

## Media release

15 June 2015

# Low wholesale prices for electricity weigh on first-half profits – cost-cutting measures taking effect

**Despite pleasing progress in implementing its strategy to optimise its core business, reduce costs and open up new sources of revenue, Axpo Holding AG reports a decline in key below-the-line figures for the first half of the 2014/2015 financial year. Persistently low wholesale electricity prices are the main reason for this.**

Axpo earned consolidated revenues of CHF 3073 million and an operating profit (EBIT) of CHF 518 million in the first half of the 2014/15 financial year. Revenues were 13.9% lower than the previous year, which is attributable primarily to lower prices on the electricity market. Axpo also reported a decline in its first-half operating profit (EBIT) compared with the same period in 2013/2014 (CHF 545 million). At CHF 429 million, the profit for the period was down by 14.5% compared with the previous year (CHF 502 million). A simultaneous reduction in operating costs kept this decline in check. The trend shows that the programme of cost-cutting measures, which was initiated in 2014 and has since been pursued vigorously, is beginning to bear fruit. Despite progress on the operational front, Axpo does not expect results to improve in the current 2014/15 financial year due to the prevailing market conditions and in view of the low Euro exchange rate.

### Conservative investments, sound equity base

The investment policy of Axpo is becoming increasingly conservative. By deliberately giving priority to profitable projects, net investments totalled CHF 365 million in the first half of the year. This was slightly lower than the previous year (CHF 399 million).

Although the Group's equity contracted from CHF 8960 million to CHF 7766 million year on year, it has risen by CHF 249 million compared with the financial statements for 2013/2014. One of the factors in this increase was the decision to not pay a dividend for the first time. The continued strength of the Group's capital base and its broad expertise in all areas of value creation – from production through to distribution and sales of electricity – remain the most important foundations in preparing the Axpo Group for both present and future challenges.

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## **Diversification a trump card in difficult times**

As the market conditions remain extremely challenging, the primary strategic objective of Axpo remains the safeguarding of long-term profitability and capital market viability. This is to be achieved not only via a narrower cost base, but also by exploring new business areas. Axpo has achieved a number of key successes in recent months. These include the project in collaboration with Coop for a network of hydrogen service stations in Switzerland and progress in the expansion of energy trading activities in Europe. The latter has resulted not only in Axpo being honoured as the leading worldwide power trader for the first time – the company has also managed to secure prominent customers in a range of countries thanks to its innovative, tailor-made products and services in origination business.

The strategy of implementing tried-and-tested business models in new markets is paying off. The approach of Axpo is to have a local presence – with local specialists – in Europe's key markets. In spring, Axpo also opened its own subsidiary in Amsterdam to serve the Dutch market directly.

In addition, Axpo is confident that the origination business model, which has been established successfully in over 20 European markets, can also be deployed beyond Europe's borders. Clear growth potential has been identified in the USA, for example. The focus here is on two regional markets in North America which display considerable similarities with European markets, namely Texas and north-east USA. Here, as in Europe, Axpo will concentrate on trading and energy solutions for industry, power plants and energy suppliers. The objectives include supplying power to major industrial companies and marketing electricity generated by wind power plants. Axpo plans to enter the US market during the coming 2015/16 financial year.

## **Major projects being driven forward**

Renewable energies play a key role in the Axpo business strategy. One of the important cornerstones here is the Global Tech I offshore wind farm off Germany's North Sea coast, which was completed last year. The turbines are currently being commissioned on an ongoing basis. All 80 turbines at this 400 MW wind farm are scheduled to be on line and feeding electricity into the grid this summer.

In future, the highly flexible Limmern pumped-storage power plant will prove decisive in an operating environment that is highly volatile because of the irregularity of electricity feed-ins from new energy sources. The first machine group in this facility in the Glarus Alps will be synchronised with the grid on schedule in 2015.





Work at the Beznau nuclear power plant is almost complete. The autonomous emergency power supply project (Autanove) has largely been concluded, while the preventative replacement of the reactor pressure vessel closure heads will continue until the end of the year.

**Key figures for the Axpo Group, first half of 2014/15** (1 October 2014 – 31 March 2015)

	<b>2014/15</b>	<b>2013/14</b>
Revenues in CHF million	<b>3 073</b>	3 568
EBIT in CHF million	<b>518</b>	545
EBIT as % of revenues	<b>16.9%</b>	15.3%
Profit for the period in CHF million	<b>429</b>	502
Operating cash flow in CHF million	<b>37</b>	146
Net investments in CHF million	<b>-365</b>	-399
Equity in CHF million	<b>7 766</b>	8 960
Equity ratio (in %)	<b>38.5%</b>	41.7%
Employees (full-time equivalents)	<b>4 287</b>	4 460

Axpo will announce its results for the 2014/15 financial year at the financial media conference on 18 December 2015.

**Further information**

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**About Axpo**

The Axpo Group produces, trades and distributes energy reliably for more than 3 million people and several thousand companies in Switzerland and in over 20 countries throughout Europe. Around 4500 employees combine the expertise from 100 years of climate-friendly power production with innovative strength for a sustainable energy future. Axpo is an international leader in energy trading and in the development of tailor-made energy solutions for its customers.