

Media release

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

The Axpo Group posted a profit of CHF 350 million for the first half of 2015/16, an encouraging result 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 renewable energies and the European trading business is already making a substantial contribution to the Group's results. The Axpo subsidiary Centralschweizerische Kraftwerke AG (CKW) is also doing well.

Increased state intervention in the domestic and foreign energy markets in the past few years has distorted the market considerably. Selling electricity from conventional, unsubsidised production is no longer profitable. Axpo therefore introduced some fundamental changes and consistently adapted its strategy to the new market conditions. The focus falls on cost management and the development of new sources of revenue. 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 change.

The operating result for the first half (1 October 2015 to 31 March 2016) clearly shows the impact of these changes. Revenues from subsidised renewable energies are constantly rising, and Axpo is expecting to earn more money with renewable energies than with conventional generation in the next financial year already. Axpo stimulated this change with its targeted investments in renewable energies.

Low electricity prices further depress results

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).

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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

Axpo has been the largest producer of renewable energies in Switzerland for decades. 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 terawatt 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 25% of this offshore wind farm, the first for Switzerland.

With the purchase of Volkswind GmbH, a leading developer of wind farms in Germany and France, Axpo also entered the business of developing and building wind farms in the past six months. Axpo took over a total of 29 operating wind farms with a total capacity of 145 megawatts (MW) and acquired a major project pipeline in France and Germany. This will allow Axpo to create considerably more added value.

Axpo not only has a large production fleet of renewable hydro power in Switzerland, it also expanded its biomass production in the past years with fermentation (Kompogas) and wood-burning plants. In Domat/Ems, Axpo Tegra AG received approval to build a wood chip drying plant, which should improve the generation efficiency 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.

Axpo is number one in global 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 wants to expand its successful European origination business, which offers individual solutions for the marketing and procurement of electricity, gas and energy certificates, to the US in the current year. Preparations have begun to start operations in a first part of the US market.





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.

In Turkey, Axpo established the independent company Axpo Turkey Enerji A.Ş. after taking over the shares of the Turkish conglomerate Demirören Group, its former partner in the joint venture company in which Axpo owned 50% of the shares. In the Bosphorus, Axpo is focusing on electricity origination and the expansion of the existing retail business. With 80 million inhabitants, Turkey is the largest electricity market in South Eastern Europe and offers enormous potential for growth.

Key figures for the Axpo Group, first half of 2015/16 (1 October 2015 – 31 March 2016)

	2015/16	2014/15
Revenues in CHF million	3,045	3,189
EBIT in CHF million	372	623
EBIT as % of revenues	12.2%	19.5%
Profit for the period in CHF million	350	429
Operating cash flow in CHF million	135	37
Net investments in CHF million	-462	-365
Equity in CHF million	6,621	7,766
Equity ratio (in %)	32.6%	38.5%
Employees (full-time equivalents)	4,273	4,287

Axpo will announce its results for the 2015/16 financial year at the financial media conference on 21 December 2016.

Further information

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About Axpo

The Axpo Group produces, trades and sells energy reliably in Switzerland and in more than 30 countries across Europe. Around 4,500 staff combine the expertise from 100 years of climate-friendly electricity 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.

