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Weak euro and low electricity prices force Axpo to make further value adjustments

The market environment remains extremely challenging for energy companies: in addition to the persistently low wholesale prices for electricity on the European market, the currency effect is now also generating considerable financial pressure. For this reason, Axpo must once again make impairments on the value of its power plants and energy supply contracts. Meanwhile, business performance in the current financial year is positive.

What does "value adjustment" mean?

In simple terms, a value adjustment – also referred to as an impairment – means that the value of an asset item is recalculated based on external factors. This recalculation has an effect on the operating result for the financial year in which the adjustment is made.

Every year, Axpo assesses the value of its assets in view of the close of the financial year in question. In doing so, the value of various domestic and foreign production facilities and holdings, as well as energy supply contracts, is recalculated.

What exactly does the value adjustment and the negative operating result mean for Axpo? In addition to persistently low wholesale prices for electricity on the European market, the currency effect (euro/CHF) in particular is now also generating considerable financial pressure. The required value adjustment will impact negatively on EBIT by approximately CHF 1.2 billion in the 2014/2015 financial year. The Axpo operating result will also be negative for the current financial year in spite of positive growth in the operating business.

Which power plants are affected by the value adjustment?

The required value adjustments affect the company's own facilities and holdings in hydroelectric power plants and biomass plants in Switzerland, as well as gas-fired combined-cycle and wind power plants in other European countries.

How exactly is the Axpo operating result looking?

The specific figures and results will not be communicated until after the financial year is over. This year it will be on 18 December.