

Axpo posts half-year profit of CHF 350 million and raises revenues from renewable energies

Dear shareholders

In the first half of 2015/16 (1 October 2015 to 31 March 2016), the Axpo Group posted consolidated revenues of CHF 3,045 million (previous year: CHF 3,189 million) and an operating profit (EBIT) of CHF 372 million (previous year: CHF 623 million), which is encouraging in the current difficult market environment in Switzerland and Europe. Although the company is continuing to battle with low wholesale prices in Europe, there are also grounds for optimism. The transformation of the Axpo Group is progressing well, and the expansion of the renewable energies segment and establishment of the European trading business are already making a substantial contribution to the Group's results. The Axpo subsidiary Centralschweizerische Kraftwerke AG is also doing well.

The partial opening of the Swiss market and many measures to intervene in the price structure by domestic and foreign governments have distorted the market to such an extent that it is no longer profitable to sell electricity from conventional, unsubsidised production. State intervention of this kind splits the market and creates one market for subsidised energies and one for conventional power plants that have to secure the supply of electricity when nothing is supplied by the solar and wind plants. Concerns about how long these distortions can be upheld put an additional burden on market players.

Axpo therefore initiated a fundamental change. With the adoption and affirmation in January 2016 of the new 2014 Group strategy, the Board of Directors of Axpo Holding AG sent a clear message. Axpo will continue to attach the greatest importance to cost management and the development of new sources of revenue in the second half of 2015/16 as well as in subsequent financial years. In order to reduce its dependence on the price of electricity, Axpo also intends to sell power plants and procurement contracts that are not central to its strategy. In the current uncertain market environment, Axpo has to be able to react quickly and flexibly to changes.

The operating result clearly shows the impact of these changes. Revenues from subsidised renewable energies are constantly rising, and Axpo is expecting to earn more money from renewable energies than from conventional energy production in the next financial year already. Axpo stimulated this change with its targeted investments in renewable energies.

Electricity prices further reduce revenues

At CHF 3,045 million, revenues for the first half were down slightly on the previous year (CHF 3,189 million), while the operating result of CHF 372 million is considerably smaller than in the previous year (CHF 623 million). This is largely due to the continued fall in wholesale prices, market distortions caused by electricity generation subsidies, particularly in Germany, low international primary energy prices (coal, gas and oil), and low CO₂ prices. The situation was made worse by the standstill of Block 1 of the Beznau nuclear power plant. This is offset by the revenues earned from transactions to hedge electricity prices, which partly compensated for the effect of falling electricity prices.

On balance, a better financial result (the previous year's result included considerable foreign exchange losses caused by the weak euro) and substantially lower income tax expenses ultimately allowed the Group to post a profit for the period of CHF 350 million (previous year: CHF 429 million).

As considerably less capital was tied up in net current assets, the cash flow from operating activities improved by almost CHF 100 million year-on-year to CHF 135 million. As the increase in net investments from CHF 365 million to CHF 462 million in the first half of 2015/16 was primarily driven by the acquisition of the Volkswind Group, the free cash flow of CHF –327 million was the same as in the previous year. Total assets increased by CHF 1.4 billion from

30 September 2015 to CHF 20.3 billion and the equity ratio was slightly higher at 32.6% on 31 March 2016.

Axpo is the largest producer of renewable energies in Switzerland

Europe has been sending a clear message to the markets with its political intervention to support renewable energies. For more than a decade, Axpo has been the largest producer of renewable energies in Switzerland. It also invested in renewable projects in Europe at an early stage.

Global Tech I, the wind farm located around 140 km off the German North Sea coast, was inaugurated in September 2015 and already passed the mark of 1 terrawatt hour (1 billion kilowatt hours) of energy in spring this year. In the windy month of January 2016 alone, Global Tech I fed more than 150 million kilowatt hours of climate-friendly energy into the German electricity grid. Axpo owns almost one-quarter of this offshore wind farm, the first for Switzerland.

In autumn 2015, Axpo received final approval from the European authorities for the acquisition of the German company Volkswind GmbH, a leading developer of wind farms (more than 60 farms) in Germany and France. With the purchase of Volkswind, Axpo took over 29 operating wind farms with a total capacity of 145 megawatts (MW) and acquired a major project pipeline in France and Germany, 460 MW of which has already been granted construction approval and another 2,740 MW of which is in various stages of development. In Spain, Axpo is the largest marketer of wind power, and throughout Europe it manages one of the largest customer portfolios of renewable energies.

Cheapest solar power in Switzerland

Axpo not only has a large production fleet of renewable hydro power, it also expanded its biomass production in the past few years with fermentation (Kompogas) and wood-burning plants. In Domat/Ems, Axpo Tegra AG received approval to build a wood chip drying plant, which will improve the efficiency factor of the plant. It will also produce dry wood chips from the Graubünden forests for third parties, such as small district heating networks.

The Axpo subsidiary CKW has sent a strong signal for solar power: the energy provider based in Central Switzerland reduced the rate for solar power by 5 cents per kilowatt hour and now provides the cheapest solar power in Switzerland. It is CKW's intention to stimulate demand for solar power, an ambition supported by the cooperation with Varta which involves CKW selling and installing Varta's latest battery storage device. With this battery, consumers can store the solar power generated on their own roof and use it when needed. A cooperation

agreement was also signed with Tesla for the distribution of battery storage devices.

In addition, at the end of 2015 the first public photovoltaic power plant constructed by CKW on the roof of the school for curative education in Willisau was commissioned. CKW also started with the construction of the Bristen small-scale hydro power plant, which is scheduled to start delivering electricity from 2017.

Axpo is world number one in electricity trading again

For the second year running, Axpo was named the world's leading electricity trader by customers and market participants in this year's survey launched by the two specialist publications "Risk" and "Energy Risk". Axpo was also ranked third in the world for gas trading for the first time. These new awards recognise the enormous progress made by Axpo in the European trading business and the success it achieved in the past few years with tailor-made energy solutions for its customers. For many years, Axpo has been strategically expanding this business area in order to tap into new sources of revenue.

Axpo is successfully operating in the market of services for small and medium-sized enterprises in Switzerland (through CKW), Spain and Italy. The establishment of the business in Poland is also going according to schedule and preparations have begun to start operations in a first part of the US market. Axpo wants to expand its successful European customer business to the US in the current year.

Linthal: first and second machine groups synchronised

The first grid synchronisation on 18 December 2015 was another important milestone in the construction of the Linth-Limmern pumped-storage power plant. The energy centre-piece of the century in the Glarner Alps has to date met all cost and time constraints. The second machine group has since also been synchronised.

The other good news is that the retrofitting of the Beznau nuclear power plant has been finalised successfully. A new emergency power supply, new reactor pressure vessel closure heads and a new plant information system were installed at the end of 2015. It has been more cumbersome and time-consuming to prove the safety of Block 1 of the Beznau nuclear power plant after a revision identified non-metallic inclusions in the reactor pressure vessel's base metal. Axpo's investigations and analyses to date have shown that the inclusions date back to the manufacture of the reactor pressure vessel. As the process of proving this

conclusion is complex, Block 1 of the Beznau nuclear power plant is only expected to come back on line at the end of 2016 at the earliest.

Change at the head of the Board of Directors

Thomas Sieber was elected the new Chairman of the Board of Directors of Axpo Holding AG at the Annual General Meeting on 11 March 2016, following in the footsteps of Robert Lombardini, Board Chairman since 2004, who retired. Vice-Chairman Jakob Brunnschweiler retired together with Robert Lombardini. He was replaced on the Board of Directors by Köbi Frei, member of the Government Council of the Canton of Appenzell Ausserrhoden. Director Rudolf Hug took over the position as Vice-Chairman of the Board of Directors. Carmen Walker Späh, member of the Government Council of the Canton of Zurich, was already elected to Axpo's Board of Directors during a by-election held in January. She replaced Martin Graf.

Outlook: electricity price unlikely to recover before 2019

The development of the electricity price does not give any grounds for optimism in the short term. The weak economy in Europe, current subsidy schemes for solar and wind and low

coal and CO₂ prices lead us to expect continued overproduction and pressure on wholesale prices. A trend reversal for wholesale prices is unlikely until 2019 at least.

As Axpo (except CKW), unlike most Swiss energy providers, does not have any committed end customers in Switzerland who can pay its prices based on production costs, it is fully exposed to the European wholesale price.

Axpo therefore has to continue to improve its profitability in the coming years. Apart from optimising its core business and consistently reducing its costs, this also means tapping into profitable new business areas and setting even clearer priorities for the management of its investments. In the current market environment, Axpo does not expect any improvement in its results.



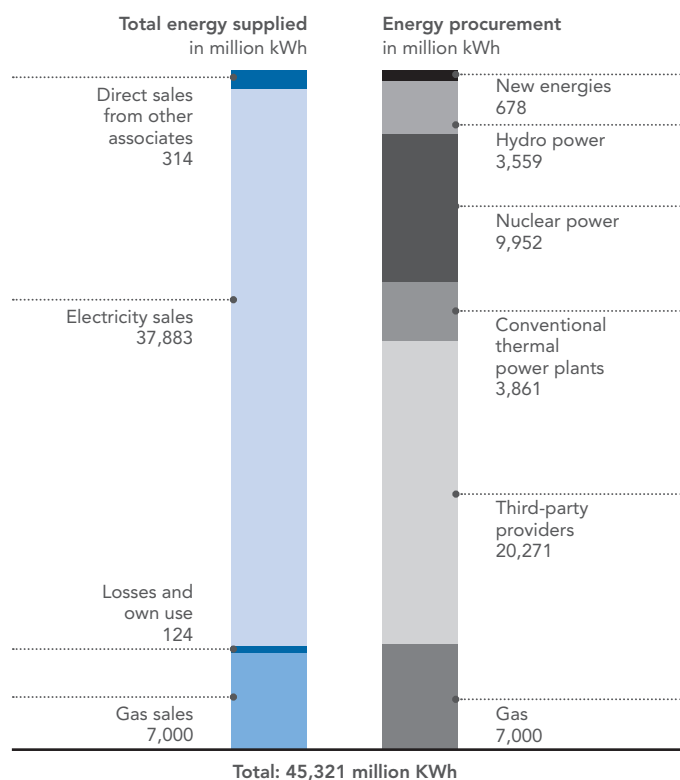
Thomas Sieber
Chairman of the Board of Directors



Andrew Walo
CEO

Summary of key figures

Energy statistics for the first half of 2015/16



Key figures for the first half of 2015/16¹⁾

	2015/16 in CHF million	2014/15 in CHF million
Income statement		
Revenues	3,045	3,189
of which energy sales and grid utilisation	2,618	2,889
Operating result (EBIT)	372	623
as % of revenues	12.2%	19.5%
Profit for the period	350	429
as % of revenues	11.5%	13.5%
Cash flow and investments		
Cash flow from operating activities	135	37
Net investments in non-current assets (excl. loan receivables)	-462	-365
Free cash flow	-327	-328
Balance sheet		
Total assets	20,339	20,186
Equity incl. non-controlling interests	6,621	7,766
as % of total assets	32.6%	38.5%
Employees (full-time equivalents)		
Number of employees on 31 March	4,273	4,287

Segment reporting for the first half of 2015/16¹⁾

in CHF million	Assets		Trading & Sales		CKW		Reconciliation ²⁾		Axpogroup	
	First half of 2015/16	First half of 2014/15	First half of 2015/16	First half of 2014/15	First half of 2015/16	First half of 2014/15	First half of 2015/16	First half of 2014/15	First half of 2015/16	First half of 2014/15
Revenues	1,215	1,513	2,242	2,724	451	456	-863	-1,504	3,045	3,189
Operating costs	-859	-855	-2,258	-2,534	-344	-339	920	1,261	-2,541	-2,467
Share of profit of partner plants and other associates	24	5	-2	0	7	8	-6	-8	23	5
Depreciation, amortisation and impairments	-81	-59	-3	-3	-27	-28	-44	-14	-155	-104
Earnings before interest and tax (EBIT)	299	604	-21	187	87	97	7	-265	372	623

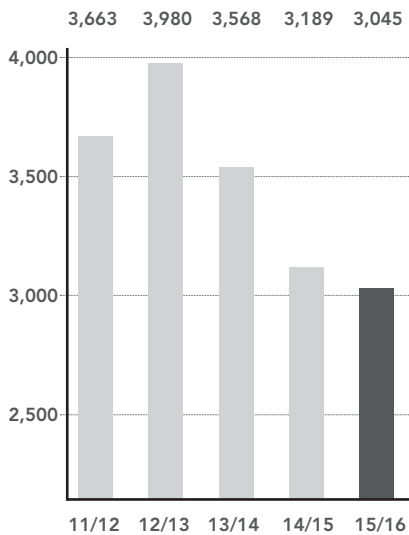
¹⁾ The currency hedging transactions for expected future purchases and sales of energy in foreign currency were reclassified from the financial result to revenues. The share of partner plants and other associates is now part of the operating result (EBIT). The prior-year figures were adjusted accordingly.

²⁾ Reconciliation includes Axpo Holding AG, Axpo Services AG and Avectris AG, together with the effects of consolidation.

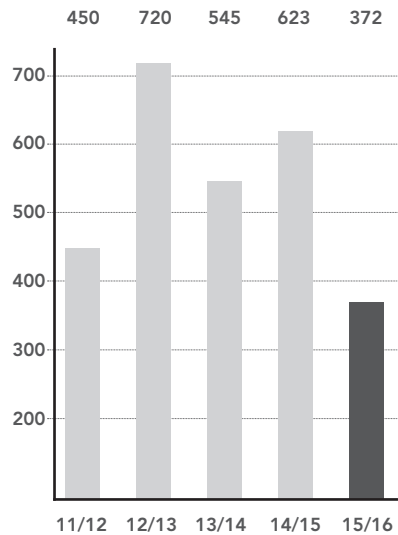
Five-year development – half-year comparison of key Group figures¹⁾

The following graphs show the development of the key financial figures for the Axpo Group over the past five years:

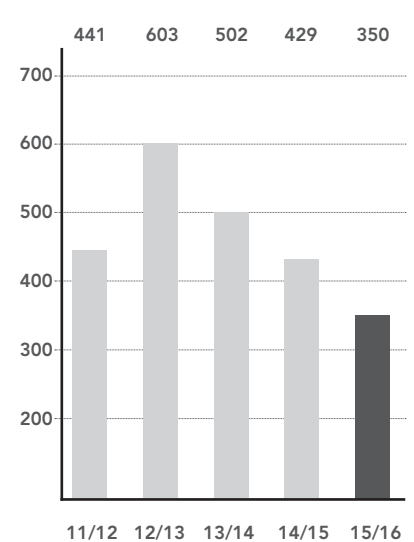
Revenues
in CHF million



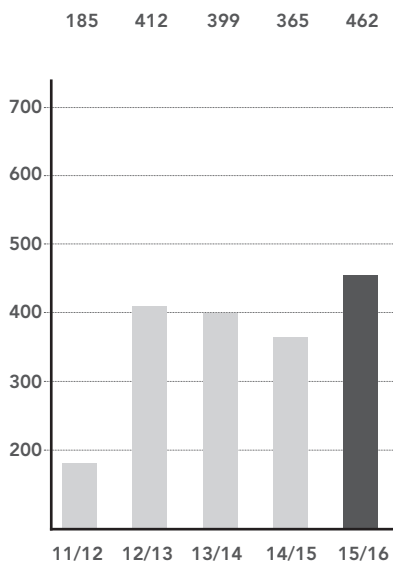
Earnings before interest and tax (EBIT) in CHF million



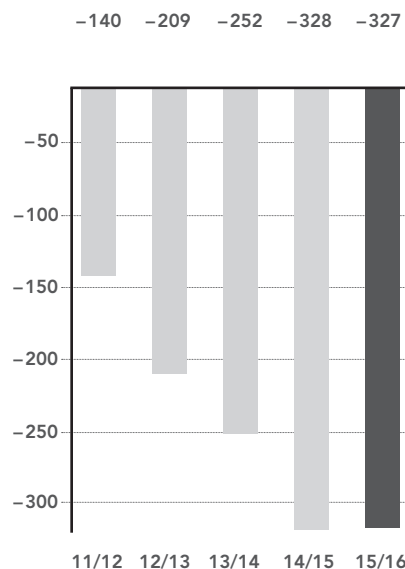
Profit for the period
in CHF million



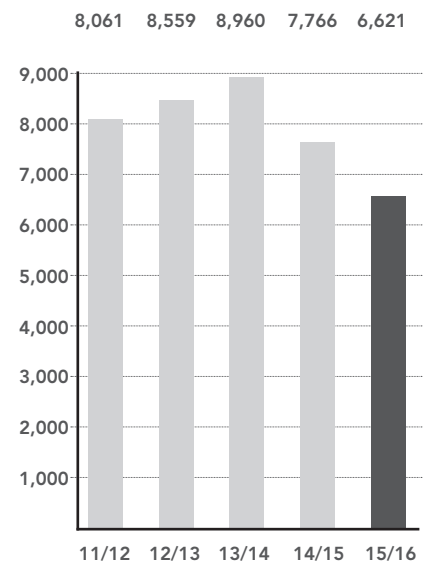
Net investments in non-current assets (excl. loans) in CHF million



Free cash flow
in CHF million



Equity incl. non-controlling interests
in CHF million



¹⁾ The currency hedging transactions for expected future purchases and sales of energy in foreign currency were reclassified from the financial result to revenues. The share of partner plants and other associates is now part of the operating result (EBIT). The prior-year figures were adjusted accordingly (the figures for 2011/12 to 2013/14 were not changed).