net carrying amount of other derivative financial instruments	–28.7						
Gross cash inflow		36.4	0.0	2.3	7.0	26.9	0.2
Gross cash outflow		31.0	0.0	1.7	2.8	23.6	2.9
Total net cash inflow/outflow (–/+)		**–3 239.7**	**–123.8**	**–382.3**	**–1 033.0**	**–1 627.2**	**–73.4**

Cash flows are not discounted for the maturity analysis. In accordance with the applicable standard, liquidity risk relates only to financial liabilities. In order to show the effective liquidity risk arising from derivative financial instruments, the cash inflow/outflow under "Derivative financial instruments" in the above table relates to contracts with positive and negative replacement values.

In order to hedge its own energy production and long-term energy sales and purchase contracts, known as "own use" contracts, the Axpo Group enters into energy sales and purchase contracts. These hedging transactions are included in the above maturity analysis. As contracts assigned to own use books are executory contracts, no cash flow is presented in the table above for these contracts, thus generating significant accounting mismatches. Further, in some cases, the Axpo Group enters into stack and roll hedges to hedge the purchase or sales volume of long-term contracts for a period of around 36 months. These hedges are assigned to trading books. Cash flows from these hedges are not presented in the same time period as cash flows from long-term contracts.

The Axpo Group has positive operating cash flow, sound liquid funds and short-term and long-term financial assets, which are not tied and therefore can be used to cover financial liabilities.

The Axpo Group has aggregated credit facilities of CHF 1,900.9 million at its disposal from banks and financial institutions (previous year: CHF 1,815.8 million), of which CHF 1,847.4 million are uncommitted (previous year: CHF 1,759.3 million). As at 30 September 2017, the Axpo Group is utilising CHF 1,191.8 million (previous year: CHF 786.8 million) of its credit facilities.

Net results from financial assets and liabilities

CHF million	Income statement 2016/17	Other comprehensive income 2016/17	Income statement 2015/16	Other comprehensive income 2015/16
Net profit/losses included in total revenues				
On financial assets and liabilities at fair value through profit or loss (held for trading)	19.4	0.0	–71.4	0.0
On derivatives designated as hedges	71.0	–368.7	232.6	–76.6
Net profit/losses included in other operating income				
On financial assets and liabilities at fair value through profit or loss (held for trading)	1.8	0.0	–4.1	0.0
On derivatives designated as hedges	0.0	0.0	75.6	0.0
Net profit/losses included in the financial result				
On financial assets and liabilities at fair value through profit or loss (held for trading)	–17.6	0.0	–4.0	0.0
On derivatives designated as hedges	–10.2	17.9	0.0	18.3
On loans and receivables	–13.8	0.0	–30.0	0.0
On available-for-sale financial assets	154.7	32.8	6.7	85.1
Interest income and expense				
Interest income from financial assets not accounted for at fair value through profit or loss	73.5	0.0	45.2	0.0
Interest expense from financial liabilities not accounted for at fair value through profit or loss	–128.1	0.0	–128.5	0.0
Currency effects on financial assets and liabilities				
Currency effects on financial assets and liabilities	35.1	0.0	–15.3	0.0

The amounts shown in the column “Other comprehensive income” only include the market value adjustments for the current financial year but not the results reclassified in the income statement. Other operating expenses contain net impairment provisions made for trade receivables amounting to CHF 10.3 million (previous year: CHF 13.8 million). Interest expense includes interest effects from derivatives which reduce interest expense.

Three-level hierarchy

The line item “Available-for-sale financial assets” includes equity, real estate and bond funds that partially invest in listed investments and partially in investments that are periodically traded through financial institutes. The market value is the published exchange price, insofar as the financial instruments are traded on an active market. The fair value of non-quoted debt and equity instruments is determined by the fund manager. The fair value is equivalent to the net asset value established by the fund manager and the valuation is checked internally and adjustments are made where necessary.

The fair value of derivative financial instruments is dependent on the development of the underlying market factors. For the measurement of derivatives, prices from active markets, such as stock exchange prices, are used where possible. The relevant fair values are calculated and monitored at regular intervals. If there are no such prices available, fair value is determined using measurement methods accepted and customary in the markets. If available, observable market data are used as input factors. If no observable market data are available, company-specific planning assumptions are applied. The fair value calculated for all derivative financial instruments is the price at which one party would take over the rights and/or obligations of another party.

The methods and assumptions on which the measurement of the derivative financial instruments used is based are as follows:
- Electricity, gas, oil, coal, emissions and currency forward contracts are measured at the balance sheet date based on the forward rates. The rates used are rates noted at the respective exchanges or provided by various brokers. If no published prices are available, internal measurement models are used.
- Futures are not measured since, due to the exchange listing, they are offset daily via a margin account.

The following overview describes the key parameters used for the measurement of assets and liabilities measured at fair value. The individual levels are defined in accordance with IFRS 13 as follows:

Level 1
Financial assets/liabilities measured using quoted and market prices in active markets (without adjustments or change in composition)

Level 2
Financial assets/liabilities measured using inputs based on observable market data that flow either directly or indirectly (i.e. derived from prices) into the valuation models

Level 3
Financial assets/liabilities where the value is determined using valuation methods where significant input parameters are not based on observable market data

Three-level hierarchy as at 30 September 2017

CHF million	Level 1	Level 2	Level 3	Fair value
Assets measured at fair value				
Financial assets at fair value through profit or loss (held for trading)				
Energy derivatives	41.8	3 246.2	187.2	3 475.2
Currency forward contracts	0.0	12.6	0.0	12.6
Other derivative financial instruments	0.0	0.2	0.0	0.2
Derivatives designated as hedges				
Energy derivatives	0.0	101.4	0.0	101.4
Currency forward contracts	0.0	1.7	0.0	1.7
Available-for-sale financial assets	1 295.1	615.4	25.9	1 936.4
Inventories	22.6	399.2	0.0	421.8
Total assets measured at fair value	**1 359.5**	**4 376.7**	**213.1**	**5 949.3**
Assets not measured at fair value				
Other financial assets (non-current)	0.0	728.1	0.0	728.1
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss (held for trading)				
Energy derivatives	25.7	3 309.5	253.5	3 588.7
Currency forward contracts	0.0	16.6	0.0	16.6
Other derivative financial instruments	0.0	4.1	0.0	4.1
Derivatives designated as hedges				
Energy derivatives	0.0	265.6	0.0	265.6
Currency forward contracts	0.0	39.5	0.0	39.5
Other derivative financial instruments	0.0	1.2	0.0	1.2
Total liabilities measured at fair value	**25.7**	**3 636.5**	**253.5**	**3 915.7**
Liabilities not measured at fair value				
Financial liabilities (non-current)	3 175.8	1 108.3	0.0	4 284.1

Three-level hierarchy as at 30 September 2016

CHF million	Level 1	Level 2	Level 3	Fair value
Assets measured at fair value				
Financial assets at fair value through profit or loss (held for trading)				
Energy derivatives	48.2	2 465.1	158.3	2 671.6
Currency forward contracts	0.0	9.0	0.0	9.0
Derivatives designated as hedges				
Energy derivatives	0.0	296.3	0.0	296.3
Currency forward contracts	0.0	14.8	0.0	14.8
Available-for-sale financial assets	883.5	970.6	29.7	1 883.8
Inventories	18.0	362.4	0.0	380.4
Total assets measured at fair value	**949.7**	**4 118.2**	**188.0**	**5 255.9**
Assets not measured at fair value				
Other financial assets (non-current)	0.0	776.3	0.0	776.3
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss (held for trading)				
Energy derivatives	19.6	2 438.0	211.5	2 669.1
Currency forward contracts	0.0	6.6	0.0	6.6
Other derivative financial instruments	0.0	6.4	0.0	6.4
Derivatives designated as hedges				
Energy derivatives	0.0	152.8	0.0	152.8
Currency forward contracts	0.0	14.8	0.0	14.8
Other derivative financial instruments	0.0	22.3	0.0	22.3
Total liabilities measured at fair value	**19.6**	**2 640.9**	**211.5**	**2 872.0**
Liabilities not measured at fair value				
Financial liabilities (non-current)	3 130.0	1 391.0	0.0	4 521.0

The fair values of "Other financial assets (non-current)" and "Financial liabilities (non-current)" are equivalent to the net present value of the payments associated with these assets and liabilities, calculated using the interest rates which apply to the loans, or the current bond price of bonds issued without including the interest accrued.

Standard forward contracts and derivatives in energy trading are recognised gross in the three-level hierarchy, before netting of positive and negative replacement values.

Movements in Level 3 instruments

The following table shows the movements in Level 3 financial instruments measured at fair value:

CHF million	Assets	Liabilities	Total
Balance as at 30.9.2015	**184.6**	**–161.4**	**23.2**
Currency translation effect on opening balance	–2.2	–3.1	–5.3
Purchases	18.3	–0.3	18.0
Sales	–13.7	0.0	–13.7
Profit or loss recognised in the income statement	21.9	–55.2	–33.3
Profit or loss recognised in other comprehensive income	–2.0	0.0	–2.0
Transfer to Level 3	3.2	–0.3	2.9
Transfer out of Level 3	–22.8	9.3	–13.5
Currency translation effect on movements	0.7	–0.5	0.2
Balance as at 30.9.2016	**188.0**	**–211.5**	**–23.5**
Currency translation effect on opening balance	0.9	–1.0	–0.1
Additions due to change of business model	3.8	0.0	3.8
Purchases	18.4	0.0	18.4
Sales	–1.8	0.0	–1.8
Profit or loss recognised in the income statement	20.8	–57.9	–37.1
Profit or loss recognised in other comprehensive income	–1.1	0.0	–1.1
Transfer out of Level 3	–17.2	17.5	0.3
Currency translation effect on movements	1.3	–0.6	0.7
Balance as at 30.9.2017	**213.1**	**–253.5**	**–40.4**

The table shows the financial instruments whose fair value is measured using valuation models in which significant parameters are based on non-observable market data. On initial recognition, financial instruments of this type are accounted for at fair value using the valuation model on day one, although this value may deviate from the transaction price. Any material deviation from the transaction price is accrued as a day-one profit or loss. The transfer from Level 3 to Level 2 relates to financial instruments whose measurement is now based on observable market data, and the transfer from Level 2 to Level 3 relates to financial instruments whose measurement is no longer based on observable market data. There were no transfers between Level 1 and 2 in the current financial year or the previous year.

A change in energy prices of +/– 10% would lead to an increase/decrease in fair value of Level 3 instruments of CHF –9.5 million (previous year: CHF –30.1 million) and CHF 7.8 million (previous year: CHF 28.2 million), respectively. In order to hedge long-term contracts assigned to Level 3, the Axpo Group enters into hedges possibly classified as Level 2. Thus the sensitivity analysis of Level 3 instruments does not include the offsetting effect from the hedging position.

Movements in day-one profits or losses

The following tables show the reconciliation of the changes in the accumulated deviations (movement in the deferred day-one profit or loss) and the accumulated deviations that were not yet recognised in the income statement at the beginning and end of the period.

CHF million	Day-one loss	Day-one profit	Total
Balance as at 30.9.2015	**0.7**	**–77.8**	**–77.1**
Deferred profit/loss arising from new transactions	0.3	–17.3	–17.0
Profit or loss recognised in the income statement	–0.3	8.8	8.5
Currency translation effect	0.0	0.4	0.4
Balance as at 30.9.2016	**0.7**	**–85.9**	**–85.2**
Deferred profit/loss arising from new transactions	0.0	–18.1	–18.1
Profit or loss recognised in the income statement	–0.4	16.2	15.8
Currency translation effect	0.0	–0.7	–0.7
Balance as at 30.9.2017	**0.3**	**–88.5**	**–88.2**

The deferred day-one profits or losses are systematically released to the income statement based on the terms and conditions of the contract and are recognised in net sales from energy business. They are also reclassified to the income statement if the transaction is settled.

Profits and losses on Level 3 instruments recognised in the income statement incl. day-one profits or losses

CHF million	Net sales 2016/17	Net sales 2015/16
Total profit or loss for the financial year recognised in the income statement	–17.5	–24.8
Total profit or loss recognised in the income statement on financial instruments held at financial year end	13.8	–32.1

7 | Changes in scope of consolidation

2016/17 financial year:

Company formations, acquisitions, mergers and disposals

In the reporting period no acquisitions were carried out. Several entities were founded, sold and liquidated. None of these transactions had a significant influence on the Axpo Group.

2015/16 financial year:

Company formations, acquisitions and mergers

Under the agreement dated 15 July 2015 and with economic effect from 15 October 2015, the Axpo Group acquired 100% of the shares and thus control over Volkswind GmbH (with domicile in Ganderkesee, Germany) and its subsidiaries. The company is a leading wind farm developer and operator in Germany and France. During the 2015/16 financial year, four wind farms of the Volkswind Group portfolio were completed and sold. Two of these four wind farms were part of the acquisition and two were completed during the 2015/16 financial year. The companies of the Volkswind Group are assigned to the Assets business area (see Note 8 "Operating segments").

Further acquisitions during the 2015/16 financial year related to the purchase of the remaining 50% interest in Axpo Turkey Enerji A.S. (formerly Demirören Axpo Enerji Toptan Ticaret A.S.) by Axpo International SA on 1 April 2016. Thus, the consideration within the Axpo Group changed from associated to fully consolidated. The Axpo Group holds 100% of the shares in the company which is assigned to the Trading & Sales business area (see Note 8 "Operating segments"). The acquisition of the 66.67% stake in Berom AG (with domicile in Brügg) took place on 15 April 2016. The company is assigned to the Assets business area (see Note 8 "Operating segments"). The acquired non-controlling interests were taken over at fair value.

Acquired assets and liabilities

A fair value evaluation was conducted for the identified assets and liabilities. At the acquisition date the following values existed:

CHF million	Remarks	Fair value of assets acquired
Property, plant and equipment	15	167.8
Intangible assets	16	360.0
Investment in partner plants and other associates		–13.9
Other non-current and current assets		96.3
Non-current and current financial liabilities		–127.7
Non-current and current provisions		–6.7
Non-current and current other liabilities		–126.3
Total net identifiable assets and liabilities at fair value		**349.5**
Non-controlling interests at fair value		–1.0
Goodwill acquired		0.8
Acquired cash and cash equivalents		–32.3
Deferred acquisition price		–32.5
Total cash outflow		**284.5**

The carrying amount of the trade receivables corresponds to the market value. No impairments were made.

Since entering the scope of consolidation, the newly purchased companies generated total annual income in the amount of CHF 114.6 million and earnings before tax of CHF 8.9 million in the 2015/16 financial.

The transaction costs of CHF 3.9 million were recognised in the income statement.

8 | Operating segments

The Axpo Group's segment reporting is based on the internal organisational and management structure and on internal financial reporting to the key management committees. This complies with the provisions of IFRS 8, the so-called management approach. Axpo uses earnings before interest and tax (EBIT) for internal control purposes and as an indicator of the long-term earnings power of a reporting segment. All operational assets are recognised by the reporting segment. There are no differences between the accounting policies used for segment reporting and those used for the consolidated financial statements.

The reporting segments pursuant to IFRS 8 encompass the three business areas of Assets, Trading & Sales and CKW. These are individually assessed by the management to measure performance levels and for the purpose of allocating resources. No operating business areas have been combined to form the reporting segments.

The Assets business area operates and expands the Axpo power plant portfolio (hydraulic power plants, nuclear power plants, gas-fired combined-cycle power plants, power plants using new renewable energies) in Switzerland and abroad, as well as infrastructure such as grids and substations. This business area is also responsible for optimising the power plant portfolio and developing new power plant projects.

The Trading & Sales business area encompasses the areas of energy trading, risk and portfolio management, customer service in Northeastern Switzerland, and the optimal deployment of the power plant portfolio from an economic and supply perspective.

With its production portfolio, investments in power plants as well as long-term contracts and grid infrastructure, the CKW business area supplies energy to Central Switzerland and ensures optimum use of hydro power in this region through existing exchange agreements.

In compliance with IFRS 8, Axpo Holding AG, Axpo Services AG and Avectris AG (which are not operating segments) as well as consolidation effects are combined under “Reconciliation”.

Segment income statement

CHF million	Assets 2016/17	Assets 2015/16	Trading & Sales 2016/17	Trading & Sales 2015/16	CKW 2016/17	CKW 2015/16	Reconciliation 2016/17	Reconciliation 2015/16	Total 2016/17	Total 2015/16
Revenues from energy sales and grid usage by external customers	586.0	592.1	3 932.1	3 770.6	781.6	779.1	30.4	27.2	5 330.1	5 169.0
Revenues from energy sales and grid usage by other segments	951.2	1 424.5	74.4	45.4	17.2	24.5	–1 042.8	–1 494.4	0.0	0.0
Changes in inventories	–1.6	–4.6	0.0	0.0	–1.9	3.0	–0.8	–0.1	–4.3	–1.7
Capitalised production costs	36.8	49.6	0.0	0.0	21.3	21.2	1.6	1.0	59.7	71.8
Other operating income	147.9	84.8	–85.3	22.9	29.0	18.5	90.2	50.8	181.8	177.0
Total income	**1 720.3**	**2 146.4**	**3 921.2**	**3 838.9**	**847.2**	**846.3**	**–921.4**	**–1 415.5**	**5 567.3**	**5 416.1**
Operating expenses	–1 454.6	–2 417.3	–3 971.6	–4 068.8	–724.5	–880.3	1 073.6	1 486.1	–5 077.1	–5 880.3
Share of profit of partner plants and other associates	56.9	86.6	–1.0	–1.7	11.8	12.4	–0.6	2.5	67.1	99.8
Depreciation, amortisation and impairments	–225.8	–731.8	–6.8	–14.5	–56.1	–59.4	0.5	–56.1	–288.2	–861.8
Earnings before interest and tax (EBIT)	**96.8**	**–916.1**	**–58.2**	**–246.1**	**78.4**	**–81.0**	**152.1**	**17.0**	**269.1**	**–1 226.2**
Financial income									461.1	253.6
Financial expense									–316.8	–314.5
Earnings before tax (EBT)									**413.4**	**–1 287.1**
Income tax expense									–103.5	35.6
Result for the period									**309.9**	**–1 251.5**

Segment assets and supplementary information

CHF million	Assets 2016/17	Assets 2015/16	Trading & Sales 2016/17	Trading & Sales 2015/16	CKW 2016/17	CKW 2015/16	Reconciliation 2016/17	Reconciliation 2015/16	Total 2016/17	Total 2015/16
Additions to non-current assets [1)]	16.5	50.4	3.2	9.3	87.3	101.8	231.5	498.2	338.5	659.7
Investments in partner plants and other associates	1 041.6	999.3	6.6	7.3	286.4	274.3	53.7	101.8	1 388.3	1 382.7
Segment assets [2)]	7 327.3	6 657.6	4 667.8	3 854.9	2 291.1	2 182.8	4 736.8	5 893.1	19 023.0	18 588.4
thereof "assets held for sale"	38.2	2.2	0.0	0.0	0.0	0.0	46.5	2.0	84.7	4.2

1) Additions to property, plant and equipment, intangible assets, investments in partner plants and other associates, investment properties and receivables from state funds.
2) The reconciliation item of segment assets includes assets not allocated (assets under construction, prepayments on assets under construction, intangible assets not yet capitalised, non-operative investments in other associates, derivatives (except energy derivatives), current and non-current financial receivables, investment properties, receivables from state funds, securities, and cash and cash equivalents).

Information by country

CHF million	Switzerland 2016/17	Switzerland 2015/16	Italy 2016/17	Italy 2015/16	Germany 2016/17	Germany 2015/16	Other countries 2016/17	Other countries 2015/16	Total 2016/17	Total 2015/16
Revenues from energy sales and grid usage	1 777.9	1 794.9	2 498.8	2 447.8	300.2	345.6	753.2	580.7	5 330.1	5 169.0
Non-current assets [1)]	8 607.3	8 392.9	315.8	300.2	63.4	65.7	96.4	97.5	9 082.9	8 856.3

1) Property, plant and equipment, intangible assets, ownership interests in partner plants and other associates, investment properties and receivables from state funds.

Information by product

CHF million	Energy 2016/17	Energy 2015/16	Grid usage 2016/17	Grid usage 2015/16	Result from energy derivatives trading 2016/17	Result from energy derivatives trading 2015/16	Other net revenue 2016/17	Other net revenue 2015/16	Total 2016/17	Total 2015/16
Revenues from energy sales and grid usage	4 414.6	4 312.5	580.2	621.5	19.4	–71.4	315.9	306.4	5 330.1	5 169.0

Information about major customers

There are no transactions with one individual external customer from which the income comprises 10% or more of net revenue.

9 | Expenses for energy procurement, grid usage and cost of goods purchased

CHF million	2016/17	2015/16
Expenses for energy procurement and grid usage from third parties and associates	–3 125.0	–2 854.7
Expenses for energy procurement and grid usage from partner plants (Notes 17 and 32)	–740.9	–783.4
Increase in provisions (excluding interest) for onerous energy procurement contracts (Note 29)	–140.1	–1 119.5
Reversal of provisions (excluding interest) for onerous energy procurement contracts (Note 29)	129.6	118.1
Cost of goods	–50.2	–49.5
Total	**–3 926.6**	**–4 689.0**

The interest on the provision for onerous energy procurement contracts is recognised in the financial results.

The review of the parameters used to measure energy procurement risks, such as future trends in energy prices and the development of production costs for power plants as well as exchange rates, led to a net change of CHF 10.5 million, recognised in the income statement, in the provision for onerous energy procurement contracts (provisions of CHF 140.1 million created and provisions of CHF 129.6 million released; see Note 5 “Estimation uncertainties and significant judgements in the application of accounting policies”).

Expenses for energy procurement from quota transactions are not included in the above total since they are netted against any revenues also ceded. They amounted to CHF 362.8 million (previous year: CHF 476.0 million).

10 | Personnel expenses

CHF million	2016/17	2015/16
Salaries and wages	–486.6	–489.8
Employee benefit expense for defined benefit plans (Note 31)	–72.6	–72.7
Employee benefit expense for defined contribution plans	–2.0	–3.1
Social security and other personnel expenses	–61.3	–63.7
Total	**–622.5**	**–629.3**
Number of employees at balance sheet date:		
Full-time equivalents	3 863	3 897
Apprentices	359	397
Total	**4 222**	**4 294**

11 | Other operating expenses

CHF million	2016/17	2015/16
Charges, fees and capital taxes	–154.1	–156.2
Realised losses from disposals of Group companies and other associates	–7.7	0.0
Other operating expenses	–197.5	–215.2
Total	**–359.3**	**–371.4**

Other operating expenses include insurance, telephone costs, travel expenses, general administrative costs, other services as well as the creation and release of a part of the provisions and allowances for bad debts.

12 | Impairment losses, impairment reversals and provisions for onerous energy procurement contracts

Allocation of impairment losses, impairment reversals and provisions for the 2016/17 financial year

CHF million			Assets	Trading & Sales	CKW	Reconcilia-tion	**Total**
Production Switzerland	Property, plant and equipment	Impairment losses	–224.1	0.0	0.0	0.0	**–224.1**
		Impairment reversals	150.6	0.0	0.0	0.0	**150.6**
	Intangible assets	Impairment reversals	6.0	0.0	0.0	0.0	**6.0**
Production abroad	Property, plant and equipment	Impairment reversals	5.2	0.0	0.0	0.0	**5.2**
	Intangible assets	Impairment losses	0.0	–1.0	0.0	0.0	**–1.0**
		Impairment reversals	8.4	0.0	0.0	0.0	**8.4**
Investments Switzerland	Other associates	Impairment reversals	0.0	0.0	0.0	12.7	**12.7**
	Goodwill	Impairment losses	0.0	0.0	–1.4	0.0	**–1.4**
Investments abroad	Other associates	Impairment losses	–4.3	0.0	0.0	–2.8	**–7.1**
	Goodwill	Impairment losses	0.0	–0.8	0.0	0.0	**–0.8**
Assets held for sale	Property, plant and equipment	Impairment reversals	0.5	0.0	0.0	0.0	**0.5**
Total impairment losses/reversals on assets			**–57.7**	**–1.8**	**–1.4**	**9.9**	**–51.0**
Depreciation and amortisation on property, plant and equipment and intangible assets							**–237.2**
Total depreciation, amortisation and impairments							**–288.2**
Provisions for onerous contracts (net)			**–23.4**	**0.5**	**–40.0**	**52.4**	**–10.5**

Allocation of impairment losses, impairment reversals and provisions for the 2015/16 financial year

CHF million			Assets	Trading & Sales	CKW	Reconciliation	Total
Production Switzerland	Property, plant and equipment	Impairment losses	–769.4	–7.6	–4.8	0.0	**–781.8**
		Impairment reversals	22.4	0.0	0.4	0.0	**22.8**
	Intangible assets	Impairment losses	–34.6	0.0	0.0	0.0	**–34.6**
		Impairment reversals	6.6	0.0	0.0	0.0	**6.6**
Production abroad	Property, plant and equipment	Impairment losses	–2.3	0.0	0.0	0.0	**–2.3**
		Impairment reversals	162.7	0.0	0.0	0.0	**162.7**
	Intangible assets	Impairment losses	–28.6	0.0	0.0	0.0	**–28.6**
	Other non-current financial assets	Impairment reversals	96.8	0.0	0.0	0.0	**96.8**
Investments Switzerland	Other associates	Impairment losses	0.0	0.0	0.0	–44.8	**–44.8**
Investments abroad	Other associates	Impairment losses	–11.7	0.0	0.0	0.0	**–11.7**
Assets held for sale	Property, plant and equipment	Impairment losses	–0.3	0.0	0.0	0.0	**–0.3**
Total impairment losses/reversals on assets			**–558.4**	**–7.6**	**–4.4**	**–44.8**	**–615.2**
Depreciation and amortisation on property, plant and equipment and intangible assets							**–246.6**
Total depreciation, amortisation and impairments							**–861.8**
Provisions for onerous contracts (net)			**–797.2**	**–8.4**	**–195.8**	**0.0**	**–1 001.4**

Wholesale prices on European energy forward markets stabilised during the 2016/17 financial year, and the forecasts regarding future market prices have been upgraded slightly compared with the previous year. Impairments impacted the flexible domestic hydro power plants, in particular. At these power plants, forecasts for future prices will lead to further impairments, despite the slight improvement in prices. Reversals of impairments for production inside and outside Switzerland are mainly attributable to a reduction in production costs. In the previous year, the sharp drop in wholesale prices and downgraded forecasts for future market prices and related cash flows led to the reported impairments and provisions for onerous energy procurement contracts.

Goodwill is tested for impairment annually in the fourth quarter of the financial year or any time there is an indication of impairment. For property, plant and equipment, intangible assets (mainly rights for energy procurement and concessions) and other associates, an impairment test is only conducted if any indication of impairment exists.

All impairment tests are based on a value-in-use calculation using the discounted cash flow (DCF) method. The evaluation of provisions for onerous energy procurement contracts is also based on the DCF method consistent with the value-in-use calculation.

Value-in-use calculation – property, plant and equipment, intangible assets and other associates

The value-in-use calculations are performed for each power plant, associate investment or energy procurement/plant usage rights. The time horizon for the calculation extends over the concession period or the operating life of the asset. For the first three years, the value-in-use corresponds to the present value of cash flows based on the budget. From the fourth year, the projected cash flows used for the determination of the value-in-use are based on various assumptions concerning market developments (see "Key assumptions").

Value-in-use calculation – partner plants and energy procurement contracts

The value in-use calculations are performed for each partner plant or energy procurement contract. The time horizon for the calculation extends over the concession period or the term of the procurement contract and the operating life of the plant, respectively. The value-in-use corresponds to the present value of cash flows based on the budget for the first three years, and from the fourth year, the projected cash flows used are based on various assumptions concerning market developments (see "Key assumptions").

Value-in-use calculation – goodwill

The value-in-use corresponds to the present value of the budgeted cash flows for five years and a residual value without taking into account any growth rate. The projected cash flows used for the determination of the value-in-use are based on various assumptions made by management concerning market developments (see “Key assumptions”).

Key assumptions

The significant assumptions used for the determination of the value-in-use and the evaluation of the provisions include forecasts of future electricity and gas prices, assumptions for the capital expenditures, the regulatory environment, growth rates, discount and exchange rates, and forecasts for the proportional annual expenses for energy procurement costs (only for power plants and energy procurement contracts).

Discount rates

The discount rate is based on a WACC (weighted average cost of capital) calculated using the capital asset pricing model (CAPM). The parameters used were determined based on the risk profile of the respective cash-generating unit. For the value-in-use calculation and the evaluation of the provision, respectively, a different discount rate was used for each production type and country. For goodwill testing, a specific discount rate per subsidiary was applied.

	30.9.2017	30.9.2016
in %	After-tax real discount rate	After-tax real discount rate
Gas-fired combined-cycle power plants, Italy	4.4	4.4
Wind production, Italy	4.0	4.0
Wind production, France	3.2	3.2
Wind production, Germany	3.2	3.2
Hydraulic plants, Switzerland	4.0	4.0–4.3
Nuclear power plants, Switzerland	4.6	4.4
Long-term contracts, France	4.9	4.7
Goodwill Axpo Italia S.p.A.	4.8	4.8
Goodwill Axpo Hydro Surselva AG	4.2	4.1
Goodwill CKW Conex AG (former Telcom AG)	4.4	4.4

Sensitivities

For goodwill, changing the discount rates to the following values would cause the recoverable value to be exactly the same as the carrying amount:

in %	30.9.2017	30.9.2016
	Break-even after-tax real discount rate	Break-even after-tax real discount rate
Axpo Italia S.p.A.	11.9	12.2
Axpo Hydro Surselva AG	5.1	5.6

13 | Financial result

CHF million	2016/17	2015/16
Interest income	74.0	45.6
Income from nuclear waste disposal fund	162.9	169.2
Income from investment properties	11.1	4.6
Net exchange rate gains	35.1	0.0
Other financial income	178.0	34.2
Total financial income	**461.1**	**253.6**
Interest expense	–180.0	–158.6
Interest and fund expense for nuclear provisions	–94.6	–95.5
Impairment losses financial investments	–1.1	–0.9
Investment property expense	–3.2	–3.1
Net exchange rate losses	0.0	–15.3
Other financial expense	–37.9	–41.1
Total financial expense	**–316.8**	**–314.5**
Total	**144.3**	**–60.9**

Realised and unrealised exchange rate gains and losses as well as realised and unrealised gains from other financial instruments are reported net.

The interest expense of CHF 180.0 million (previous year: CHF 158.6 million) includes interest of CHF 48.0 million (previous year: CHF 22.2 million) on provisions for onerous energy procurement contracts and other provisions (see Note 29 "Provisions").

14 | Income taxes

CHF million	2016/17	2015/16
Current income taxes	–42.9	–62.0
Deferred income taxes	–60.6	97.6
Total income taxes	**–103.5**	**35.6**

Current income taxes consist of taxes paid or due on the results of the individual companies for the financial year in accordance with local regulations, as well as charges and credits from previous periods.

Total income taxes directly recognised in other comprehensive income	**10.5**	**44.6**

Reconciliation of expected tax rate and effective tax rate

The expected tax income of CHF –76.9 million (previous year: CHF 239.4 million) can be reconciled to the effective tax income of CHF –103.5 million (previous year: CHF 35.6 million) as follows:

CHF million	2016/17	2015/16
Earnings before tax (EBT)	413.4	–1 287.1
Expected tax rate (ordinary tax rate at head office)	18.6%	18.6%
Income tax at expected tax rate	–76.9	239.4
Non-tax-deductible expenses	–14.1	–19.3
Effect from previous periods	–4.2	5.6
Effect of tax rate changes	–8.4	12.3
Effect of income not subject to tax or tax privileged	13.4	60.6
Unrecorded tax-loss carry forward	–31.4	–177.4
Usage of unaccounted tax-loss carry forwards from previous reporting years	47.2	0.0
Earnings taxable at different tax rates	27.2	6.9
Effect of impairment of investments	–33.5	49.7
Reassessment of deferred tax assets	–23.5	–133.2
Other effects	0.7	–9.0
Total income taxes (current and deferred)	**–103.5**	**35.6**

The ordinary tax rate at the head office comprises direct federal tax (8.5%) and cantonal and municipal taxes of the Canton of Aargau (14.4%). Due to the deductibility of both taxes from taxable income, this results in an effective ordinary tax rate for the head office of 18.6% (previous year: 18.6%).

Deferred taxes by origin of temporary differences

CHF million	Assets 30.9.2017	Liabilities 30.9.2017	Assets 30.9.2016	Liabilities 30.9.2016
Property, plant and equipment	402.1	71.0	332.3	66.3
Intangible assets	0.5	93.8	0.3	93.5
Investments	10.8	24.0	0.0	35.4
Positive derivative financial instruments (current and non-current)	0.3	58.2	0.0	66.5
Other assets (non-current)	0.0	17.6	0.0	21.4
Trade receivables	13.9	0.9	13.1	1.0
Other receivables (current)	13.9	39.1	6.5	2.7
Provisions (current and non-current)	2.3	442.8	38.2	389.6
Negative derivative financial instruments (current and non-current)	87.9	0.0	44.6	0.0
Other liabilities (non-current)	36.7	1.5	89.4	1.6
Other liabilities (current)	1.2	3.5	1.6	0.2
Tax-loss carry forward	75.2	0.0	85.8	0.0
Deferred taxes, gross	**644.8**	**752.4**	**611.8**	**678.2**
Offsetting of assets and liabilities	–584.7	–584.7	–535.1	–535.1
Deferred taxes, net	**60.1**	**167.7**	**76.7**	**143.1**

As in the previous year, as at 30 September 2017, there were no temporary differences associated with investments in subsidiaries, for which no deferred tax liabilities were recognised.

Expiry dates of tax-loss carry forwards not capitalised

CHF million	30.9.2017	30.9.2016
Expiring in the following year	35.9	181.9
Expiring within 2 to 5 years	1 323.8	701.1
Expiring in more than 5 years	1 749.0	2 589.8
Total	**3 108.7**	**3 472.8**

15 | Property, plant and equipment

CHF million	Power plants	Distribution facilities	Land and buildings	Other property, plant and equipment	Assets under construction	Total
Acquisition cost						
Balance as at 30.9.2015	**8 543.9**	**3 309.7**	**564.7**	**309.7**	**2 678.1**	**15 406.1**
Change in consolidation scope	161.0	0.0	5.6	1.2	0.0	167.8
Additions (investments)	14.6	5.2	0.5	4.1	471.7	496.1
Disposals	−136.7	−54.0	−9.3	−12.6	−0.1	−212.7
Adjustments to acquisition costs IFRIC 1	0.0	0.0	0.0	0.0	−82.5	−82.5
Reclassification to "assets held for sale"	0.0	−3.1	−1.0	−0.2	0.0	−4.3
Reclassifications	380.1	199.4	10.0	−55.6	−380.3	153.6
Currency translation effect	−4.4	0.0	0.0	−0.1	−0.2	−4.7
Balance as at 30.9.2016	**8 958.5**	**3 457.2**	**570.5**	**246.5**	**2 686.7**	**15 919.4**
Additions (investments)	1.4	4.4	0.5	4.9	276.1	287.3
Disposals	−137.7	−42.0	−2.2	−23.0	−0.5	−205.4
Adjustments to acquisition costs IFRIC 1	13.0	0.0	0.0	0.0	0.0	13.0
Reclassification to/from "assets held for sale"	−1.6	0.0	−32.9	0.2	0.0	−34.3
Reclassifications	113.7	142.4	25.1	−12.1	−263.3	5.8
Currency translation effect	66.2	0.0	0.4	0.7	2.1	69.4
Balance as at 30.9.2017	**9 013.5**	**3 562.0**	**561.4**	**217.2**	**2 701.1**	**16 055.2**
Accumulated depreciation						
Balance as at 30.9.2015	**−7 434.1**	**−1 946.0**	**−263.6**	**−232.6**	**−960.0**	**−10 836.3**
Depreciation in reporting period	−67.5	−76.5	−13.8	−21.2	0.0	−179.0
Impairment losses	−285.1	−15.7	−21.7	−0.3	−461.3	−784.1
Impairment reversals	181.7	0.2	0.3	0.0	3.3	185.5
Disposals	116.5	51.6	4.7	11.5	0.0	184.3
Reclassification to "assets held for sale"	0.0	1.6	0.4	0.1	0.0	2.1
Reclassifications	−306.9	−57.2	1.4	54.6	161.5	−146.6
Currency translation effect	2.7	0.0	0.0	0.0	0.1	2.8
Balance as at 30.9.2016	**−7 792.7**	**−2 042.0**	**−292.3**	**−187.9**	**−1 256.4**	**−11 571.3**
Depreciation in reporting period	−79.0	−75.6	−13.2	−17.7	−0.2	−185.7
Impairment losses	−10.5	0.0	0.0	0.0	−213.6	−224.1
Impairment reversals	67.7	2.9	12.5	4.1	68.6	155.8
Disposals	135.2	38.1	2.2	22.3	0.0	197.8
Reclassification to "assets held for sale"	0.2	0.0	19.1	0.0	0.0	19.3
Reclassifications	−35.3	−21.3	0.0	17.8	36.2	−2.6
Currency translation effect	−42.8	−0.1	0.0	−0.2	−2.0	−45.1
Balance as at 30.9.2017	**−7 757.2**	**−2 098.0**	**−271.7**	**−161.6**	**−1 367.4**	**−11 655.9**
Carrying amount as at 1.10.2015	1 109.8	1 363.7	301.1	77.1	1 718.1	4 569.8
Carrying amount as at 30.9.2016	**1 165.8**	**1 415.2**	**278.2**	**58.6**	**1 430.3**	**4 348.1**
Carrying amount as at 1.10.2016	1 165.8	1 415.2	278.2	58.6	1 430.3	4 348.1
Carrying amount as at 30.9.2017	**1 256.3**	**1 464.0**	**289.7**	**55.6**	**1 333.7**	**4 399.3**

The line "Adjustments to acquisition costs IFRIC 1" contains an amount of CHF 12.3 million, or CHF 0.7 million not recognised in profit or loss which are related to the allocation of acquisition costs of the Beznau nuclear power plant and wind farms in Italy. In the previous year, this line included the 2016 cost analyses, which reduced the acquisition value of the Beznau nuclear power plant by CHF 82.5 million. These changes in estimate were taken into account without affecting profit or loss both in accordance with IFRIC 1 in property, plant and equipment and in the provisions for nuclear waste disposal and other provisions (see Note 29 "Provisions").

In the previous year, the line "Change in consolidation scope" contained property, plant and equipment from the acquisition of Volkswind GmbH and Berom AG.

Reclassifications totalling CHF 263.3 million (previous year: CHF 380.3 million) from assets under construction to power plants, distribution systems, land and buildings and other property, plant and equipment were made in the year under review.

In the 2016/17 financial year, property, plant and equipment with a carrying amount of CHF 15.0 million (previous year: CHF 2.3 million) was classified as "held for sale" and reclassified to the item "Assets held for sale" (see Note 20 "Assets held for sale").

Capital commitments

Long-term contractual obligations of CHF 434.9 million (previous year: CHF 551.0 million) were assumed in connection with the acquisition of property, plant and equipment (including nuclear fuel rods). Property, plant and equipment of CHF 129.0 million (previous year: CHF 395.5 million) was pledged as collateral for financial liabilities. The majority of the pledged property, plant and equipment is related to the wind farms in France and Germany.

Assets under construction

Advance payments to businesses and suppliers included in assets under construction amounted to CHF 503.2 million (previous year: CHF 534.7 million).

Capitalised borrowing costs

In the 2016/17 financial year, borrowing costs of CHF 18.3 million (previous year: CHF 21.9 million) at a borrowing rate between 0.2% and 2.05% (previous year: 0.2% and 2.05%) were capitalised.

16 | Intangible assets

CHF million	Energy procurement rights, rights of use for facilities and concessions	Goodwill	Other	Total
Acquisition cost				
Balance as at 30.9.2015	**2 465.1**	**379.2**	**463.1**	**3 307.4**
Change in consolidation scope	359.9	0.0	0.1	360.0
Additions (investments)	0.0	1.1	8.1	9.2
Disposals	–32.5	–1.5	–9.1	–43.1
Reclassifications	3.5	0.0	–5.7	–2.2
Currency translation effect	–1.1	–0.6	–0.2	–1.9
Balance as at 30.9.2016	**2 794.9**	**378.2**	**456.3**	**3 629.4**
Additions (investments)	0.4	0.0	14.9	15.3
Disposals	–5.5	–0.4	–3.0	–8.9
Reclassifications	151.0	0.0	–156.2	–5.2
Currency translation effects	18.7	4.1	2.5	25.3
Balance as at 30.9.2017	**2 959.5**	**381.9**	**314.5**	**3 655.9**
Accumulated amortisation				
Balance as at 30.9.2015	**–2 194.3**	**–276.1**	**–278.8**	**–2 749.2**
Amortisation in reporting period	–57.5	0.0	–10.1	–67.6
Impairment losses	–63.2	0.0	0.0	–63.2
Impairment reversals	6.6	0.0	0.0	6.6
Disposals	32.0	1.5	9.1	42.6
Reclassifications	–5.2	0.0	3.5	–1.7
Currency translation effects	0.1	0.0	0.3	0.4
Balance as at 30.9.2016	**–2 281.5**	**–274.6**	**–276.0**	**–2 832.1**
Amortisation in reporting period	–45.5	0.0	–6.0	–51.5
Impairment losses	–1.0	–2.2	0.0	–3.2
Impairment reversals	14.4	0.0	0.0	14.4
Disposals	2.4	0.4	2.0	4.8
Reclassifications	3.0	0.0	0.1	3.1
Currency translation effects	–3.7	–0.2	–2.3	–6.2
Balance as at 30.9.2017	**–2 311.9**	**–276.6**	**–282.2**	**–2 870.7**
Carrying amount as at 1.10.2015	270.8	103.1	184.3	558.2
Carrying amount as at 30.9.2016	**513.4**	**103.6**	**180.3**	**797.3**
Carrying amount as at 1.10.2016	513.4	103.6	180.3	797.3
Carrying amount as at 30.9.2017	**647.6**	**105.3**	**32.3**	**785.2**

Significant amounts of goodwill are attributable to the following cash-generating units. Other than goodwill, no intangible assets with an indefinite useful life are recorded in the balance sheet. Goodwill is allocated to the cash-generating units as follows:

CHF million	30.9.2017	30.9.2016
Axpo Italia S.p.A.	78.0	74.1
Axpo Hydro Surselva AG	27.3	27.3
CKW Conex AG (formerly Telcom AG)	0.0	1.4
Other	0.0	0.8
Total	**105.3**	**103.6**

17 | Investments in partner plants and other associates

CHF million	Partner plants	Other associates	Total
Carrying amount as at 30.9.2016	**857.7**	**525.0**	**1 382.7**
Additions	0.0	13.2	13.2
Disposals	–12.9	4.3	–8.6
Reclassification to "assets held for sale"	0.0	–64.2	–64.2
Impairment losses	0.0	–10.9	–10.9
Impairment reversals	0.0	12.7	12.7
Dividend	–33.8	–31.4	–65.2
Share of profit	36.0	31.1	67.1
Cash flow hedges (other comprehensive income)	0.0	6.8	6.8
Remeasurement of defined benefit plans (other comprehensive income)	50.8	14.2	65.0
Deferred taxes (other comprehensive income)	–10.2	–3.1	–13.3
Currency translation effect	0.2	2.8	3.0
Carrying amount as at 30.9.2017	**887.8**	**500.5**	**1 388.3**

All significant partner plants and other associates are measured using uniform principles in accordance with IFRS. Where no financial statements prepared in accordance with IFRS were available, a reconciliation to IFRS accounts was prepared. The reporting date of certain partner plants and other associates deviates from that of the Axpo Group. The most recent financial statements available for these companies were used for the preparation of the consolidated financial statements of the Axpo Group. Adjustments were made in the consolidated financial statements for the effect of significant transactions and events which took place between the balance sheet date of the most recent financial statements and 30 September.

In the year under review, the line "Additions" includes capital increases at various associates. Amongst others, the share capital of Trans Adriatic Pipeline AG was increased by CHF 11.5 million (pro rata). In the 2016/17 financial year, the line "Disposals" includes the sale of the investments in the partner plants Argessa AG, Lizerne et Morge SA and Rheinkraftwerk Albbruck-Dogern AG. Furthermore, two companies were liquidated.

Partner plants

Shareholders in partner plants have obliged themselves reciprocally within the scope of the partnership agreements to pay the pro rata annual costs (incl. interest and repayment of loans). The proportional annual costs for the Axpo Group amount to CHF 740.9 million (previous year: CHF 783.4 million). These costs are included in expenses for energy procurement costs and cost of goods purchased (see Note 9 "Expenses for energy procurement, grid usage and cost of goods"). Details of the equity-accounted partner plants are given in the annual reports of the individual partner plants.

Owners of nuclear power plants have a limited obligation to make additional contributions to the Decommissioning and Waste Disposal Fund in the event that one of the primary obligated parties is unable to meet its payment obligations.

The Axpo Group has material investments in the nuclear partner plants Kernkraftwerk Leibstadt AG and Kernkraftwerk Gösgen-Däniken AG. A list of partner plants and other associates can be found in Note 36 "Investments".

The tables below show the key figures of the partner plants referred to above. These figures are the figures that appear in the companies' financial statements, reconciled to IFRS:

Financial information of material partner plants and other associates

CHF million	Gross value 30.9.2017		Gross value 30.9.2016	
	Kernkraftwerk Leibstadt AG	Kernkraftwerk Gösgen-Däniken AG	Kernkraftwerk Leibstadt AG	Kernkraftwerk Gösgen-Däniken AG
Balance sheet				
Non-current financial receivables	2.5	1.2	2.9	1.3
Swiss Federal Decommissioning and Waste Disposal Funds	1 857.1	1 968.2	1 696.3	1 762.0
Other fixed assets	2 406.5	1 258.2	2 380.3	1 501.8
Cash and cash equivalents and current financial receivables	70.4	112.3	99.4	100.1
Other current receivables	204.3	141.9	249.7	248.8
Total assets	**4 540.8**	**3 481.8**	**4 428.6**	**3 614.0**
Non-current financial liabilities	400.0	136.3	400.0	130.0
Non-current provisions	3 344.5	2 845.4	3 276.9	2 990.3
Non-current other liabilities	98.9	87.5	155.0	151.7
Current financial liabilities	0.0	0.0	50.0	0.0
Current provisions	131.9	36.7	69.2	32.6
Current other liabilities	121.3	95.9	79.5	77.2
Equity	444.2	280.0	398.0	232.2
Total liabilities & equity	**4 540.8**	**3 481.8**	**4 428.6**	**3 614.0**
Share (in %)	34.63%	35.95%	34.63%	35.95%
Carrying amount of the investment	**153.8**	**100.7**	**137.8**	**83.5**
Dividends received	8.6	6.3	8.6	6.3

CHF million	Gross value 2016/17		Gross value 2015/16	
	Kernkraftwerk Leibstadt AG	Kernkraftwerk Gösgen-Däniken AG	Kernkraftwerk Leibstadt AG	Kernkraftwerk Gösgen-Däniken AG
Income statement				
Income	488.2	402.5	526.3	450.9
Expenses	–461.9	–383.8	–500.0	–432.2
Profit	**26.3**	**18.7**	**26.3**	**18.7**
Statement of comprehensive income				
Other comprehensive income	44.5	46.6	–4.1	8.4
Total comprehensive income	70.8	65.3	22.2	27.1
Share (in %)	34.63%	35.95%	34.63%	35.95%
Share of profit	9.1	6.7	9.1	6.7
Share of other comprehensive income	15.4	16.8	–1.4	3.0
Share of total comprehensive income	24.5	23.5	7.7	9.7

The tables below show the aggregated key financial figures for the other, individually immaterial, investments in partner plants and other associates (proportional):

Financial information of partner plants and other associates as at 30.9.2017

CHF million	Individual disclosed investments aggregated	Partner plants	Other associates	Total
Carrying amount of the investments	254.5	633.3	500.5	1 388.3
Balance sheet				
Non-current financial receivables	1.3	50.9	3.5	55.7
Swiss Federal Decommissioning and Waste Disposal Funds	1 350.7	0.0	0.0	1 350.7
Other fixed assets	1 285.7	2 083.5	1 923.8	5 293.0
Cash and cash equivalents and current financial receivables	64.8	89.2	153.0	307.0
Other current receivables	121.7	38.9	267.6	428.2
Total assets	**2 824.2**	**2 262.5**	**2 347.9**	**7 434.6**
Non-current financial liabilities	187.5	1 109.9	1 302.8	2 600.2
Non-current provisions	2 181.1	159.1	94.6	2 434.8
Non-current other liabilities	65.7	22.4	58.8	146.9
Current financial liabilities	0.0	236.5	80.9	317.4
Current provisions	58.9	4.9	21.1	84.9
Current other liabilities	76.5	96.4	192.7	365.6
Equity	254.5	633.3	597.0	1 484.8
Total liabilities & equity	**2 824.2**	**2 262.5**	**2 347.9**	**7 434.6**
Income statement				
Income	313.8	531.1	560.3	1 405.2
Expenses	–298.0	–510.9	–529.2	–1 338.1
Profit	**15.8**	**20.2**	**31.1**	**67.1**
Statement of comprehensive income				
Total other comprehensive income	32.2	8.4	17.9	58.5
Total comprehensive income	48.0	28.6	49.0	125.6

Financial information of partner plants and other associates as at 30.9.2016

CHF million	Individual disclosed investments aggregated	Partner plants	Other associates	Total
Carrying amount of the investments	221.3	636.4	525.0	1 382.7
Balance sheet				
Non-current financial receivables	1.5	81.0	8.4	90.9
Swiss Federal Decommissioning and Waste Disposal Funds	1 220.9	0.0	0.0	1 220.9
Other fixed assets	1 364.2	2 193.8	1 963.7	5 521.7
Cash and cash equivalents and current financial receivables	70.4	97.0	200.3	367.7
Other current receivables	175.9	47.9	344.7	568.5
Total assets	**2 832.9**	**2 419.7**	**2 517.1**	**7 769.7**
Non-current financial liabilities	185.3	1 251.0	1 329.4	2 765.7
Non-current provisions	2 209.8	158.2	96.7	2 464.7
Non-current other liabilities	108.2	25.2	64.6	198.0
Current financial liabilities	17.3	175.8	51.6	244.7
Current provisions	35.7	7.5	21.3	64.5
Current other liabilities	55.3	165.9	327.8	549.0
Equity	221.3	636.1	625.7	1 483.1
Total liabilities & equity	**2 832.9**	**2 419.7**	**2 517.1**	**7 769.7**
Income statement				
Income	344.4	550.0	731.1	1 625.5
Expenses	–328.6	–529.7	–667.4	–1 525.7
Profit	**15.8**	**20.3**	**63.7**	**99.8**
Statement of comprehensive income				
Total other comprehensive income	1.6	0.1	–2.7	–1.0
Total comprehensive income	17.4	20.4	61.0	98.8

18 | Subsidiaries with material non-controlling interests

A list of subsidiaries can be found in Note 36 “Investments”. The Axpo Group holds the CKW Group and Kraftwerke Linth-Limmern AG, which have material non-controlling interests. The tables below summarise the financial information of these subsidiaries. The information represents amounts as included in the subsidiaries’ financial statements, reconciled to IFRS values before intercompany eliminations:

Financial information (before intercompany eliminations)

CHF million	2016/17		2015/16	
	CKW Group	Kraftwerke Linth-Limmern AG	CKW Group	Kraftwerke Linth-Limmern AG
Non-controlling interests (in %)	19%	15%	19%	15%
Balance sheet				
Non-current assets	1 522.6	2 665.9	1 508.2	2 579.0
Current assets	768.5	90.9	674.6	180.4
Non-current liabilities	563.0	2 185.7	602.6	2 055.2
Current liabilities	256.0	206.3	225.7	339.6
Equity	1 472.1	364.8	1 354.5	364.6
Equity attributable to the non-controlling interests	279.7	54.7	257.4	54.7
Income statement				
Total income	847.2	103.3	846.3	85.7
Profit for the period	66.7	5.6	–69.7	5.6
Profit for the period attributable to the non-controlling interests	12.7	0.8	–13.2	0.8
Statement of comprehensive income				
Total comprehensive income	129.1	5.6	–69.0	5.6
Total comprehensive income attributable to the non-controlling interests	24.5	0.8	–13.1	0.8
Dividends paid to the non-controlling interests	–0.7	–0.8	–0.8	–0.8
Cash flow statement				
Cash flow from operating activities	133.9	33.5	97.1	86.1
Cash flow from investing activities	–55.0	–5.1	–141.2	–53.5
Cash flow from financing activities	8.0	–28.3	–6.6	–32.6

19 | Other financial assets

CHF million	30.9.2017	30.9.2016
Available-for-sale financial assets	1 936.4	1 883.8
Loans	756.4	659.5
Impairment allowances on loans	–58.2	–59.2
Time deposits	35.0	169.0
Total	**2 669.6**	**2 653.1**

The available-for-sale financial assets consist mainly of units of equity, real estate and bond funds.

The loans primarily relate to various financial assets and loans of an equity nature with related parties with different maturities and variable rates of interest.

The time deposits are invested in financial institutions and cantons and have maturities of up to 24 months and an interest rate of between –0.42% and –0.07% (previous year: between –0.50% and 0.25%). Time deposits due for repayment within 12 months after the balance sheet date are recognised in current financial receivables (see Note 23 "Financial receivables (current)").

Non-current loan receivables (carrying amount > CHF 10 million) from related parties outstanding at the balance sheet date

CHF million	Maturity date	Interest rate 30.9.2017	Carrying amount 30.9.2017	Carrying amount 30.9.2016
Global Tech I Offshore Wind GmbH	31.12.2030	6.0% and 10.0%	75.1	56.0
Società EniPower Ferrara S.r.l.	20.06.2023	0.93% 1)	91.2	100.7
Swissgrid AG	05.01.2024	3.405% and 3.93%	281.8	281.8
Terravent AG	31.03.2042	0.75%	21.3	13.8
Trans Adriatic Pipeline AG	12.02.2038	1.75% 2)	95.8	44.0
Total			**565.2**	**496.3**

1) Variable interest rate linked to 6-month EURIBOR plus 1.2%.
2) Variable interest rate linked to 12-month euro interest rate for cross-border shareholder loans.

As part of the transfer of transmission systems to Swissgrid in 2013, 70% of the related compensation took the form of loans to Swissgrid AG. The loans include a unilateral conversion right on the part of Swissgrid AG, according to which, in the event of certain conditions arising, the loans may be converted into Swissgrid AG shares.

In the previous year, based on the impairment review performed for the investments in Società EniPower Ferrara S.r.l. and Global Tech I Offshore Wind GmbH impairment reversals were booked on the respective long-term loans in the amount of CHF 96.8 million and CHF 12.4 million, respectively. As both shareholder loans are loans of an equity nature, the impairment reversals were charged to the operating result. The impairment reversal on the loan with Società EniPower Ferrara S.r.l. was booked in the line item "Depreciation, amortisation and impairments", whereas the impairment reversal on the loan with Global Tech I Offshore Wind GmbH was booked in the line item "Share of profit of partner plants and other associates".

20 | Assets held for sale

CHF million	30.9.2017	30.9.2016
Property, plant and equipment (Note 16)	15.7	1.6
Investment properties	3.2	2.6
Investments in partner plants and other associates	65.8	0.0
Total assets held for sale	**84.7**	**4.2**

Items of property, plant and equipment with a net carrying amount of CHF 15.2 million were reclassified to "Assets held for sale" during the 2016/17 financial year. Additionally, items of property, plant and equipment held for sale with a net carrying amount of CHF 0.2 million were reclassified back to property, plant and equipment since these had not been sold within twelve months and a sale is not likely at this time. "Property, plant and equipment" also contains an asset that was already reclassified to "held for sale" in the previous year. The sale will be concluded by the end of the calendar year. Investment properties with a net carrying amount of CHF 3.2 million as at 30 September 2017 are also available for sale.

Axpo signed a contract with Elektrizitätswerke des Kantons Zürich (EKZ) regarding the sale of its 25% stake in Elektrizitätswerk des Kantons Schaffhausen AG (EKS) on 25 September 2017. The conclusion of the transaction is subject to the fulfilment of several conditions. The net carrying amount of the investment on 30 September 2017 was CHF 46.5 million and is allocated to the "Reconciliation" operating segment.

All assets held for sale are expected to be sold within the next twelve months.

21 | Inventories

CHF million	30.9.2017	30.9.2016
Nuclear fuel	99.2	99.2
Certificates held for own use	3.4	7.3
Work in progress	133.4	39.2
Materials	80.2	78.6
Inventories of other energy sources held for own use	1.0	1.5
Gas inventories held for trading	184.3	183.8
Certificates held for trading	237.5	196.6
Impairment provisions	–110.4	–104.7
Total	**628.6**	**501.5**

Wind farms from the Volkswind Group portfolio, which are developed with the intention of selling them, are presented as "Work in progress" in inventories.

Certificates and gas inventories acquired for resale in the near term with a view to generating a profit from fluctuations in price or dealer's margin are measured at fair value less cost to sell.

Certificates, nuclear fuel, work in progress, materials and inventories of other energy sources that are intended for own use are measured at the lower of cost or fair value.

22 | Trade receivables

CHF million	30.9.2017	30.9.2016
Trade receivables	936.0	891.9
Impairment allowances for bad debts	–96.0	–87.8
Total	**840.0**	**804.1**

The necessary allowances for bad debts were calculated based on past experience and based on an assessment of individual receivables. A detailed analysis of trade receivables and allowances for bad debts is presented in Note 6 "Financial risk management".

23 | Financial receivables (current)

CHF million	30.9.2017	30.9.2016
Time deposits	504.0	959.0
Other current financial receivables	136.7	175.4
Total	**640.7**	**1 134.4**

Time deposits are invested in financial institutions and cantons and have a maturity of up to 12 months and an interest rate of between –0.61% and 0.08% (previous year: –0.60% and 0.75%). Other current financial receivables include current account balances due from related parties and short-term loans.

24 | Other receivables

CHF million	30.9.2017	30.9.2016
Receivables from state funds	2 467.9	2 282.3
Receivables from pension plans	4.2	3.6
Other (financial instruments)	66.7	73.2
Other (non-financial instruments)	58.7	76.4
Impairment allowances on other receivables (financial instruments)	–38.1	–38.0
Total non-current other receivables	**2 559.4**	**2 397.5**
Accrued income and prepaid expenses (financial instruments)	3.0	2.8
Accrued income and prepaid expenses (non-financial instruments)	53.1	30.5
Advance payments to suppliers	72.8	132.8
Revenues not yet invoiced (financial instruments)	1 012.6	1 011.8
Other (financial instruments)	356.2	358.3
Other (non-financial instruments)	144.1	156.6
Total current other receivables	**1 641.8**	**1 692.8**
Total	**4 201.2**	**4 090.3**

Receivables from government funds relate to the decommissioning and disposal funds for nuclear power plants. The fair value of the government funds at the balance sheet date was CHF 2,467.9 million (previous year: CHF 2,282.3 million). As at the balance sheet date, the provisions for decommissioning and disposal of nuclear waste totalled CHF 2,812.2 million (previous year: CHF 2,752.5 million). The impact of the change in receivables from government funds on the income statement is explained in Note 13 “Financial result”.

Revenues not yet invoiced include invoices that have not yet been issued for energy supplied in the traditional energy business and in energy trading. Trade receivables from customers who are simultaneously suppliers are set off against trade payables, provided a netting arrangement has been agreed. The netted receivables and payables included in “Revenues not yet invoiced” and “Operating expenses not yet invoiced” total CHF 1,568.8 million (previous year: CHF 1,132.5 million; see Note 30 “Other liabilities (current)”).

25 | Cash and cash equivalents

CHF million	30.9.2017	30.9.2016
Petty cash and cash at banks	1 372.9	1 008.2
Time deposits	63.9	50.2
Total	**1 436.8**	**1 058.4**

Short-term investments are available within 90 days. At the end of the reporting period, cash and cash equivalents held in Swiss francs and euros amounted to CHF 1,064.8 million (previous year: CHF 614.4 million) and CHF 287.7 million (previous year: CHF 316.1 million), respectively.

26 | Equity

Share capital

The share capital of CHF 370 million consists of 37,000,000 fully paid-in registered shares with a nominal value of CHF 10.00 per share.

Retained earnings

The retained earnings consist of legal and statutory reserves, undistributable profits of previous years and accumulated remeasurements on pension liabilities. The calculation of the maximum distributable part of the retained earnings is based on the statutory financial statements of Axpo Holding AG.

Own shares

Shares held by Axpo or its Group companies are deducted from equity at their acquisition cost. As at 30 September 2017, Centralschweizerische Kraftwerke AG owns its own registered shares with a nominal value of CHF 29,692 (previous year: CHF 29,692).

Other reserves

CHF million	Reserves from hedge accounting	Unrealised gains and losses	Foreign currency translation reserves	Total
Balance as at 30.9.2015	**387.9**	**157.6**	**–418.0**	**127.5**
Foreign currency translation			9.5	9.5
Available-for-sale financial assets (non-current)				
Fair value adjustments		85.2		85.2
Gains (–)/losses (+) transferred to the income statement		–2.6		–2.6
Cash flow hedges				
Fair value adjustments	–59.6			–59.6
Gains (–)/losses (+) transferred to the income statement	–297.3			–297.3
Deferred tax/income tax thereon	62.0	–6.5		55.5
Total comprehensive income, net of tax	**–294.9**	**76.1**	**9.5**	**–209.3**
Balance as at 30.9.2016	**93.0**	**233.7**	**–408.5**	**–81.8**
Foreign currency translation	9.9		65.1	75.0
Available-for-sale financial assets (non-current)				
Fair value adjustments		33.3		33.3
Gains (–)/losses (+) transferred to the income statement		–145.0		–145.0
Cash flow hedges				
Fair value adjustments	–348.1			–348.1
Gains (–)/losses (+) transferred to the income statement	–66.4			–66.4
Deferred tax / income tax thereon	71.8	8.8		80.6
Total comprehensive income, net of tax	**–332.8**	**–102.9**	**65.1**	**–370.6**
Balance as at 30.9.2017	**–239.8**	**130.8**	**–343.4**	**–452.4**

Reserves from hedge accounting

Reserves from hedge accounting comprise unrealised changes in the value of cash flow hedging instruments in the amount of the effective portion of the hedge which are not yet realised in the income statement since the transaction underlying the hedge has not yet been recognised as income.

Unrealised gains or losses

The changes in fair value on available-for-sale investments are recognised in unrealised gains or losses until their realisation or until an impairment booking is necessary.

Foreign currency translation reserve

The foreign currency translation reserve contains the currency differences from the translation of financial statements in foreign currencies of subsidiaries and associates.

27 | Financial liabilities (non-current)

CHF million	30.9.2017	30.9.2016
Bonds	3 787.6	3 299.2
Mortgage loans	0.0	1.0
Non-current loans	388.9	913.4
Total	**4 176.5**	**4 213.6**
Maturities at the end of the financial year:		
Due within 1 to 5 years	1 371.8	1 214.6
Due in more than 5 years	2 804.7	2 999.0
Total	**4 176.5**	**4 213.6**
Average weighted interest rate at the balance sheet date:		
Bonds	2.1%	1.8%
Non-current loans	1.0%	1.1%

Bonds outstanding at the balance sheet date

CHF million	Maturity date	Effective interest rate 30.9.2017	Carrying amount 30.9.2017	Carrying amount 30.9.2016
Axpo Holding AG, CHF 429.8 million face value, 2.625% fixed rate	26.02.2020	3.160%	428.0	427.2
Axpo Holding AG, CHF 350 million face value, 1.75% fixed rate	29.05.2024	1.794%	349.1	348.9
Axpo Holding AG, CHF 300 million face value, 3.125% fixed rate	26.02.2025	3.253%	297.8	297.5
Kraftwerke Linth-Limmern AG, CHF 170 million face value, 0.5% fixed rate	09.09.2021	0.534%	169.8	169.7
Kraftwerke Linth-Limmern AG, CHF 200 million face value, 2.75% fixed rate	10.03.2022	2.967%	198.4	198.0
Kraftwerke Linth-Limmern AG, CHF 170 million face value, 1.5% fixed rate	06.12.2022	1.556%	169.5	169.5
Kraftwerke Linth-Limmern AG, CHF 200 million face value, 2.75% fixed rate	09.06.2023	2.872%	198.8	198.6
Kraftwerke Linth-Limmern AG, CHF 270 million face value, 1.25% fixed rate	11.09.2024	1.309%	269.0	268.8
Kraftwerke Linth-Limmern AG, CHF 130 million face value, 2.375% fixed rate	10.12.2026	2.473%	129.0	128.9
Kraftwerke Linth-Limmern AG, CHF 125 million face value, 2.875% fixed rate	30.06.2031	3.109%	122.0	121.8
Kraftwerke Linth-Limmern AG, CHF 150 million face value, 2.875% fixed rate	27.03.2042	2.902%	149.3	149.3
Kraftwerke Linth-Limmern AG, CHF 160 million face value, 3.0% fixed rate	02.04.2048	2.972%	160.8	160.9
Kraftwerke Linth-Limmern AG, CHF 200 million face value, 3.0% fixed rate	27.09.2052	3.007%	199.7	199.7
Kraftwerke Linth-Limmern AG, CHF 245 million face value, 2.0% fixed rate	11.12.2023	2.053%	244.2	0.0
Total			**3 085.4**	**2 838.8**

All bonds listed above are carried at amortised cost using the effective interest method and are listed on the SIX Swiss Exchange. The fair value of the fixed-interest bonds outstanding on the balance sheet date amounts to CHF 3,175.8 million (previous year: CHF 3,130.0 million).

In addition to the bonds listed above, there are financial liabilities from private placements with a total carrying amount of CHF 702.2 million (previous year: CHF 460.4 million) with maturities of 2 to 24 years (previous year: 3 to 20 years) and an interest rate of 1.1% to 3.875% (previous year: 1.5% to 3.875%). As at the balance sheet date, the market value of the privately placed bonds was CHF 705.7 million (previous year: CHF 470.5 million).

Non-current loans (carrying amount > CHF 10 million) outstanding at the balance sheet date

CHF million	Maturity date	Interest rate 30.9.2017	Carrying amount 30.9.2017	Carrying amount 30.9.2016
Agent BNP Paribas Milano	30.11.2019	1.051%	0.0	159.2
Agent BNP Paribas Milano	30.06.2023	1.024%	0.0	237.0
Glarner Kantonalbank	30.10.2025	1.500%	35.0	35.0
Graubündner Kantonalbank	17.08.2027	2.080%	13.0	13.0
Graubündner Kantonalbank	02.08.2022	2.420%	20.0	20.0
Graubündner Kantonalbank	22.09.2030	1.640%	15.0	15.0
Pax, Schweizerische Lebensversicherungs-Gesellschaft AG	19.03.2018	3.000%	0.0	15.0
Pax, Schweizerische Lebensversicherungs-Gesellschaft AG	13.08.2020	2.250%	20.0	20.0
PostFinance AG	16.09.2022	1.150%	20.0	20.0
Schweizerische Unfallversicherung Suva	19.03.2018	3.610%	0.0	90.0
St. Galler Kantonalbank AG	30.08.2019	1.180%	15.0	15.0
St. Galler Kantonalbank AG	17.04.2023	1.940%	15.0	15.0
Hera S.p.A.	30.05.2025	1.200%	19.5	0.0
Total			**172.5**	**654.2**

In the reporting period the loans for the gas-fired combined cycle power plants in Italy with Agent BNP Paribas Milano were redeemed prematurely. The related interest rate swaps expired or were redeemed prematurely due to the change in the financing structure.

In addition to the loans listed above, there were financial liabilities outstanding related to the wind farms of the Volkswind portfolio. At the balance sheet date they amount to CHF 63.6 million (previous year: CHF 71.0 million), with interest rates ranging from 1.5% to 5.65% (previous year: 1.64% to 5.65%). These loans are repaid continuously in tranches until 2029 at the latest.

The loans to Pax, Schweizerische Lebensversicherungs-Gesellschaft AG and the Schweizerische Unfallversicherung Suva with a carrying amount of CHF 15.0 million and CHF 90.0 million, respectively, are due for repayment within the next twelve months and are reported as current financial liabilities on the balance sheet date.

The interest rate risk on the loans related to the construction of wind farms in Germany and France in the amount of CHF 12.9 million (previous year: CHF 443.7 million) is hedged through interest rate swaps (see Note 6 "Financial risk management", "Interest rate risk").

28 | Other liabilities (non-current)

CHF million	30.9.2017	30.9.2016
Assigned energy procurement and usage rights	73.3	73.8
Defined benefit obligation (Note 31)	207.4	513.9
Other (financial instruments)	54.1	60.5
Other (non-financial instruments)	165.5	162.3
Total	**500.3**	**810.5**
Maturities at the end of the financial year: 1)		
Due within 1 year	4.0	4.1
Due within 1 to 5 years	130.3	131.4
Due in more than 5 years	366.0	675.0
Total	**500.3**	**810.5**

1) In case of the usage rights, the maturity corresponds to the depreciation period.

The assigned usage rights consist of payments received from third parties for the granting of facility usage and energy procurement rights. Payments received are recognised in the income statement on a straight-line basis over the life of the relevant usage rights.

Furthermore, the day-one profit resulting from long-term contracts, which is measured based on partially unobservable input data, is recognised under other non-current liabilities (financial instruments) (see Note 6 "Financial risk management").

29 | Provisions

CHF million	Nuclear waste disposal [1]	Onerous energy procurement contracts	Other provisions	Total
Balance as at 30.9.2016	**2 752.5**	**1 622.1**	**184.0**	**4 558.6**
Increase	12.3	140.1	38.0	190.4
Interest	94.6	44.0	4.0	142.6
Reversal	0.0	–129.6	–9.7	–139.3
Usage	–47.2	–231.0	–26.4	–304.6
Reclassifications	0.0	0.0	6.1	6.1
Currency translation effect	0.0	0.0	1.0	1.0
Balance as at 30.9.2017	**2 812.2**	**1 445.6**	**197.0**	**4 454.8**
Current portion of provisions	52.8	152.9	32.4	238.1
Non-current portion of provisions	2 759.4	1 292.7	164.6	4 216.7
Total	**2 812.2**	**1 445.6**	**197.0**	**4 454.8**

1) The line item "Increase" of the "Nuclear waste disposal" provision and "Other provisions" contains amounts of CHF 12.3 million and of CHF 0.7 million, respectively, not recognised in profit or loss which are related to the allocation of the acquisition costs of the Beznau nuclear power plant and wind farms in Italy. IFRIC 1 was applied to create both of the provisions. The same amount was capitalised under "Power plants" (see Note 15 "Property, plant and equipment").

Expected cash outflows from provisions

CHF million	Nuclear waste disposal	Onerous energy procurement contracts	Other provisions	Total
Due within 1 year	52.8	152.9	32.4	238.1
Due in 1 to 5 years	160.1	472.6	142.1	774.8
Due in more than 5 years	2 599.3	820.1	22.5	3 441.9
Total	**2 812.2**	**1 445.6**	**197.0**	**4 454.8**

Provisions for "Nuclear waste disposal"

Provisions for "Nuclear waste disposal" are set aside for the disposal of spent fuel rods and radioactive waste (during and after operation), for decommissioning and dismantling nuclear power plants, and for costs pertaining to post-operation obligations and fuel in the last reactor core which can no longer be used. Provisions were compounded using an interest rate of 3.5%.

Provisions for "Onerous energy procurement contracts"

The provision of CHF 1,445.6 million for "Onerous energy procurement contracts" covers identifiable losses from the procurement of electricity from power-generation plants and from long-term supply contracts. See Note 12 "Impairment losses, impairment reversals and provisions for onerous energy procurement contracts" for details on the valuation.

"Other provisions"

A provision of CHF 80.2 million (previous year: CHF 63.4 million) was recorded in the balance sheet of the CKW Group as at 30 September 2017 in connection with grid usage and electricity tariffs. On the basis of the Federal Administrative Court's decision of July 2016 and the associated uncertainty regarding the calculation method used for production costs, the provision was increased by CHF 16.8 million. The provision is recognised in the CKW segment. For further information, please see Note 5 "Estimation uncertainties and significant judgements in the application of accounting policies".

The "Other provisions" item also includes personnel obligations, provisions for certificates and dismantling costs of wind farms.

30 | Other liabilities (current)

CHF million	30.9.2017	30.9.2016
Accrued expenses and deferred income (non-financial instruments)	38.8	46.6
Accrued expenses and deferred income (financial instruments)	45.5	44.7
Operating expenses not yet invoiced	1 173.8	1 152.4
Advance payments from customers	49.2	79.0
Other (financial instruments)	220.4	172.7
Other (non-financial instruments)	35.2	34.5
Total	**1 562.9**	**1 529.9**

Accrued expenses and deferred income primarily consist of accruals for electricity purchases, both in traditional energy business and energy trading. Trade receivables from customers who are simultaneously suppliers are set off against trade payables, provided a netting arrangement has been agreed. The offset receivables and payables included in revenues not yet invoiced and operating expenses not yet invoiced amount to CHF 1,568.8 million (previous year: CHF 1,132.5 million; see Note 24 “Other receivables”).

31 | Employee benefits

The Axpo Group operates pension plans in accordance with national legislation in each country. Most companies belong to the PKE-CPE Vorsorgestiftung Energie pension foundation, a legally independent pension fund which qualifies as a defined benefit plan under IAS 19. In addition, there are only insignificant defined benefit and defined contribution plans.

PKE-CPE Vorsorgestiftung Energie is a pension fund with the legal form of a foundation and pension fund under the Swiss Civil Code (ZGB) and the Swiss Federal Law on Occupational Retirement, Survivors’ and Disability Pension Plans (BVG). The objective of the foundation is to provide occupational benefits in accordance with the BVG and its ordinances, protecting the employees of the affiliated companies and their families and survivors against the financial consequences of old age, invalidity and death. The pension fund is an independent, all-inclusive pension fund, and the contributions and benefits exceed the minimum legal requirements. The Board of Trustees is the most senior governing body of the PKE-CPE Vorsorgestiftung Energie. It is composed of an equal number of employee and employer representatives of the affiliated companies and constitutes itself. The pension fund regulations and the organisational regulations define the benefits provided by PKE-CPE Vorsorgestiftung Energie and their financing, the organisation and administration, and the relationship with the affiliated companies and with the active insured members and the pensioners.

The employer and employee contributions are defined as a percentage of the insured salary. The old-age pension is determined by multiplying the balance of the retirement savings capital at retirement with the conversion rate defined in the regulations. The employee may draw the pension benefits as a lump-sum payment. The invalidity pension and the spouse’s pension are defined as a percentage of the insured salary. The plan assets are invested by the PKE-CPE Vorsorgestiftung Energie jointly for all affiliated companies which share the actuarial and the investment risks of the pension fund. The Board of Trustees is responsible for the investment of the plan assets. The organisation of the investment activities and the related competencies are specified in the investment regulations and investment strategy. The pension fund is exposed to actuarial and investment risks. The investments are made such that the benefits can be paid when they come due. In the event of underfunding, the Board of Trustees, in collaboration with the recognised actuarial expert, implements suitable measures to eliminate the underfunding. If necessary, the interest rate on the retirement savings capital, the benefits in excess of the minimum requirement under BVG and their financing may be adjusted to bring them into line with the funds available. If other measures are not sufficient, PKE-CPE Vorsorgestiftung Energie may require the employer to pay additional contributions to eliminate the underfunding.

Pension liabilities according to the balance sheet

CHF million	30.9.2017	30.9.2016
Present value of defined benefit obligation as at 30.9.	2 685.1	2 841.9
Fair value of plan assets as at 30.9.	2 477.7	2 328.0
Defined benefit obligation recognised in the balance sheet as at 30.9. (Note 28)	**207.4**	**513.9**

Pension costs in income statement

CHF million	2016/17	2015/16
Current service cost	70.1	67.5
Interest expense on defined benefit obligation	5.5	18.9
Interest income on plan assets	–4.4	–15.1
Administration cost excluding asset management cost	1.4	1.4
Pension cost (Note 10)	**72.6**	**72.7**
thereof service cost and administration cost	71.5	68.9
thereof net interest expense/(income)	1.1	3.8

Pension costs in other comprehensive income

CHF million	2016/17	2015/16
Actuarial (gains)/losses on defined benefit obligation	–138.9	132.0
(Gains)/losses on plan assets excluding interest income	–198.0	–178.7
Others	0.0	–0.3
Pension cost recognised in other comprehensive income	**–336.9**	**–47.0**

Change in employee benefit liability reported in the balance sheet

CHF million	2016/17	2015/16
Employee benefit liability as at 1.10.	513.9	533.2
Pension cost recognised in the income statement	72.6	72.7
Pension cost recognised in other comprehensive income	–336.9	–47.0
Employer contributions	–42.2	–45.0
Employee benefit liability as at 30.9.	**207.4**	**513.9**

Change in the fair value of plan assets

CHF million	2016/17	2015/16
Fair value of plan assets as at 1.10.	2 328.0	2 184.1
Interest income on plan assets	4.4	15.1
Employer contributions	42.2	45.0
Employee contributions	25.7	26.1
Benefits paid in/(out)	–120.6	–119.5
Others	0.0	–1.5
Return on plan assets excluding interest income	198.0	178.7
Fair value of plan assets as at 30.9.	**2 477.7**	**2 328.0**

Change in the present value of the defined benefit obligation

CHF million	2016/17	2015/16
Present value of defined benefit obligation as at 1.10.	2 841.9	2 717.3
Interest expense on defined benefit obligation	5.5	18.9
Current service cost	70.1	67.5
Employee contributions	25.7	26.1
Benefits paid in/(out)	–120.6	–119.5
Administration cost excluding asset management cost	1.4	1.4
Others	0.0	–1.8
Actuarial (gains)/losses on defined benefit obligation	–138.9	132.0
Present value of defined benefit obligation as at 30.9.	**2 685.1**	**2 841.9**

Breakdown of defined benefit obligation

CHF million	30.9.2017	30.9.2016
Present value of defined benefit obligation for active members	1 288.7	1 368.8
Present value of defined benefit obligation for pensioners	1 396.4	1 473.1

Actuarial gains/losses on benefit obligation

CHF million	2016/17	2015/16
Actuarial (gains)/losses on defined benefit obligation from		
changes in financial assumptions	–137.2	103.8
changes in demographic assumptions	–35.7	11.7
experience adjustments	34.0	16.5
Actuarial (gains)/losses on defined benefit obligation	**–138.9**	**132.0**

Actuarial assumptions

in %	30.9.2017	30.9.2016
Discount rate for active members	0.7	0.4
Discount rate for pensioners	0.5	0.0
Expected future salary increase	0.5	0.5
Expected future pension increase	0.0	0.0

The calculation of life expectancy for the Swiss pension plans is based on the BVG 2015 generation tables.

Sensitivities of the key actuarial assumptions

The calculation of the pension liabilities is especially sensitive to changes in the discount rate, assumptions regarding salary trends and changes in life expectancy. The discount rate was reduced by 0.25% and the expected salary change was increased by the same figure. Sensitivity to mortality rates was calculated by reducing/raising the mortality rate by a fixed factor such that the life expectancy for the majority of age categories was raised/reduced by approximately one year. The following table summarises the present value of the defined benefit obligation which would result from applying the above-mentioned assumptions:

CHF million	30.9.2017	30.9.2016
Discount rate (–0.25% change)	2 786.7	2 954.8
Discount rate (+0.25% change)	2 589.9	2 736.2
Salary trend (–0.25% change)	2 675.6	2 830.9
Salary trend (+0.25% change)	2 694.8	2 853.0
Life expectancy (–1 year change)	2 594.0	2 741.0
Life expectancy (+1 year change)	2 774.9	2 941.5

Estimate of employer and employee contributions for subsequent period

CHF million	30.9.2017	30.9.2016
Expected employer contributions	40.9	44.0
Expected employee contributions	25.4	25.7

Major categories of plan assets

CHF million	30.9.2017	30.9.2016
Cash and cash equivalents	59.4	21.0
Equity instruments	977.7	899.5
Debt instruments	710.4	715.4
Real estate	147.5	129.9
Others	235.2	228.4
Total plan assets at fair value (quoted market price)	**2 130.2**	**1 994.2**
Real estate	347.5	333.8
Total plan assets at fair value (non-quoted market price)	**347.5**	**333.8**
Total plan assets at fair value	**2 477.7**	**2 328.0**

Maturity profile of the defined benefit obligation

	30.9.2017	30.9.2016
Weighted average duration of defined benefit obligation in years	14.5	15.3

32 | Transactions with related parties

Based on their shareholdings, the Canton of Zurich (18.3%), Electricity utilities of the Canton of Zurich (18.4%), the Canton of Aargau (14.0%) and AEW Energie AG (14.0%) exert a significant influence over the Axpo Group. Transactions involving these shareholders and other important companies controlled by them are disclosed under “Shareholders”.

An overview of the partner plants and other associates is given in Note 36 “Investments”. Transactions between the Axpo Group and PKE-CPE Vorsorgestiftung Energie are shown in Note 31 “Employee benefits”. With the exception of regular payments, no transactions were effected between the Axpo Group, members of the Board of Directors, members of the Executive Board and other key parties.

The principal terms and conditions governing relationships with related parties are explained under “Intragroup transactions” in Note 3 “Consolidation principles”.

2016/17
Transactions between the Axpo Group and related parties:

CHF million	Shareholders	Partner plants	Associates
Total income			
Revenues from energy sales and grid usage	485.4	38.9	133.3
Other operating income	2.4	7.4	146.3
Operating expenses			
Expenses for energy procurement, grid usage and cost of goods purchased	–23.0	–740.9	–262.1
Expenses for materials and third-party supplies	–1.0	–1.3	–0.4
Personnel expenses	0.0	0.0	0.0
Other operating expenses	–10.4	0.1	–5.0
Financial result			
Financial result	–4.3	–13.1	48.6
Income tax			
Income tax expense	–9.9	0.0	0.0

Open positions with related parties at the balance sheet date:

CHF million	Shareholders	Partner plants	Associates
Non-current assets			
Intangible assets	17.0	12.1	9.0
Positive replacement values	5.5	0.0	8.6
Other financial assets	5.0	83.1	613.5
Current assets			
Assets held for sale	0.0	0.0	65.8
Trade receivables	22.2	6.7	12.4
Financial receivables	110.0	24.6	13.4
Current tax assets	0.3	0.0	0.0
Positive replacement values	1.5	1.3	10.2
Other receivables	11.6	112.0	13.0
Cash and cash equivalents	494.5	0.0	0.0
Liabilities (non-current)			
Financial liabilities	69.0	0.0	0.0
Negative replacement values	28.6	2.9	5.8
Other liabilities	19.2	4.0	20.5
Liabilities (current)			
Trade payables	2.0	23.2	18.3
Financial liabilities[1)]	2.0	168.2	3.7
Current tax liabilities	1.5	0.0	0.0
Negative replacement values	9.3	4.7	3.0
Other liabilities	6.0	16.1	37.5

1) The financial liabilities to partner plants are short-term current account liabilities with an interest rate of CHF 1W LIBOR.

2015/16
Transactions between the Axpo Group and related parties:

CHF million	Shareholders	Partner plants	Associates
Total income			
Revenues from energy sales and grid usage	584.6	36.1	164.7
Other operating income	15.9	15.6	4.3
Operating expenses			
Expenses for energy procurement, grid usage and cost of goods purchased	–14.2	–783.4	–253.1
Expenses for materials and third-party supplies	–1.4	–1.5	–2.0
Personnel expenses	0.0	0.0	0.0
Other operating expenses	–11.9	0.1	–4.7
Financial result			
Financial result	–2.7	–6.5	23.4
Income tax			
Income tax expense	–7.0	0.0	0.0

Open positions with related parties at the balance sheet date:

CHF million	Shareholders	Partner plants	Associates
Non-current assets			
Intangible assets	19.8	3.9	9.3
Positive replacement values	0.5	1.1	8.5
Other financial assets	25.0	59.3	539.2
Current assets			
Trade receivables	24.5	14.4	18.0
Financial receivables	345.0	159.4	14.1
Current tax assets	0.3	0.0	0.0
Positive replacement values	7.0	4.2	4.0
Other receivables	20.4	70.8	13.1
Cash and cash equivalents	118.6	0.0	0.0
Liabilities (non-current)			
Financial liabilities	71.0	5.0	0.0
Negative replacement values	6.9	0.8	3.2
Other liabilities	17.9	4.1	21.4
Liabilities (current)			
Trade payables	1.2	80.9	20.0
Financial liabilities [1)]	16.0	176.8	3.1
Current tax liabilities	1.1	0.0	0.0
Negative replacement values	5.0	0.7	5.5
Other liabilities	5.0	54.1	31.7

1) The financial liabilities to partner plants are short-term current account liabilities with an interest rate of CHF 1W LIBOR.

Remuneration to the Board of Directors and Executive Board

CHF million	2016/17	2015/16
Board of Directors		
Current employee benefits	1.3	1.3
Total	**1.3**	**1.3**
Executive Board		
Current employee benefits	3.8	3.8
Pension fund contributions	0.8	0.8
Total	**4.6**	**4.6**

No share-based payments, severance payments or other long-term benefit payments were made to the members of the Board of Directors or the Executive Board. For further details, please refer to Note 25 “Remuneration paid to the Board of Directors and the Executive Board” of the separate financial statements of Axpo Holding AG.

33 | Pledged assets

CHF million	30.9.2017	30.9.2016
Property, plant and equipment	129.0	395.5
Inventories	104.3	0.0
Other	158.2	256.5
Total	**391.5**	**652.0**

The majority of the pledged property, plant and equipment is related to the wind farms in France and Germany whereas pledged inventories are related to the wind farms in France and Germany from the Volkswind Group portfolio built for sale. The pledge on the gas-fired combined-cycle power plants in Italy was released due to the change in financing structure.

34 | Contingent liabilities and contingent assets

CHF million	30.9.2017	30.9.2016
Liabilities to capital payments	166.7	73.4
Delivery and purchase commitments	434.9	551.0
Other contingent liabilities	19.3	0.0
Total	**620.9**	**624.4**

In the event of a claim, power plant operators that are affiliated with the European EMANI insurance pool must pay a contractually defined additional contribution corresponding to six annual premiums. In the case of the Axpo Group, this equates to around CHF 4.6 million (previous year: CHF 4.4 million). In the 2016/17 financial year, an insurance policy was concluded with the European ELINI insurance pool with an additional contribution requirement of CHF 1.8 million.

Owners of nuclear power plants have a limited subsequent payment obligation to the Decommissioning and Waste Disposal Fund in the event that one of the primary obligated parties is unable to meet its payment obligations.

The Axpo Group entered into fixed delivery and purchase obligations of multi-year duration totalling CHF 395.1 million (previous year: CHF 417.1 million) relating to the manufacture of fuel rods and to capital expenditure and maintenance work on its own plants. There are also long-term contracts and obligations for the reprocessing as well as the interim and permanent storage of nuclear waste. Provisions have been established for these. With regard to Zwilag Zwischenlager Würenlingen AG, the Axpo Group has undertaken to pay its respective share of annual costs, including interest and repayment of loans. These are standard obligations for operators of nuclear power plants.

The Canton of Glarus and the Axpo Group are currently engaged in a dispute regarding the relative responsibilities of the parties, as set forth in the memorandum of association for the construction and operation of the Linth-Limmern power plants, and the share of costs to be borne by each for the Limmern pumped-storage power plant (PSW Limmern) stage of expansion. The Axpo Group is of the opinion that the costs are to be covered in the same ratio as the respective parties’ shareholdings, whereby the Canton of Glarus believes that the costs are to be borne by Axpo in full. If the court rules against Axpo, Axpo will have to bear the costs of PSW Limmern alone and yet could also realise 100% of the proceeds.

There is an ongoing investigation concerning CO_2 certificate transactions in Spain, the risk of which is assessed as low by the Axpo Group. The Axpo Group is involved in several other legal disputes related to its ordinary business activities.

The Italian Government has offered Axpo an amnesty for the legal cases related to VAT for the financial years 2006 to 2009. Even though the Axpo management is still of the opinion that the reclaim of the input tax is justified, the management decided to accept the offer of the amnesty as the settlement duration of the legal cases is usually very long and the outcome of the legal cases is subject to uncertainty. As the tax authority stated that the input tax reclaimed does not qualify as non-deductible and thus has been invoiced incorrectly by the suppliers, the Axpo Group will reclaim the incorrectly invoiced VAT from the different suppliers. A major part of the reclaim relates to Group-internal transactions, which need to be reclaimed by Axpo from the Italian tax authority, resulting in a contingent asset of EUR 15.7 million.

In connection with a gas procurement contract, there are pending proceedings on compensation payments (receivable) for gas not delivered as well as a counterclaim for excess gas procurements (liability). The Axpo Group management estimates the chances of a positive court ruling to be good. Depending on the outcome of the respective proceedings, a liability could arise instead of a receivable.

There are contingent assets in the amount of around CHF 10 million connected to the transfer of the transmission system and the related equipment to Swissgrid (see Note 5 “Estimation uncertainties and significant judgements in the application of accounting policies”).

For obligations in connection with partner plants, please refer to Note 17 “Investments in partner plants and other associates”.

35 | Events after the balance sheet date

There were no events after the balance sheet date which would have to be disclosed.

36 | Investments

	Domicile	Balance sheet date	Currency	Registered capital in millions	Share of votes in %	Share of capital in %	Purpose
Group companies							
Avectris AG	Baden	30.09.	CHF	0.1	62.7	62.7	D
Axpo Informatica S.r.l. [1]	Genoa (IT)	30.09.	EUR	0.03	100.0	100.0	D
Axpo AG [2]	Baden	30.09.	CHF	0.1	100.0	100.0	H
Axpo Grid AG	Baden	30.09.	CHF	0.1	100.0	100.0	N
Axpo Hydro AG [2]	Baden	30.09.	CHF	0.1	100.0	100.0	P
Axpo Power AG	Baden	30.09.	CHF	360.0	100.0	100.0	P
Axpo Hydro Surselva AG	Domat/Ems	30.09.	CHF	0.1	100.0	100.0	P
Axpo Kleinwasserkraft AG	Baden	30.09.	CHF	11.0	100.0	100.0	P
Axpo Kompogas AG	Baden	30.09.	CHF	30.3	100.0	100.0	P
Axpo Kompogas Engineering AG	Baden	30.09.	CHF	2.5	100.0	100.0	S
Axpo Kompogas Samstagern AG	Richterswil	30.09.	CHF	2.0	75.1	75.1	P
Axpo Kompogas Wauwil AG	Wauwil	30.09.	CHF	3.5	97.1	97.1	P
Berom AG	Brügg	30.06.	CHF	0.4	66.8	66.8	D
Fricompost Freiburgische Grünentsorgungs-gesellschaft AG	Hauterive	30.09.	CHF	0.5	100.0	100.0	S
Kompogas Utzenstorf AG	Utzenstorf	30.09.	CHF	2.3	59.3	59.3	P
Kompogas Winterthur AG	Winterthur	30.09.	CHF	4.0	52.0	52.0	P
Axpo Suisse AG	Baden	30.09.	CHF	3.0	100.0	100.0	V
Axpo Tegra AG	Domat/Ems	30.09.	CHF	2.1	100.0	100.0	P
Kraftwerk Eglisau-Glattfelden AG	Glattfelden	30.09.	CHF	20.0	100.0	100.0	P
Kraftwerk Fätschbach AG [2]	Glarus Süd	30.09.	CHF	0.1	100.0	100.0	P
Kraftwerk Löntsch AG [2]	Glarus	30.09.	CHF	0.1	100.0	100.0	P
Kraftwerk Rüchlig AG [2]	Aarau	30.09.	CHF	0.1	100.0	100.0	P
Kraftwerke Ilanz AG	Ilanz	30.09.	CHF	50.0	85.0	85.0	P
Kraftwerke Linth-Limmern AG	Glarus Süd	30.09.	CHF	350.0	85.0	85.0	P
Kraftwerke Sarganserland AG	Pfäfers	30.09.	CHF	50.0	98.5	98.5	P
Kraftwerke Vorderrhein AG	Disentis/Mustér	30.09.	CHF	80.0	81.5	81.5	P
KWWB Villnachern AG [2]	Villnachern	30.09.	CHF	0.1	100.0	100.0	P
Axpo Services AG	Baden	30.09.	CHF	0.1	100.0	100.0	D
Axpo Trading AG	Baden	30.09.	CHF	1 567.0	100.0	100.0	V
Albula-Landwasser Kraftwerke AG	Filisur	30.09.	CHF	22.0	75.0	75.0	P
Axpo Albania sh.a.	Tirana (AL)	31.12.	ALL	19.2	100.0	100.0	V
Axpo BH d.o.o.	Sarajevo (BA)	31.12.	BAM	1.0	100.0	100.0	V
Axpo d.o.o. Beograd	Belgrade (RS)	30.09.	RSD	49.3	100.0	100.0	V
Axpo International SA	Luxembourg (LU)	30.09.	EUR	3.8	100.0	100.0	D
Axpo Austria GmbH	Vienna (AT)	30.09.	EUR	0.04	100.0	100.0	V
Axpo Benelux SA	Brussels (BE)	30.09.	EUR	0.5	100.0	100.0	V
Axpo Bulgaria Services EAD [3]	Sofia (BG)	31.12.	BGN	9.0	100.0	100.0	D
Axpo Deutschland GmbH	Leipzig (DE)	30.09.	EUR	3.5	100.0	100.0	V
Axpo New Energy GmbH	Düsseldorf (DE)	30.09.	EUR	0.03	100.0	100.0	V
Axpo Energy Romania S.A.	Bucharest (RO)	30.09.	RON	53.2	100.0	100.0	V
Axpo France SAS	Paris (FR)	30.09.	EUR	1.9	100.0	100.0	V
Axpo Gen Hellas S.A.	Athens (GR)	30.09.	EUR	0.8	100.0	100.0	I
Axpo Hungary Kft.	Budapest (HU)	30.09.	HUF	3.0	96.7 [4]	96.7 [4]	V
Axpo Iberia S.L.	Madrid (ES)	30.09.	EUR	0.5	100.0	100.0	V
Axpo Energia Portugal, Unipessoal LDA [2]	Lisbon (PT)	30.09.	EUR	0.1	100.0	100.0	V

1) In liquidation.
2) Formation in 2016/17 financial year.
3) Change of company name to Axpo Bulgaria Services EAD (formerly Axpo Bulgaria EAD).
4) Axpo Trading AG, Baden, holds a direct share of 3.3%.

	Domicile	Balance sheet date	Currency	Registered capital in millions	Share of votes in %	Share of capital in %	Purpose
Group companies							
Axpo Tunisia S.L.	Tunis (TN)	30.09.	TND	0.2	100.0	100.0	V
Axpo Italia S.p.A.	Genoa (IT)	30.09.	EUR	3.0	100.0	100.0	V
Axpo Energy Solutions Italia S.p.A. [5]	Genoa (IT)	30.09.	EUR	0.3	100.0	100.0	V
Axpo Gas Service Italia S.r.l.	Genoa (IT)	30.09.	EUR	0.1	100.0	100.0	V
Axpo Netherlands BV	Amsterdam (NL)	30.09.	EUR	0.1	100.0	100.0	V
Axpo Polska Sp.z.o.o.	Warsaw (PL)	30.09.	PLN	1.3	100.0	100.0	V
Axpo Renewable Germany GmbH	Leipzig (DE)	30.09.	EUR	0.03	100.0	100.0	D
Volkswind GmbH	Ganderkesee (DE)	30.09.	EUR	0.03	100.0	100.0	D
Achte Volkswind GmbH & Co. KG	Ganderkesee (DE)	30.09.	EUR	0.01	100.0	100.0	P
Dritte Volkswind GmbH & Co. KG	Ganderkesee (DE)	30.09.	EUR	0.48 [6]	100.0	100.0	P
Erste Volkswind GmbH & Co. KG	Ganderkesee (DE)	30.09.	EUR	0.30	100.0	100.0	P
Ferme éolienne d'Arcy-Precy SAS	Strasbourg (FR)	30.09.	EUR	0.02	100.0	100.0	I
Ferme éolienne d'Availles Thouarsais-Irais SAS	Strasbourg (FR)	30.09.	EUR	0.02	100.0	100.0	I
Ferme éolienne de Benet SAS	Strasbourg (FR)	30.09.	EUR	0.04	100.0	100.0	P
Ferme éolienne de Buissons SAS [8]	Strasbourg (FR)	30.09.	EUR	0.02	100.0	100.0	I
Ferme éolienne de la Chapelle Laurent SAS	Strasbourg (FR)	30.09.	EUR	0.04	100.0	100.0	P
Ferme éolienne de la Grande Pièce SAS	Strasbourg (FR)	30.09.	EUR	0.04	100.0	100.0	I
Ferme éolienne de la Haute Epine SAS	Strasbourg (FR)	30.09.	EUR	0.04	100.0	100.0	I
Ferme éolienne de Leigne Les Bois SAS [8]	Strasbourg (FR)	30.09.	EUR	0.04	100.0	100.0	I
Ferme éolienne de Lichères-près-Aigremont SAS	Strasbourg (FR)	30.09.	EUR	0.04	100.0	100.0	I
Ferme éolienne de Lusseray-Paizay le Tort SAS [8]	Strasbourg (FR)	30.09.	EUR	0.02	100.0	100.0	I
Ferme éolienne de Massay 2 SAS	Strasbourg (FR)	30.09.	EUR	0.02	100.0	100.0	I
Ferme éolienne de Périgné SAS [8]	Strasbourg (FR)	30.09.	EUR	0.02	100.0	100.0	I
Ferme éolienne de Quesnoy-sur-Airaines 3 SAS	Strasbourg (FR)	31.12.	EUR	0.04	60.0	60.0	P
Ferme éolienne de Trans et Courcité SAS	Strasbourg (FR)	30.09.	EUR	0.02	100.0	100.0	I
Ferme éolienne des Hauts Prés SAS [8]	Strasbourg (FR)	30.09.	EUR	0.04	100.0	100.0	I
Ferme éolienne du Mont de Trême SAS [8]	Strasbourg (FR)	30.09.	EUR	0.02	100.0	100.0	I
Ferme éolienne du Val de Noye 1 SAS	Strasbourg (FR)	30.09.	EUR	0.04	100.0	100.0	P
Ferme éolienne du Val de Noye 2 SAS	Strasbourg (FR)	30.09.	EUR	0.04	100.0	100.0	P
Le Champ Eolien de Saint Martin SAS	Strasbourg (FR)	30.09.	EUR	0.04	100.0	100.0	P
Natur-Energie GmbH & Co. Wehrbleck I KG	Ganderkesee (DE)	30.09.	EUR	0.04 [7]	100.0	100.0	P
PBS Gesellschaft zur Nutzung regenerativer Energie mbH & Co. KG	Coesfeld (DE)	31.12.	EUR	0.54	66.7	66.7	P
PBS Verwaltungsgesellschaft zur Nutzung regenerativer Energie mbH	Coesfeld (DE)	31.12.	EUR	0.03 [7]	66.7	66.7	S
Siebte Volkswind GmbH & Co. KG	Ganderkesee (DE)	30.09.	EUR	0.60	100.0	100.0	P
Vierte Volkswind GmbH & Co. KG	Prinzhöfte (DE)	30.09.	EUR	0.10	100.0	100.0	P
Volkswind Construction SARL	Strasbourg (FR)	30.09.	EUR	0.002	100.0	100.0	D
Volkswind Foncier SARL	Strasbourg (FR)	30.09.	EUR	0.002	100.0	100.0	S
Volkswind France SAS	Paris (FR)	30.09.	EUR	0.250	100.0	100.0	D
Volkswind GmbH & Co. Harlingerode KG	Ganderkesee (DE)	30.09.	EUR	0.317	100.0	100.0	P

5) Change of company name to Axpo Energy Solutions Italia S.p.A. (formerly Energy Plus S.p.A.).
6) Of which EUR 0.4 million paid in.
7) Of which EUR 0.01 million paid in.
8) As a result of project progress, the company is fully consolidated as a Group company (previously included as an associated company using the equity method).

	Domicile	Balance sheet date	Currency	Registered capital in millions	Share of votes in %	Share of capital in %	Purpose
Group companies							
Volkswind Immenrode GmbH	Ganderkesee (DE)	30.09.	EUR	0.03	100.0	100.0	P
Volkswind NT GmbH	Ganderkesee (DE)	30.09.	EUR	0.03	100.0	100.0	S
Volkswind Service GmbH	Ganderkesee (DE)	30.09.	EUR	0.3	100.0	100.0	D
Volkswind Service France SAS [9]	Strasbourg (FR)	30.09.	EUR	0.1	100.0	100.0	D
Volkswind Winnigstedt GmbH	Ganderkesee (DE)	30.09.	EUR	0.03	100.0	100.0	P
Wind Triangel GmbH & Co. Gevensleben KG	Ganderkesee (DE)	30.09.	EUR	0.2 [10]	100.0	100.0	P
Windkraft Domnitz GmbH	Egeln (DE)	30.09.	EUR	0.03	75.0	75.0	P
Zweite Volkswind GmbH & Co. KG	Prinzhöfte (DE)	30.09.	EUR	0.5	100.0	100.0	P
Axpo Renewables France SAS	Paris (FR)	30.09.	EUR	17.2	100.0	100.0	D
Axpo CKW France SAS	Paris (FR)	30.09.	EUR	26.4	60.0	60.0	D
Parc éolien de St Riquier 2 SAS	Paris (FR)	30.09.	EUR	0.2	100.0	100.0	P
Parc éolien Plaine Dynamique SAS	Paris (FR)	30.09.	EUR	0.02	100.0	100.0	P
Axpo Servizi Produzione Italia S.p.A.	Genoa (IT)	30.09.	EUR	0.3	100.0	100.0	D
Axpo Slovensko, s.r.o. [11]	Bratislava (SK)	30.09.	EUR	0.1	100.0	100.0	V
Axpo Turkey Enerji A.S.	Istanbul (TR)	30.09.	TRY	7.0	100.0	100.0	V
Axpo UK Limited	London (GB)	30.09.	GBP	9.5	100.0	100.0	V
Axpo UK Trading Limited	London (GB)	30.09.	GBP	0.2	100.0	100.0	V
Calenia Energia S.p.A.	Genoa (IT)	30.09.	EUR	0.1	85.0	85.0	P
Frea Axpo EOOD	Sofia (BG)	31.12.	BGN	0.6	100.0	100.0	V
Rizziconi Energia S.p.A.	Genoa (IT)	30.09.	EUR	0.5	100.0	100.0	P
WinBis S.r.l.	Genoa (IT)	30.09.	EUR	0.1	100.0	100.0	P
Consorzio Energie Rinnovabili	Naples (IT)	30.09.	EUR	0.02	49.0	49.0	P
Axpo Kosovo L.L.C.	Pristina (KOS)	31.12.	EUR	0.1	100.0	100.0	V
Axpo MK dooel Skopje	Skopje (MK)	31.12.	MKD	6.1	100.0	100.0	V
Axpo Nordic AS	Oslo (NO)	30.09.	NOK	58.0	100.0	100.0	V
Axpo Finland Oy	Helsinki (FI)	30.09.	EUR	0.3	100.0	100.0	V
Axpo Sverige AB	Malmö (SE)	30.09.	SEK	52.0	100.0	100.0	V
Axpo Trgovina d.o.o.	Zagreb (HR)	30.09.	HRK	0.8	100.0	100.0	V
Axpo U.S. LLC	Wilmington DE (US)	30.09.	USD	44.0	100.0	100.0	V
Energia de la Zarza S.L.	Madrid (ES)	30.09.	EUR	0.1	100.0	100.0	I
Centralschweizerische Kraftwerke AG [12]	Lucerne	30.09.	CHF	3.0	81.1	81.1	V
Axpo CKW France SAS	Paris (FR)	30.09.	EUR	26.4	40.0	40.0	D
CKW Conex AG	Lucerne	30.09.	CHF	1.0	100.0	100.0	D
SicuroCentral AG	Lucerne	30.09.	CHF	0.1	100.0	100.0	D
CKW Fiber Services AG	Lucerne	30.09.	CHF	2.7	100.0	100.0	D
Elektrizitätswerk Altdorf AG	Altdorf	30.09.	CHF	20.0	62.2	62.2	V
ComDataNet AG	Altdorf	30.09.	CHF	0.5	100.0	100.0	D
Kraftwerk Bristen AG	Silenen	30.09.	CHF	6.0	60.0	60.0	P
Kraftwerk Gurtnellen AG	Gurtnellen	30.09.	CHF	8.0	70.0	70.0	P
Kraftwerk Schächen AG [9]	Bürglen	30.09.	CHF	2.0	51.0	51.0	P
Kraftwerk Schächental AG	Spiringen	30.09.	CHF	0.5	56.0	56.0	P
Elektrizitätswerk Schwyz AG	Schwyz	30.09.	CHF	3.0	89.9	89.9	V
Steiner Energie AG	Malters	30.09.	CHF	0.5	100.0	100.0	V
VoltControl Solutions AG	Lucerne	30.09.	CHF	0.2	51.0	51.0	D

9) Formation in 2016/17 financial year.
10) Of which EUR 0.0 million paid in.
11) Change of company name to Axpo Slovensko, s.r.o. (formerly Axpo Slovensko a Cesko, s.r.o.).
12) Registered shares with a nominal value of CHF 29,692 held as treasury shares.

	Domicile	Balance sheet date	Currency	Registered capital in millions	Share of votes in %	Share of capital in %	Purpose
Significant associated companies (partner plants)							
Aarekraftwerk Klingnau AG	Klingnau	30.09.	CHF	0.1	60.0	60.0	P
AG Kraftwerk Wägital	Schübelbach	30.09.	CHF	15.0	50.0	50.0	P
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern	Lucerne	31.12.	CHF	90.0	46.0 [13]	41.4 [13]	P
Electra-Massa AG	Naters	31.12.	CHF	20.0	13.8	13.8	P
Elektrizitätswerk Rheinau AG	Rheinau	30.09.	CHF	20.0	50.0	50.0	P
ENAG Energiefinanzierungs AG	Schwyz	31.12.	CHF	100.0	75.1 [13]	58.2 [13]	P
Engadiner Kraftwerke AG	Zernez	30.09.	CHF	140.0	30.0	30.0	P
Etrans AG	Laufenburg	31.12.	CHF	7.5	42.3	42.3	N
Forces Motrices de Mauvoisin SA	Sion	30.09.	CHF	100.0	68.3	68.3	P
Grande Dixence SA	Sion	31.12.	CHF	300.0	13.3	13.3	P
Kernkraftwerk Gösgen-Däniken AG	Däniken	31.12.	CHF	350.0 [15]	37.5 [13]	36.0 [13]	P
Kernkraftwerk Leibstadt AG	Leibstadt	31.12.	CHF	450.0	52.7 [13]	34.6 [13][14]	P
Kernkraftwerk-Beteiligungsgesellschaft AG	Berne	31.12.	CHF	150.0	33.3	33.3	P
Kraftwerk Göschenen AG	Göschenen	30.09.	CHF	60.0	50.0	50.0	P
Kraftwerk Reckingen AG	Küssaberg (DE)	31.12.	EUR	1.2	20.0	20.0	P
Kraftwerk Rupperswil-Auenstein AG	Aarau	30.09.	CHF	12.0	45.0	45.0	P
Kraftwerk Ryburg-Schwörstadt AG	Rheinfelden	30.09.	CHF	30.0	13.5	13.5	P
Kraftwerk Sarneraa AG	Alpnach	30.09.	CHF	2.0	18.0	18.0	P
Kraftwerk Schaffhausen AG	Schaffhausen	30.09.	CHF	10.0	30.0	30.0	P
Kraftwerk Tschar AG	Obersaxen Mundaun	30.09.	CHF	9.2	51.0	51.0	P
Kraftwerke Hinterrhein AG	Thusis	30.09.	CHF	100.0	19.5	19.5	P
Kraftwerke Mattmark AG	Saas-Grund	30.09.	CHF	90.0	66.7 [13]	58.3 [13]	P
Kraftwerke Zervreila AG	Vals	31.12.	CHF	50.0	21.6	21.6	P
Officine Idroelettriche della Maggia SA	Locarno	30.09.	CHF	100.0	30.0	30.0	P
Officine Idroelettriche di Blenio SA	Blenio	30.09.	CHF	60.0	17.0	17.0	P
Rheinkraftwerk Neuhausen AG	Neuhausen	31.12.	CHF	1.0	40.0	40.0	P
Rheinkraftwerk Säckingen AG	Bad Säckingen (DE)	31.12.	EUR	5.0	25.0	25.0	P

13) Due to the disposal or acquisition of sub-holdings, the effective financially relevant equity interests in the partner plants deviates from the percentage of capital and voting rights held.
14) The direct share of capital held by Axpo in Kernkraftwerk Leibstadt AG is 34.6%. Taking into account the 15% share of capital held by AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern in Kernkraftwerk Leibstadt AG, the indirect share of capital held by Axpo in Kernkraftwerk Leibstadt AG is 38.3%.
15) Of which CHF 290.0 million paid in.

	Domicile	Balance sheet date	Currency	Registered capital in millions	Share of votes in %	Share of capital in %	Purpose
Significant associated companies (other associates)							
Albula Netz AG [16]	Filisur	31.12.	CHF	1.7	33.3	60.0	N
BiEAG Biomasse Energie AG	Hünenberg	30.09.	CHF	5.4	40.4	74.1	P
BV Kompostieranlage Oensingen AG	Oensingen	30.09.	CHF	0.3	50.0	50.0	P
Centrale Eolienne Canet - Pont de Salars SAS	Paris (FR)	31.12.	EUR	0.1	49.0	49.0	P
Centrale Eolienne Gueltas Noyal-Pontivy SAS	Paris (FR)	31.12.	EUR	0.8	49.0	49.0	P
Centrale Eolienne Patay SAS	Paris (FR)	31.12.	EUR	0.1	49.0	49.0	P
Centrale Eolienne Saint Barnabé SAS	Paris (FR)	31.12.	EUR	0.1	49.0	49.0	P
Centrale Eolienne Ségur SAS	Paris (FR)	31.12.	EUR	0.1	49.0	49.0	P
Demirören EGL Gaz Toptan Ticaret A.S.	Istanbul (TR)	31.12.	TRY	3.4	50.0	50.0	V
EBS+EWS Elektrosicherheit GmbH	Schwyz	31.12.	CHF	0.1	50.0	50.0	S
Elektrizitätswerk des Kantons Schaffhausen AG	Schaffhausen	31.12.	CHF	20.0	25.0	25.0	V
Eolienne de Saugueuse S.à.r.l.	Paris (FR)	31.12.	EUR	0.001	49.0	49.0	P
Ferme Eolienne de Chambon Puyravault SAS	Paris (FR)	31.12.	EUR	0.001	50.0	50.0	I
Ferme éolienne de Fontenay-Le-Comte et xanton-Chassenon SAS	Strasbourg (FR)	31.12.	EUR	0.02	40.0	40.0	I
GeoEnergie Taufkirchen GmbH & Co. KG	Grünwald (DE)	31.12.	EUR	62.6	35.0	35.0	I
Global Tech I Offshore Wind GmbH	Hamburg (DE)	31.12.	EUR	1.0	24.1	24.1	P
Gold Energy-Comercializadora de Energía, S.A.	Vila Real (PT)	31.12.	EUR	1.5	25.0	25.0	V
Grischelectra AG	Chur	30.09.	CHF	1.0 [17]	20.0	20.0	V
IEL Exploitation 28 Sarl	Saint Brieuc (FR)	31.12.	EUR	0.001	25.0	25.0	I
Kompogas Bioriko AG	Klingnau	30.09.	CHF	0.1	50.0	50.0	P
KW Seedorf AG	Seedorf	30.09.	CHF	1.0	20.0	20.0	P
NIS AG	Sursee	31.12.	CHF	1.0 [18]	25.0	25.0	S
Ökopower AG	Ottenbach	31.12.	CHF	0.5	50.0	50.0	S
Parc Eolien de Varimpré SAS	Paris (FR)	31.12.	EUR	0.04	49.0	49.0	P
Parc Eolien des Vatines SAS	Paris (FR)	31.12.	EUR	0.8	49.0	49.0	P
Parc Eolien du Clos Bataille SAS	Paris (FR)	31.12.	EUR	0.4	49.0	49.0	P
Parque Eólico la Peñuca S.L.	Ponferrada (ES)	31.12.	EUR	3.3	46.0	46.0	P
Realta Biogas AG	Cazis	30.09.	CHF	0.7	41.7	41.7	P
Repower AG	Brusio	31.12.	CHF	7.4	12.7	12.7	V
Società EniPower Ferrara S.r.l.	San Donato Milanese (IT)	31.12.	EUR	170.0	49.0	49.0	P
Sogesa SA	Le Chable	30.09.	CHF	2.0	30.0	30.0	V
SV Kompostieranlage Bellach AG	Bellach	30.09.	CHF	0.1	50.0	50.0	S
Swissgrid AG	Laufenburg	31.12.	CHF	317.9	37.6	37.6	N
Terravent AG	Lucerne	30.09.	CHF	15.0	25.0	25.0	S
Trans Adriatic Pipeline AG	Baar	31.12.	CHF	734.2	5.0	5.0	I
Windpark Lindenberg AG [16]	Beinwil (Freiamt)	30.09.	CHF	0.1	25.0	25.0	P
Zwilag Zwischenlager Würenlingen AG	Würenlingen	31.12.	CHF	5.0	24.3	24.3	S

16) Formation in 2016/17 financial year.
17) Of which CHF 0.2 million paid in.
18) Of which CHF 0.8 million paid in.

Company's business activities
D = Services H = Holding I = Project company N = Grid
P = Production V = Energy supply and trading S = Other

Share of votes in %:
Direct legal share of voting rights

Share of capital in %:
Direct share of capital (including sub-participations)

Statutory Auditor's Report

To the General Meeting of Axpo Holding AG, Baden

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Axpo Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of balance sheet as at 30 September 2017 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 6 to 72) give a true and fair view of the consolidated financial position of the Group as at 30. September, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Valuation of property, plant and equipment (PPE), intangible assets, energy procurement contracts as well as investments in partner plants

Classification and valuation of energy derivatives

Completeness and accuracy of provisions for the decommissioning and nuclear waste disposal

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Valuation of property, plant and equipment (PPE), intangible assets, energy procurement contracts as well as investments in partner plants

Key Audit Matter

As at 30 September 2017, the company recognised net impairments and net provisions amounting to CHF 61.5 million in total, whereas the item "Depreciation, amortisation and impairments" was debited with CHF 51.0 million and the item "Expenses for energy procurement, grid usage and cost of goods purchased" was debited with CHF 10.5 million. The carrying amounts of PPE and intangible assets were impaired by CHF 57.1 million.

Axpo Group owns PPE, intangible assets, energy procurement contracts and investments in partner plants whose profitability and valuation depend on various valuation parameters. Especially future energy prices, expected production costs, developments in exchange rates of foreign currencies, the useful lives and discount rates estimates are subject to considerable discretion.

In this respect, Management assesses every year whether there are indications for impairments or impairment reversals, or provision requirements due to significant changes that could influence the relevant valuation parameters.
Should there be such indications, the carrying value is compared to the recoverable amount (value in use) or the expected loss.
The value in use or expected loss is determined by modeling the discounted cash flows based on the estimated valuation parameters.

Our response

Our audit procedures consisted, amongst others, of assessing the methodological and mathematical accuracy of the model used for the valuation and of determining the adequacy of the assumptions made for material valuation parameters.

Considering qualitative and quantitative factors, we selected a sample of PPE, intangible assets, energy procurement contracts and investments in partner plants to be valued and performed amongst others the following audit procedures:

- Challenging the robustness of the most important parameters used to calculate the recoverable amount or expected loss, especially by comparing the future expected energy prices, foreign currency rates and the discounting interest rates with data of external studies and market data. In this respect we also used the services of an additional internal valuation specialist;
- Reconciling the cost estimates used with budget figures, and performed a retrospective analysis of prior-year cost estimates to determine their accuracy;
- Verifying the useful lives used for the valued PPE and intangible assets by reconciling these with Axpo-internal accounting principles;
- Examine the contractual and concession durations of valued energy procurement contracts and investments in partner plants;
- Recalculation of the differences between carrying value and recoverable value or expected loss, and assess whether any resulting impairment or impairment reversal as well as the creation or release of provisions have been recognised correctly in the financial accounting.

For further information on PPE, intangible assets, energy procurement contracts as well as investments in partner plants, please consult the following sections of the notes to the consolidated financial statements:

— Notes 4, 5, 9, 12,15, 16, 17 and 29

KPMG

Classification and valuation of energy derivatives

Key Audit Matter

The replacement values of energy derivatives as at 30 September 2017 are disclosed in the line item "Derivative financial instruments" in non-current assets (CHF 648.8 million) and in current assets (CHF 1,154.6 million), as well as in the current liabilities (CHF 1,162.6 million) and non-current liabilities (CHF 965.4 million).

Fluctuations in the replacement values as well as the settlement of the relevant contracts affect the income statement, other comprehensive income and equity, depending on their classification as energy trading transactions or hedges. Moreover, the classification of derivative financial instruments influences the presentation and disclosure requirements of such contracts.

For subsequent valuation of the energy derivatives as at balance sheet date, models with observable input parameters are used. The definition of such input parameters and the use of suitable valuation models are subject to considerable discretion. Moreover, the assessment of an energy derivative's purpose is decisive for its correct classification and is also subject to considerable discretion.

The valuation is based on the complete and correct recording of all contractual parameters. The recording of the contracts is subject to operational risk in the business workflows that stem from the organisational structure of Axpo Group and the numerous energy products traded.

Our response

Our audit procedures are based on the inspection and assessment of documents used for the period validation of valuation models, performed on a sample basis.

Amongst others, our audit procedures included on a sample basis the following:

- Examination of the calculation methods implemented in the models in regard to consistency and adequacy as well as the use of adequate energy rate curves;
- Evaluating the mathematical accuracy of valuation calculations of energy derivatives;
- Testing of controls implemented to ensure the complete and accurate recording of energy derivatives; we thereby focused on the monitoring of trades executed and recorded in the IT systems, the segregation of duties, the reconciliation of internal contractual data with external confirmations and the segregation of control when recording the contractual data in the IT systems as well as on the IT controls relevant to the business workflows for energy derivatives and interfaces between the IT solutions used in the information flow.

For further information on Energy derivatives refer to the following:

— Notes 4, 5 and 6

KPMG

Completeness and accuracy of provisions for the decommissioning and nuclear waste disposal

Key Audit Matter

As at 30 September 2017, Axpo Group discloses provisions in the amount of CHF 4,454.8 million. Of these, CHF 2,812.2 million are earmarked for future obligations in regard to the decommissioning and nuclear waste disposal.

By law, Axpo Group is obliged to decommission its nuclear power plants at the end of their operating life and to adequately dispose of the nuclear waste. The future costs for this are re-estimated periodically by swissnuclear (swisselectric's nuclear power task force). Its findings are submitted to the administrative commission of the nuclear disposal fund. The temporary cost contributions are calculated on this basis. The last cost analysis took place in 2015 – 2016 (2016 cost analysis) which serves as the basis for the provisions recorded for the decommissioning and nuclear waste disposal in the 2016/17 consolidated financial statements. The provisioning budget contained in the 2016 cost analysis as well as its modeling and mathematical accuracy are reviewed by an external expert. Moreover, the Federal Nuclear Safety Inspectorate (ENSI) as well as the experts involved review whether the costs in the cost analysis were estimated realistically and in sufficient detail, and whether these were presented transparently. Based on this, the Swiss Federal Department for the Environment, Transport, Energy and Communication (UVEK) proposes the final amounts to the administrative commission.

The cost estimates and due to this, the provisions' accuracy and completeness, are subject to significant uncertainty because of the long-term time horizon as well as the partially missing empirical data especially in the area of waste disposal.

Our response

For our audit, we primarily rely on the 2016 cost analysis prepared by swissnuclear as well as its methodological review by the external expert. During our audit, we assessed the expertise of swissnuclear as well as of the external expert.

Specifically, we performed the following audit procedures, among others:

- Reconciliation of the amounts, creation and use of provisions in the financial accounting as at balance sheet date with the amounts stated in the cost analysis and their recording in accordance with IFRS requirements;
- Reconciliations of the use of the current provision for nuclear waste disposal by inspecting invoices on a sample basis;
- Critical appraisal of the disclosure to the provision in the consolidated financial statements in accordance with the requirements of IFRS;

For further information on provisions for the decommissioning and nuclear waste disposal refer to the following:

— Notes 4, 5 and 29

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Lukas Marty
Licensed Audit Expert
Auditor in Charge

Silvan Jurt
Licensed Audit Expert

Zurich, 18 December 2017

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

Income statement of Axpo Holding AG

CHF million	Notes	2016/17	2015/16
Income			
Income from subsidiaries and associates	3	917.5	212.2
Financial income		262.7	71.7
Income from services and licences		17.3	19.8
Total income		**1 197.5**	**303.7**
Expenses			
Financial expenses		–118.6	–163.8
Other operating expenses		–11.7	–7.9
Impairments on subsidiaries and associates	4	–873.7	–793.4
Total expenses		**–1 004.0**	**–965.1**
Ordinary profit		**193.5**	**–661.4**
Extraordinary expenses		0.0	–171.5
Net profit/net loss for the year		**193.5**	**–832.9**

Balance sheet of Axpo Holding AG

CHF million	Notes	30.9.2017	30.9.2016
Assets			
Cash and cash equivalents		825.6	345.0
Trade receivables	5	0.3	0.0
Current financial receivables	6	559.3	961.2
Current derivatives (positive replacement values)	7	240.3	47.5
Other receivables	8	15.4	13.2
Accrued income and prepaid expenses	9	0.5	1.4
Total current assets		**1 641.4**	**1 368.3**
Other financial assets	10	1 852.2	1 847.3
Non-current derivatives (positive replacement values)	11	139.7	69.1
Investments in subsidiaries and associates	12	3 634.7	4 052.7
Total non-current assets		**5 626.6**	**5 969.1**
Total assets		**7 268.0**	**7 337.4**
Equity and liabilities			
Trade payables	13	0.5	0.8
Current interest-bearing liabilities	14	1 573.4	919.7
Current derivatives (negative replacement values)	15	169.2	114.0
Other current liabilities	16	0.1	0.4
Accrued expenses and deferred income	17	21.0	13.8
Total current liabilities		**1 764.2**	**1 048.7**
Bonds	18	1 074.8	1 073.6
Loans payable	19	1 050.0	2 109.0
Non-current derivatives (negative replacement values)	20	116.7	37.3
Total non-current liabilities		**2 241.5**	**3 219.9**
Total liabilities		**4 005.7**	**4 268.6**
Share capital	21	370.0	370.0
Statutory capital reserves (capital contribution reserve)		2 633.0	2 633.0
Voluntary retained earnings		63.0	538.0
Accumulated profit/loss	22	196.3	–472.2
Total equity		**3 262.3**	**3 068.8**
Total equity and liabilities		**7 268.0**	**7 337.4**

Notes to the statutory financial statements of Axpo Holding AG

1 | General information

Axpo Holding AG is a public limited company incorporated under Swiss law with its registered office in Baden. During the year under review and in the previous year the company did not have any employees.

2 | Accounting policies

The annual financial statements are prepared in accordance with Swiss law. The Board of Directors of Axpo Holding AG approved these statutory financial statements on 18 December 2017 and they are still subject to be approved by the Annual General Meeting on 19 January 2018. The policies applied in the statutory financial statements will be presented below unless otherwise required by law. The option to create and release hidden reserves was exercised in order to ensure the long-term growth of the company.

Foreign currency translation
For more information about foreign currency translation, see “Foreign currency exchange rates” in Note 3 “Consolidation principles” of the consolidated financial statements of the Axpo Group.

Cash pooling
Axpo Holding AG has a cash pooling system (zero balancing). The receivables and payables from Group companies are transferred daily to the account of Axpo Holding AG at the pool bank. The balance per Group company or associated company is recognised under receivables from or liabilities to investments and Group companies.

Trade receivables
Trade receivables are recorded at their nominal value, less bad debt allowances.

Derivatives (replacement values)
Derivative financial instruments are used to hedge foreign currency positions. The financial derivatives that are open on the balance sheet date are measured at stock market value or at fair value on the balance sheet date. The positive and negative derivative financial instruments are recognised in the corresponding balance sheet items.

Financial assets
Loan receivables are recognised at their nominal value, less any impairments. Securities are measured at the lower of cost or market value.

Investments in subsidiaries and associates
Investments in subsidiaries and associates are recognised at cost, subject to any value adjustments required.

Liabilities
Liabilities are recognised at nominal value.

Transactions with shareholders and investments in subsidiaries and associates
The investors of Axpo Holding AG are recognised as “shareholders”. “Investments and Group companies” includes all fully consolidated subsidiaries, equity-accounted associates of Axpo Holding AG and significant investments of shareholders.

Waiver of cash flow statement and additional information in the notes
Since the Axpo Group has prepared its consolidated financial statements in accordance with a recognised accounting standard (IFRS), as stipulated by law, it has dispensed with the presentation of additional information on interest-bearing liabilities and audit fees in the notes as well as a cash flow statement.

3 | Income from subsidiaries and associates

CHF million	2016/17	2015/16
Dividend income from		
Electricity utilities of the Canton Schaffhausen, Schaffhausen	1.2	1.2
Axpo Power AG, Baden	900.0	180.0
Centralschweizerische Kraftwerke AG, Lucerne	9.6	14.4
Axpo Services AG, Baden	3.0	11.7
Third parties	3.7	4.9
Total	**917.5**	**212.2**

4 | Impairments on investments in subsidiaries and associates

The investment in Axpo Power AG was impaired by CHF 888.8 million during the 2016/17 financial year. An impairment reversal of CHF 5.0 million was booked for the investment in Axpo Trading AG. Furthermore, the value of the investment in Repower AG was increased by CHF 10.1 million.

5 | Trade receivables

CHF million	30.9.2017	30.9.2016
Shareholders	0.1	0.0
Investments and Group companies	0.2	0.0
Total	**0.3**	**0.0**

6 | Current financial receivables

CHF million	30.9.2017	30.9.2016
Third parties	310.0	509.0
Investments and Group companies	249.3	452.2
Total	**559.3**	**961.2**

This position contains loans with a remaining term to maturity of less than twelve months.

7 | Current derivatives (positive replacement values)

CHF million	30.9.2017	30.9.2016
Third parties	0.3	4.8
Investments and Group companies	240.0	42.7
Total	**240.3**	**47.5**

Current derivative financial instruments mainly consist of the positive replacement value for currency forward contracts with a maturity of less than twelve months, open on the balance sheet date. They are used to hedge foreign currency positions. Non-current derivatives are shown in a separate balance sheet line item as well as in Note 11.

8 | Other current receivables

CHF million	30.9.2017	30.9.2016
Third parties	14.4	13.2
Investments and Group companies	1.0	0.0
Total	**15.4**	**13.2**

9 | Accrued income and prepaid expenses

CHF million	30.9.2017	30.9.2016
Third parties	0.0	0.2
Investments and Group companies	0.5	1.2
Total	**0.5**	**1.4**

10 | Other financial assets

CHF million	30.9.2017	30.9.2016
Third parties	0.0	105.0
Investments and Group companies	125.0	121.4
Securities	1 727.2	1 620.9
Total	**1 852.2**	**1 847.3**

The remaining term to maturity of the loan receivables and time deposits is more than twelve months. Securities mainly consist of collective investment instruments (bank in-house funds and investment funds).

11 | Non-current derivatives (positive replacement values)

CHF million	30.9.2017	30.9.2016
Third parties	0.8	0.4
Investments and Group companies	138.9	68.7
Total	**139.7**	**69.1**

The current derivative financial instruments (positive replacement values) are stated in Note 7.

12 | Investments in subsidiaries and associates

The overview in Note 36 of the consolidated financial statements of the Axpo Group sets out the details of Axpo Holding AG's direct or indirect equity interests in subsidiaries and associates.

13 | Trade payables

CHF million	30.9.2017	30.9.2016
Third parties	0.2	0.3
Investments and Group companies	0.3	0.5
Total	**0.5**	**0.8**

14 | Current interest-bearing liabilities

CHF million	30.9.2017	30.9.2016
Investments and Group companies	1 573.4	919.7
Total	**1 573.4**	**919.7**

This item includes loan liabilities due in less than twelve months and current account liabilities.

15 | Current derivatives (negative replacement values)

CHF million	30.9.2017	30.9.2016
Third parties	22.1	3.8
Investments and Group companies	147.1	110.2
Total	**169.2**	**114.0**

Current derivative financial instruments mainly consist of the negative replacement value for currency forward contracts with a maturity of less than twelve months, open on the balance sheet date. They serve to hedge foreign currency positions. Noncurrent derivatives are shown in a separate balance sheet line item as well as in Note 20.

16 | Other current liabilities

CHF million	30.9.2017	30.9.2016
Third parties	0.1	0.4
Total	**0.1**	**0.4**

17 | Accrued expenses and deferred income

CHF million	30.9.2017	30.9.2016
Third parties	15.1	13.7
Investments and Group companies	5.9	0.1
Total	**21.0**	**13.8**

18 | Bonds

CHF million		30.9.2017	30.9.2016
Bonds outstanding at the balance sheet date:	Nominal value		
2.625% bond 26.2.2010–26.2.2020	429.8	428.0	427.2
3.125% bond 26.2.2010–26.2.2025	300.0	297.8	297.5
1.750% bond 28.7.2016–29.5.2024	350.0	349.0	348.9
Total		**1 074.8**	**1 073.6**

The difference versus the nominal value corresponds to the costs paid for the issuance of the bonds less the premium. These costs are distributed over the term of the bonds according to the effective interest method and charged to expenses.

19 | Loan liabilities

CHF million	30.9.2017	30.9.2016
Due dates:		
Remaining term to maturity 1–5 years	1 050.0	1 209.0
Remaining term to maturity more than 5 years	0.0	900.0
Total	**1 050.0**	**2 109.0**
of which:		
Investments and Group companies	1 050.0	2 109.0

20 | Non-current derivatives (negative replacement values)

CHF million	30.9.2017	30.9.2016
Third parties	9.1	12.8
Investments and Group companies	107.6	24.5
Total	**116.7**	**37.3**

The current derivatives (negative replacement values) are stated in Note 15.

21 | Share capital

CHF million		30.9.2017	30.9.2016
The share capital is divided into 37,000,000 registered shares with a par value of CHF 10 each.			
The shareholders are:	in %		
Canton Zurich	18.342	67.9	67.9
Electricity utilities of the Canton Zurich	18.410	68.1	68.1
Canton Aargau	13.975	51.7	51.7
AEW Energie AG	14.026	51.9	51.9
SAK Holding AG	12.501	46.3	46.3
EKT Holding AG	12.251	45.3	45.3
Canton Schaffhausen	7.875	29.1	29.1
Canton Glarus	1.747	6.5	6.5
Canton Zug	0.873	3.2	3.2
Total	**100.000**	**370.0**	**370.0**

22 | Accumulated profit/loss

CHF million	30.9.2017	30.9.2016
Result for the year	193.5	−832.9
Profit carried forward	2.8	360.7
Total	**196.3**	**−472.2**

23 | Changes in equity

CHF million	Share capital	General legal reserves	Free reserves	Accumulated profit/loss	Total equity
As at 30.9.2014	**370.0**	**2 663.0**	**538.0**	**269.8**	**3 810.8**
Result for the year 2014/15				90.9	90.9
As at 30.9.2015	**370.0**	**2 663.0**	**538.0**	**360.7**	**3 901.7**
Result for the year 2015/16				−832.9	−832.9
As at 30.9.2016	**370.0**	**2 633.0**	**538.0**	**−472.2**	**3 068.8**
Partial release of voluntary retained earnings			−475.0	475.0	0.0
Result for the year 2016/17				193.5	193.5
As at 30.9.2017	**370.0**	**2 633.0**	**63.0**	**196.3**	**3 262.3**

24 | Contingent liabilities

CHF million	30.9.2017	30.9.2016
Guarantees	1 226.1	900.7
Sureties	95.4	128.2
Liabilities to pay in capital on shares	0.0	0.1
Other delivery and acceptance obligations	0.7	0.8
Total	**1 322.2**	**1 029.8**

25 | Remuneration paid to the Board of Directors and the Executive Board

This note was created in accordance with the requirements of the Swiss Code of Obligations and may differ from the remuneration information in Note 32 of the consolidated financial statements (in accordance with IFRS) as a result of differing measurement approaches. The amounts disclosed include all remuneration to the members of the Board of Directors of Axpo Holding AG and the Executive Board granted by the fully consolidated companies of the Axpo Group for the 2016/17 financial year, even if the time of payment or definitive acquisition of title was after the balance sheet date of the reporting year (accrual basis). Remuneration that was not paid out directly to individual members of the Board of Directors but to their employers is also included in the following amounts.

Remuneration paid to members of the Board of Directors in the 2016/17 financial year

Name CHF thousand	Function	Remuneration for directorship (fixed) [1]	Pension benefits [2]	Total
Thomas Sieber	Chairman of the Board of Directors Member of the Audit and Finance Committee, Compensation and Nominations Committee, Strategy Committee	300	68	368
Stephan Attiger	Member of the Board of Directors (until GM 2017) Member of the Strategy Committee	36	0	36 [3]
Ueli Betschart	Member of the Board of Directors (until GM 2017) Member of the Audit and Finance Committee, Corporate Risk Council	42	2	44
Dorothée Deuring	Member of the Board of Directors (from GM 2017) Member of the Audit and Finance Committee	49	4	53
Reto Dubach	Member of the Board of Directors (until GM 2017) Member of the Strategy Committee	38	0	38 [4]
Roland Eberle	Member of the Board of Directors Chairman of the Strategy Committee	66	5	71
Hanspeter Fässler	Member of the Board of Directors (from GM 2017) Member of the Strategy Committee, Member of the Compensation and Nominations Committee	45	3	48
Andreas Frank	Member of the Board of Directors (until GM 2017) Member of the Audit and Finance Committee	41	3	44
Köbi Frei	Member of the Board of Directors Chairman of the Compensation and Nominations Committee (from GM 2017)	73	0	73 [5]
Rudolf Hug	Vice Chairman of the Board of Directors Chairman of the Audit and Finance Committee	158	10	168
Markus Kägi	Member of the Board of Directors (until GM 2017) Member of the Strategy Committee	35	0	35 [6]
Peter Kreuzberg	Member of the Board of Directors (from GM 2017) Member of the Audit and Finance Committee, Corporate Risk Council	49	4	53
Robert Marti	Member of the Board of Directors Member of the Compensation and Nominations Committee	65	1	66 [7]
Peter Reinhard	Member of the Board of Directors (until GM 2017) Chairman of the Compensation and Nominations Committee	36	3	39
Carmen Walker Späh	Member of the Board of Directors (until GM 2017) Member of the Compensation and Nominations Committee	33	0	33 [8]
Ernst Werthmüller	Member of the Board of Directors (until GM 2017) Member of the Audit and Finance Committee	41	0	41 [9]
Roger Wüthrich-Hasenböhler	Member of the Board of Directors (from GM 2017) Member of the Strategy Committee	42	3	45
Total		**1 149**	**106**	**1 255**

1) The remuneration for a Board of Directors mandate (fixed) consists of a fixed annual remuneration and meeting fees (except in the case of the Chair of the Board of Directors).
2) Employer contributions to AHV/IV and pension funds are shown under pension benefits.
3) CHF 36 thousand of the remuneration was paid to the employer. Left March 2017.
4) CHF 36 thousand of the remuneration was paid to the employer. Left March 2017.
5) CHF 73 thousand of the remuneration was paid to the employer.
6) CHF 35 thousand of the remuneration was paid to the employer. Left March 2017.
7) CHF 52 thousand of the remuneration was paid to the employer.
8) CHF 33 thousand of the remuneration was paid to the employer. Left March 2017.
9) CHF 41 thousand of the remuneration was paid to the employer. Left March 2017.

Remuneration paid to members of the Board of Directors in the 2015/16 financial year

Name CHF thousand	Function	Remuneration for directorship (fixed) [1]	Pension benefits [2]	Total	
Robert Lombardini	Chairman of the Board of Directors (until GM 2016) Member of the Audit and Finance Committee, Compensation and Nominations Committee, Strategy Committee	138	9	147	
Thomas Sieber	Chairman of the Board of Directors (from GM 2016) Member of the Audit and Finance Committee, Compensation and Nominations Committee, Strategy Committee	200	45	245	
Stephan Attiger	Member of the Board of Directors Member of the Strategy Committee	71	0	71	3)
Ueli Betschart	Member of the Board of Directors Member of the Audit and Finance Committee, Corporate Risk Council	81	4	85	
Jakob Brunnschweiler	Vice Chairman of the Board of Directors (until GM 2016) Chairman of the Strategy Committee (until GM 2016)	46	0	46	4)
Reto Dubach	Member of the Board of Directors Member of the Compensation and Nominations Committee (until GM 2016) Member of the Strategy Committee (from GM 2016)	64	0	64	5)
Roland Eberle	Member of the Board of Directors Chairman of the Strategy Committee (from GM 2016)	71	5	76	
Andreas Frank	Member of the Board of Directors Member of the Audit and Finance Committee	79	6	85	
Köbi Frei	Member of the Board of Directors (from GM 2016) Member of the Compensation and Nominations Committee	32	0	32	6)
Rudolf Hug	Vice Chairman of the Board of Directors (from GM 2016) Chairman of the Audit and Finance Committee	136	8	144	
Markus Kägi	Member of the Board of Directors Member of the Strategy Committee	71	0	71	7)
Robert Marti	Member of the Board of Directors Member of the Compensation and Nominations Committee	62	1	63	8)
Peter Reinhard	Member of the Board of Directors Chairman of the Compensation and Nominations Committee	66	5	71	
Carmen Walker Späh	Member of the Board of Directors Member of the Compensation and Nominations Committee	49	0	49	9)
Ernst Werthmüller	Member of the Board of Directors Member of the Audit and Finance Committee	87	0	87	10)
Total		**1 253**	**83**	**1 336**	

1) The remuneration for a Board of Directors mandate (fixed) consists of a fixed annual remuneration and meeting fees (except in the case of the Chair of the Board of Directors).
2) Employer contributions to AHV/IV and pension funds are shown under pension benefits.
3) CHF 71 thousand of the remuneration was paid to the employer.
4) CHF 36 thousand of the remuneration was paid to the employer. Left March 2016.
5) CHF 64 thousand of the remuneration was paid to the employer.
6) CHF 32 thousand of the remuneration was paid to the employer. Joined March 2016.
7) CHF 68 thousand of the remuneration was paid to the employer.
8) CHF 52 thousand of the remuneration was paid to the employer.
9) CHF 49 thousand of the remuneration was paid to the employer. Joined January 2016.
10) CHF 87 thousand of the remuneration was paid to the employer.

Remuneration to Executive Board members and the highest-paid member

CHF thousand	Andrew Walo CEO		Total for Executive Board	
	2016/17	2015/16	2016/17	2015/16
Gross salaries (fixed)	650	650	2 400	2 395
Gross salaries (variable) 1) 4)	303	305	1 376	1 408
Non-cash benefits 2)	9	9	47	47
Pension benefits 3)	219	221	807	784
Total	**1 181**	**1 185**	**4 630**	**4 634**

1) Gross salaries (variable) include variable salary components that are dependent on the achievement of company targets and individual objectives. These values for the completed 2016/17 financial year are based on the provisional target assessment and the forecast results of the corporate financial targets. The payments will be made in the following financial year.
2) Private use of company vehicles and SBB rail pass.
3) Employer contributions to the AHV/IV, the company pension fund, occupational and non-occupational accident insurance, and sick pay insurance are shown under pension benefits.
4) Andy Heiz (new member of the Executive Board as of 1 November 2014) was granted, in connection with the loss of deferred compensation from his previous employer, compensation in the amount of CHF 515,785 (payable in three shares until May 2017). In May 2017, the last share of CHF 170,208 was paid (accounted for in gross salaries (variable)).

Expenses for performing directorships on behalf of Axpo are also compensated in the remuneration paid to the Executive Board members, i.e. Executive Board members may not claim separate remuneration for the performance of directorships within the Axpo Group. This remuneration totals CHF 253,746 and was paid out to the employers of the Executive Board members.

Further information
No remuneration was paid to former members of the Board of Directors or the Executive Board (incl. related parties) in the 2016/17 financial year.

Axpo Holding AG is wholly owned by the cantons of Northeastern Switzerland and their cantonal utility companies. Axpo Holding AG and its Group companies have not granted any security, loans, advances or credits to the members of the Board of Directors and the Executive Board or related parties.

26 | Significant events after the balance sheet date

There were no significant events after the balance sheet date that would have an impact on the carrying amounts of the assets or liabilities or that would have to be disclosed at this point.

Appropriation of profits of Axpo Holding AG

Proposal of the Board of Directors

	in CHF
We propose that distributable profit be appropriated as follows:	
Profit carried forward	2 799 320
Reported net profit	193 517 963
Total	**196 317 283**
Profit to be carried forward	196 317 283
Total	**196 317 283**

Statutory Auditor's Report

To the General Meeting of Axpo Holding AG, Baden

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Axpo Holding AG, which comprise the balance sheet as at 30 September 2017, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 80 to 90) for the year ended 30 September 2017 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Lukas Marty Licensed Audit Expert Auditor in Charge	Viktor Frank Licensed Audit Expert

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T +41 56 200 37 77
F +41 56 200 43 50

www.axpo.com

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Axpo Holding AG
Parkstrasse 23 | CH-5401 Baden
T +41 56 200 37 77 | F +41 56 200 43 50
info@axpo.com | www.axpo.com