Letter to Axpo Holding AG shareholders
1 October 2021 to 31 March 2022

Interim Report 2021/22

The Power of Markets

Key figures for the first half-year

in CHF million

Income statement	First half 2021/22	First half 2020/21
Total income	6,013	2,902
of which revenues from energy sales and grid usage	5,688	2,729
Earnings before interest and tax (EBIT, before STENFO value fluctuations and additional compensation for transmission systems (2020/21 financial year only))	1,094	515
as % of total income	18.2%	17.7%
Earnings before interest and tax (EBIT)	1,021	722
as % of total income	17.0%	24.9%
Result for the period	513	781
as % of total income	8.5%	26.9%
Total cash flow and investments		
Cash flow from operating activities	– 1,748	– 9
Net investments in non-current assets (excluding loan receivables)	– 147	– 80
Free cash flow	– 1,895	– 89
Balance sheet		
Total assets	65,162	25,034
Equity including non-controlling interests	7,615	7,626
as % of total assets	11.7%	30.5%
Employees (full-time equivalents)		
Number of employees on 31 March	5,545	5,069

Axpo defies energy market turmoil to post good half-year results

Key points at a glance

- **Strategy paying off: Axpo posts good half-year results thanks to diversified business, despite unprecedented turmoil on energy markets**
- **Trading & Sales segment's excellent results in volatile market environment aided by forward-looking risk management**
- **One-off factors detracting from good operating performance in Generation & Distribution and CKW**
- **Collateral payments for hedging Swiss electricity production around CHF 2.2 billion higher, pushing net debt up to CHF 2,221 million and leading to cash outflow (operating cash flow) of CHF 1,748 million**
- **Active liquidity management and good access to capital market allowed Axpo to cover shortfall**
- **Axpo's expansion in renewables and status as leader in marketing electricity production capacity and in energy trading making it a significant contributor to decarbonisation and energy supply security**

The Axpo Group (Axpo) posted strong adjusted EBIT of CHF 1,094 million in the first half of fiscal 2021/22 (1 October 2021 to 31 March 2022), up from CHF 515 million in the prior year. While the Trading & Sales segment was able to continue its run of outstanding results, the longer period needed for the revision of the Leibstadt nuclear plant and the restricted availability of the French nuclear plants detracted from the good operating performance of Generation & Distribution and CKW.

Christoph Brand, CEO of Axpo: "The first half of the 2021/22 financial year was exceptional in many respects. We are deeply shocked by Russia's attack on Ukraine and hope that this terrible war will end soon. Thankfully, the members of our team in Kyiv are bearing up well. Following the turmoil on energy markets at the end of 2021, the outbreak of war at the end of February brought with it the second price shock of this unparalleled period. The international diversification of our business as well as the outstanding skills and hard work of our staff enabled us to achieve good results against this highly challenging backdrop. We were also able to absorb the massive increase in collateral payments for hedging Swiss electricity production through active liquidity management.
Axpo is well positioned to overcome this unprecedented situation. We will also continue to make a significant contribution to decarbonisation and to energy supply security."

Excellent results in Trading & Sales

The first half of 2021/22 was dominated by two price shocks: one at the end of 2021, another following the outbreak of war in Ukraine. These caused prices for gas, coal and electricity to fluctuate wildly, at times reaching levels up to six times higher than they were at 12 months previously. In this highly challenging environment, Axpo profited from its broad diversification across geographical markets and fields of business. While the Trading & Sales segment once again performed superbly in marketing power plant capacity (asset-backed trading) and business with international customers (origination), one-off factors detracted from the good operating performance of the Generation & Distribution and CKW segments. These included the revision of the Leibstadt nuclear plant taking longer than planned, the restricted availability of various French nuclear plants, and below-average electricity production from domestic hydro plants due to dry weather.

Positive effects came from slightly higher hedged prices for forward sales of Swiss electricity production compared with the prior year and the shift in income from hedging transactions cited in last year's Interim Report. The latter factor contributed CHF 168 million to EBIT in the reporting period. However, as prices continued to rise, the shift towards future periods grew by CHF 60 million, resulting in a negative overall effect for the reporting period. The period also brought a much greater need for collateral payments in the wholesale business due to further price rises and high volatility.

> Axpo continues to make a significant contribution to decarbonisation and to energy supply security.

Axpo has to sell its production from Swiss power plants – approximately 25 TWh per year – via wholesale channels, and it hedges prices up to three years in advance to guard against falling prices as seen in 2015/16 and to smooth out fluctuations for the benefit of Swiss energy suppliers and their customers. This hedging caused the collateral required under stock market law to increase by CHF 2.2 billion to CHF 3.7 billion in the reporting period. Active liquidity management and good access to the capital market allowed Axpo to absorb this additional expense. When prices fall or these hedges are liquidated on delivery of the electricity, all of the money tied up flows back to the company.

Further expansion in renewables in Switzerland and internationally

Axpo, which is already Switzerland's biggest producer of renewable energy, continued to expand its capacity in Switzerland and internationally. New solar facilities are currently being developed in Spain, Italy and Poland with a total output of 4 GW. Axpo also realised further projects in France, where it is among the leaders in the development and construction of solar plants with Urbasolar. In wind power, Axpo's subsidiary Volkswind completed more new facilities in France during the reporting period.

Axpo, via CKW, is pushing ahead with the expansion of renewables in Switzerland as far as regulatory and economic constraints allow. CKW announced at the end of April that it would invest up to CHF 1 billion in photovoltaics, wind power, biomass, hydroelectricity and other technologies by 2030. As soon as Swiss regulations allow, larger photovoltaic facilities in open spaces will take on great significance here. The company is already putting two new building-mounted photovoltaic installations into operation every day.

It also acquired a 25% stake in Swiss Green Gas International (SGGI) in the first half-year. SGGI plans and realises "power-to-X" plants in Northern Europe. These produce hydrogen and "green" gas from renewable energy sources and will be able to play an essential role in the successful energy transition and in decarbonising the gas supply going forward. Axpo plans to build Switzerland's largest hydrogen production plant in Brugg. From the end of 2023, it is expected produce 2,000 tonnes of green hydrogen a year – enough to power around 300 trucks and buses. The electricity required will come from the nearby Wildegg-Brugg run-of-river plant.

Continued growth in power purchase agreements

Axpo also demonstrated once again in the period under review that it leads the way in marketing renewable electricity, concluding further key power purchase agreements (PPAs) for new plants in Germany, France, Italy, Belgium, Poland, Lithuania and the US. In its home country, where the PPA market is still in its infancy, Axpo signed an agreement with Nestlé Switzerland concerning the existing Mauvoisin hydro plant. Axpo positioned itself on the PPA market at an early stage and expects demand for PPAs and innovative energy services to grow as expansion in renewables progresses. The need for this expansion, which reduces dependence on fossil fuels, has become all the more urgent in view of current geopolitical developments.

Lower electricity production

The Axpo Group's total income in the reporting period amounted to CHF 6,013 million, more than double the year-back figure of CHF 2,902 million. This was largely a result of higher prices for electricity and gas, although expenses for energy procurement were also higher. The increase also includes a positive price effect from electricity prices hedged up to three years in advance, while the volume effect due to lower electricity production had a greater negative impact. Production from the nuclear power plants was slightly lower year-on-year, falling by 1% or 0.1 terawatt hours (TWh). This was mainly attributable to the Leibstadt plant's extended downtime for revision. The negative impact of the longer revision period on results is regrettable, but the investment in this very efficient, high-output plant will make a substantial contribution to supply security. The Swiss hydro plants produced Axpo's corporate identity, including its logo, was comprehensively revamped in the period under review and expresses the company's focused strategy.

3.7 TWh of electricity, which equates to a fall of 18%. The expansion of wind and solar capacities resulted in a 23% increase in output from these renewable sources to 1.1 TWh (prior year: 0.9 TWh). Axpo's active portfolio management also led to the sale of various wind and solar farms in the reporting period, which bolstered total income by CHF 91 million year-on-year. Earnings before interest, tax, depreciation and amortisation (EBITDA) thus rose significantly from CHF 905 million in the prior year to CHF 1,208 million.

Axpo's corporate identity, including its logo, was comprehensively revamped in the period under review and expresses the company's focused strategy.

Negative impact on results from capital market trend

Earnings before interest and tax (EBIT) increased from a prior-year figure of CHF 722 million to CHF 1,021 million in the first half-year. Adjusting for the negative effect from the valuation of the funds for the decommissioning and disposal of nuclear power plants (STENFO), which amounted to CHF 72 million, gives EBIT of CHF 1,094 million (prior year: CHF 515 million).

The financial result was CHF –383 million. This was caused by the negative impact of capital market trends on the STENFO return and investment income as well as foreign exchange losses due to the euro's depreciation relative to the Swiss franc. Axpo thus closed the first half of 2021/22 with an overall result for the period of CHF 513 million, down from CHF 781 million in the prior year.

Large amounts of cash tied up in hedging forward sales of Swiss electricity production

As explained above, the need for significantly higher collateral payments in connection with forward sales of Swiss electricity production had led to a temporary cash outflow (operating cash flow) of CHF 1,748 million. All of these funds tied up in hedging will flow back to the company when prices fall or on delivery of the electricity. Gross investments were up CHF 44 million year-on-year at CHF 196 million. Divestments, meanwhile, were lower than in the prior year, and STENFO payments of CHF 12 million were received, resulting in net investments of CHF 147 million (prior year: CHF 80 million). Negative operating cash flow and higher net investments led to a total cash outflow (free cash flow) of CHF 1,895 million, compared with CHF 89 million in the prior year.

Further balance sheet inflation

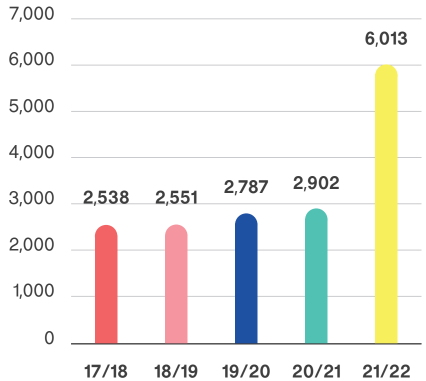
Higher energy prices led to further inflation of the balance sheet. Total assets rose to CHF 65,162 million as at 31 March 2022 (30 September 2021: CHF 44,676 million). Total equity rose by CHF 388 million in the reporting period to CHF 7,615 million. After Axpo placed a sustainability-linked bond for CHF 500 million in January and secured a syndicated loan commitment totalling EUR 2.5 billion with a sustainability component in February, liquidity stood at CHF 4,396 million and financial liabilities at CHF 6,617 million at the end of the reporting period. This resulted in net debt of CHF 2,221 million as at 31 March 2022.

Outlook

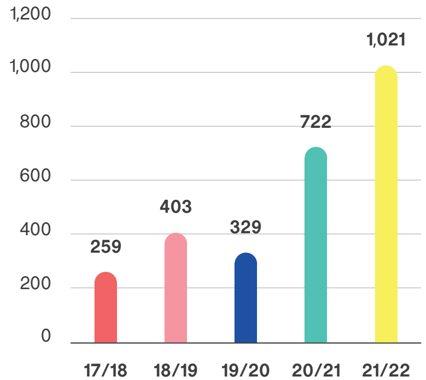
Axpo's strategy is proving its worth, and the company has shown itself to be resilient in a highly challenging environment. Axpo will continue to play a key role in decarbonisation and energy supply security as it expands its capacity in renewables and leads the way in marketing production capacity and trading all forms of energy. In view of the war in Ukraine and high volatility in energy prices, the short-term outlook is fraught with uncertainty. Over the medium term, meanwhile, higher hedged prices for electricity production sold forward by three years will have a positive impact on Axpo's results, and the money tied up as collateral will flow back to the company.

Five-year trends in key Group figures – half-year comparison

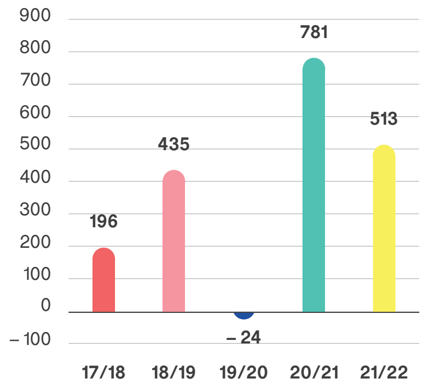
Total income
in CHF million



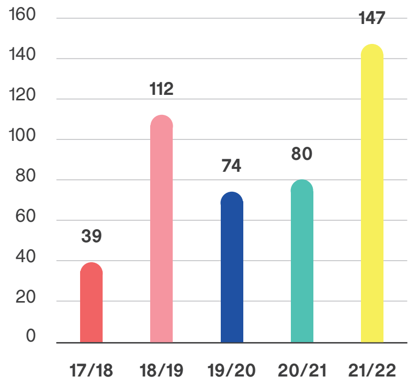
Earnings before interest and tax (EBIT)
in CHF million



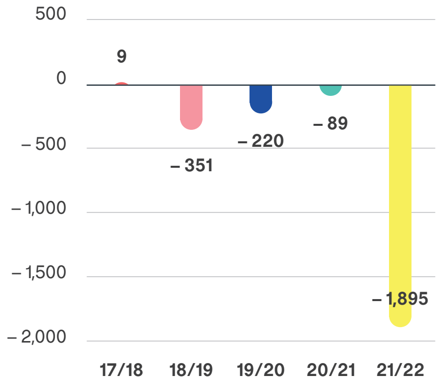
Result for the period
in CHF million



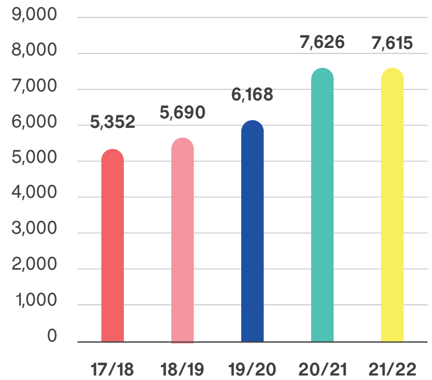
Net investments in non-current assets
(excl. loan receivables) in CHF million



Free cash flow
in CHF million



Equity incl. non-controlling interests
in CHF million



Segment reporting for the first half-year

in CHF million	Generation & Distribution First half 2021/22	Generation & Distribution First half 2020/21	Trading & Sales First half 2021/22	Trading & Sales First half 2020/21	CKW First half 2021/22	CKW First half 2020/21	Reconciliation [1] First half 2021/22	Reconciliation [1] First half 2020/21	Axpo Group First half 2021/22	Axpo Group First half 2020/21
Total income	1,388	1,397	5,266	1,939	561	444	– 1,202	– 878	6,013	2,902
Operating expenses	– 1,309	– 747	– 4,198	– 1,847	– 574	– 311	1,227	879	– 4,854	– 2,026
Share of result of partner plants and other associates	41	25	0	0	7	4	0	0	48	29
Depreciation, amortisation and impairments	– 149	– 146	– 10	– 12	– 33	– 32	6	7	– 186	– 183
Earnings before interest and tax (EBIT)	– 29	529	1,058	80	– 39	105	31	8	1,021	722

[1] In compliance with IFRS 8, Axpo Holding AG, Axpo Services AG – neither of which is an operating segment – and consolidation effects are combined under 'Reconciliation'.

Consolidated income statement

in CHF million	First half 2021/22	First half 2020/21
Revenues from energy sales and grid usage	5,687.9	2,728.7
Capitalised production costs	25.4	27.9
Other operating income	299.8	145.4
Total income	**6,013.1**	**2,902.0**
Expenses for energy procurement, grid usage and goods purchased	– 4,031.3	– 1,381.3
Expenses for materials and third-party supplies	– 103.0	– 110.2
Personnel expenses	– 487.4	– 361.9
Other operating expenses	– 232.2	– 172.9
Share of result of partner plants and other associates	48.4	28.9
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**1,207.6**	**904.6**
Depreciation, amortisation and impairments	– 186.2	– 182.8
Earnings before interest and tax (EBIT)	**1,021.4**	**721.8**
Financial income	26.9	380.1
Financial expense	– 410.2	– 124.9
Earnings before tax	**638.1**	**977.0**
Income tax expense	– 125.1	– 196.4
Result for the period	**513.0**	**780.6**
Attributable to: **Axpo Holding shareholders**	**521.0**	**762.7**
Non-controlling interests	**– 8.0**	**17.9**

Consolidated balance sheet

in CHF million

Assets	31.3.2022	30.9.2021	31.3.2021
Property, plant and equipment	4,304.6	4,374.2	4,739.5
Right-of-use assets	156.9	153.8	164.8
Intangible assets	839.1	887.4	928.6
Investments in partner plants and other associates	1,632.4	1,596.9	1,558.4
Derivative financial instruments	7,370.2	6,553.2	1,576.0
Financial receivables	638.5	2,016.5	2,033.0
Investment properties	40.2	40.6	40.6
Other receivables	3,205.3	3,369.9	3,239.3
Deferred tax assets	191.0	174.7	137.8
Total non-current assets	**18,378.2**	**19,167.2**	**14,418.0**
Assets held for sale	54.0	242.3	34.5
Inventories	663.5	994.3	664.8
Trade receivables	3,135.6	1,594.7	1,056.4
Financial receivables	303.3	1,069.3	1,211.1
Current tax assets	42.5	41.7	28.9
Derivative financial instruments	25,085.7	12,181.3	3,108.6
Other receivables	13,498.3	7,567.2	3,243.6
Cash and cash equivalents	4,000.6	1,818.0	1,268.2
Total current assets	**46,783.5**	**25,508.8**	**10,616.1**
Total assets	**65,161.7**	**44,676.0**	**25,034.1**

Consolidated balance sheet

in CHF million

Liabilities	31.3.2022	30.9.2021	31.3.2021
Share capital	370.0	370.0	370.0
Retained earnings	7,422.5	7,030.7	7,193.4
Other reserves	– 635.6	– 704.9	– 477.5
Total equity excluding non-controlling interests	**7,156.9**	**6,695.8**	**7,085.9**
Non-controlling interests	458.2	531.8	540.5
Total equity including non-controlling interests	**7,615.1**	**7,227.6**	**7,626.4**
Financial liabilities	3,943.2	3,680.0	3,884.7
Derivative financial instruments	8,649.3	7,278.5	1,619.2
Other liabilities	370.6	385.3	279.2
Deferred tax liabilities	150.6	191.6	253.4
Provisions	3,717.2	3,680.8	3,844.8
Total non-current liabilities	**16,830.9**	**15,216.2**	**9,881.3**
Liabilities held for sale	20.7	263.0	28.5
Trade payables	1,552.5	662.9	414.6
Financial liabilities	2,673.4	811.5	1,195.8
Current tax liabilities	343.5	166.5	195.7
Derivative financial instruments	27,875.0	14,548.4	3,320.0
Other liabilities	7,380.3	5,088.8	2,190.4
Provisions	870.3	691.1	181.4
Total current liabilities	**40,715.7**	**22,232.2**	**7,526.4**
Total liabilities	**57,546.6**	**37,448.4**	**17,407.7**
Total equity and liabilities	**65,161.7**	**44,676.0**	**25,034.1**

Consolidated cash flow statement

in CHF million	First half 2021/22	First half 2020/21
Earnings before tax (EBT)	638.1	977.0
Financial result	383.3	– 255.2
Earnings before interest and tax (EBIT)	**1,021.4**	**721.8**
(Gain)/loss on disposal of non-current assets and of non-current assets and liabilities held for sale	– 81.7	– 117.4
Non-cash expenses and income	1,418.7	448.9
Change in net working capital	– 4,325.4	– 918.2
Change in derivative financial instruments and other financial results	41.0	– 41.2
Change in provisions (excluding interest, net)	182.8	– 51.3
Dividends received	30.1	16.6
Income taxes paid	– 35.2	– 68.3
Cash flow used in operating activities	**– 1,748.3**	**– 9.1**

Consolidated cash flow statement

in CHF million	First half 2021/22	First half 2020/21
Property, plant and equipment:		
Investments net of capitalised borrowing costs	– 133.1	– 145.2
Disposals and cost contributions	12.1	1.7
Leasing:		
Receipt of deferred considerations received	0.8	0.0
Intangible assets:		
Investments (excluding goodwill)	– 15.4	– 5.6
Acquisition of subsidiaries (net of cash acquired)	– 44.4	– 0.2
Disposals of subsidiaries (net of cash transferred)	17.6	67.0
Cash flow from non-current assets and liabilities held for sale	0.0	– 0.6
Investments in partner plants and other associates:		
Investments	– 3.0	– 0.8
Veräusserungen und Kapitalrückzahlungen	6.7	0.0
Other financial assets:		
Investments	– 51.9	– 202.2
Disposals and capital repayments	1,383.6	74.9
Receivables from state funds	11.8	3.2
Investment properties and change in other financial assets	20.1	0.7
Financial receivables (current)	733.6	59.0
Interest received	24.5	22.3
Cash flow from/used in investing activities	**1,963.0**	**–125.8**

Consolidated cash flow statement

in CHF million	First half 2021/22	First half 2020/21
Financial liabilities (current and non-current):		
Proceeds	6,449.6	1,020.5
Repayment	– 4,250.8	– 1,009.1
Other financial liabilities (non-current):		
Proceeds	8.9	6.6
Dividend payments (including non-controlling interests)	– 104.7	– 85.1
Interest paid	– 66.9	– 65.0
Cash flow from/used in financing activities	**2,036.1**	**– 132.1**
Foreign currency translation effect on cash and cash equivalents	– 68.2	22.5
Change in cash and cash equivalents	**2,182.6**	**– 244.5**
Cash and cash equivalents at beginning of reporting period	**1,818.0**	**1,512.7**
Cash and cash equivalents at end of reporting period	**4,000.6**	**1,268.2**

Contact us

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