

## Press release

11 June 2019

# Axpo increases earnings before interest and tax, profitable international business

- Earnings before interest and tax (EBIT) raised by CHF 144 million to CHF 403 million
- Profitable international business, strong demand for long-term power purchase agreements (PPAs) in the Nordics
- Takeover of French photovoltaic company Urbasolar as a platform for international growth in the solar business

The Axpo Group achieved a gratifying result in the first half of the 2018/19 financial year. The good operating performance in the reporting period (1 October 2018 to 31 March 2019) was primarily attributable to higher electricity production, international activities and ongoing cost discipline. The planned takeover of French photovoltaic company Urbasolar means that Axpo is strengthening its exposure to renewable energies and will be obtaining a platform for further growth in the international solar business.

Andrew Walo, CEO of Axpo, commented as follows: “The sound operational performance in the first half confirms the Axpo strategy with its focus on growth, optimisation and diversification. The profitable growth makes a key contribution to the successful further development of the Axpo Group.”

### Good start to the 2018/19 financial year

Total income of the Axpo Group in the first half of 2018/19 remained at the previous year's level, at CHF 2,551 million (first half of 2017/18: CHF 2,538 million). Earnings before interest and tax (EBIT) rose by 55.4% to CHF 403 million. The increased availability of the two nuclear power plants, Beznau and Leibstadt, and the very good trading result more than offset the further decline in electricity prices. The lower electricity prices result from hedging transactions in 2016. The result for the period increased by CHF 239 million to CHF 435 million. An increase in funds tied down in net working capital and lower electricity prices prompted a decline in operating cash flow in the first half, from CHF 48 million to CHF - 239 million compared with the same period of the previous year.

### Long-term supply contracts for non-subsidised renewable energies

In implementing its strategy, the Axpo Group has further expanded its profitable business areas abroad. Its focus is on the tailor-made customer business for energy solutions (origination) and business with power purchase agreements (PPAs). It is often only these long-term supply contracts with wind park or photovoltaic operators that allow the expansion of renewable energies without subsidies. With its operational and trading skills Axpo plays a leading role across Europe in this new business area. In the first half of 2018/19, several PPAs were signed in the Nordics, together with additional contracts in Poland, Spain and France. In Italy, Axpo also operates in the end customer business and now has more than 300,000 delivery points from which customers can be supplied with energy.

### Convinced by the potential of photovoltaics

In the business area of renewable energies, the Axpo Group has a successful and profitable wind farm developer in Volkswind, which brought around 28 MW on stream in France in the first half of 2018/19 and a further 24 MW of wind power in April. Following the successful establishment of the wind business via the Volkswind subsidiary, Axpo is seeking to increase its exposure to the economically interesting photovoltaic market. Axpo has therefore decided to take over the French photovoltaic company Urbasolar. Just like successful subsidiary Volkswind, Urbasolar will be able to operate commercially and flexibly under the umbrella of the Axpo Group.

## **In Switzerland, Axpo is expanding its position as the number one for renewable energies**

Axpo is strong not only in the renewable energies business internationally, it is also the largest producer of renewable energies in Switzerland with its portfolio of hydro power and biomass. In the past first half, CKW, which is active in the end customer business, has further expanded its installed photovoltaic capacity. Over the past seven years CKW has installed solar power plants with a total capacity of almost 25 MWp. Currently, the Schächen and Erstfeldertal hydroelectric power stations are under construction in the canton of Uri, as is the Urnerloch weir power plant in the Schöllenen.

## **Actively seizing the opportunities provided by the digital transformation**

Axpo is aiming to take strategic advantage of the opportunities provided by the digital transformation to manage the existing business areas more efficiently and develop new, profitable business areas. Axpo is therefore focusing on new kinds of acoustic sensors for the preventative maintenance of hydro power turbines, where data are evaluated using innovative algorithms (machine learning), as well as developing a big data platform in Spain to make the operation of wind farms more efficient. Another project combines the strategic thrusts of Axpo in the areas of renewable energies and digital transformation: following a successful pilot project in Wuppertal, Axpo subsidiary Elblox launched a platform for trading green electricity based on blockchain technology in the first half of the financial year.

In Switzerland, Avectris, which is positioning itself as a leading IT service provider for Swiss SMEs, took over the Swiss IT company Comicro, established more than 40 years ago, in early April. Through this step Avectris is expanding its own professional services competencies in the IT infrastructure segment and supplementing its portfolio to include IT training. The merger marks an important milestone in the further implementation of the Avectris growth strategy.

## **Axpo named world's best energy trader once again**

Axpo's strong position in the international energy sector is demonstrated by its excellent results in the key energy trading ranking. Within the industry, the survey among customers and business partners conducted by trade magazines "Risk" and "Energy Risk" has long been considered the most important yardstick for evaluating energy traders. Around 1500 participants assess the products and services of companies on the basis of criteria such as price, innovation, flexibility, market making, reliability and integrity. This year Axpo was once again named the world's best energy trader.

## **Electricity revenues to rise again from 2020**

The current financial year's electricity production, which was hedged at the low prices of 2016, will weigh on earnings to the tune of CHF 150 million compared with the previous year. In operational terms, therefore, Axpo expects the second half to be challenging. Moreover, the results of the Axpo Group may be influenced by the development of medium-term electricity price expectations and the capital markets. As announced previously, Axpo stands to benefit from the pick-up in electricity prices in Europe from the 2019/20 financial year onwards because it fixed some of its sales prices three years in advance.

**Key figures of the Axpo Group, first half of 2018/19 (1 October 2018 to 31 March 2019)**

	<b>2018/19 CHF million</b>	<b>2017/18 CHF million</b>
Total income	2,551	2,538
Earnings before interest and tax (EBIT)	403	259
EBIT as % of total income	15.8%	10.2%
Result for the period	435	196
Result for the period as % of total income	17.1%	7.7%
Cash flow from operating activities	- 239	48
Net investments in non-current assets (excl. loan receivables)	- 112	- 39
Total assets	20,972	19,820
Equity	5,690	5,352
Equity as % of total assets	27.1%	27.0%
Employees (full-time equivalents)	4,580	4,339

**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 30 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.

**Additional Information**

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