

Media release

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

Axpo has proven to be robust against a backdrop of unprecedented turmoil on energy markets. In the first half of fiscal 2021/22, the company posted adjusted EBIT of CHF 1,094 million (prior year: CHF 515 million) and a result for the period of CHF 513 million (prior year: CHF 781 million). The extremely sharp rise in energy prices placed was also challenging from a liquidity management perspective. Collateral payments for hedging Swiss electricity production have temporarily tied up a large amount of cash, but Axpo was able to cover this shortfall thanks to forward-looking liquidity management and good access to the capital market. Axpo's continued expansion in renewables and status as leader in marketing electricity production capacity and in energy trading make it a significant contributor to decarbonisation and energy supply security.

Christoph Brand, CEO of Axpo: "The first half of the 2021/22 financial year was exceptional in many respects. 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."

Strategy paying off

The first half of 2021/22 (1 October 2021 to 31 March 2022) 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. The Trading & Sales segment once again achieved excellent results in marketing power plant capacity (asset-backed trading) and business with international customers (origination). A number of factors detracted from the good operating performance of the Generation & Distribution and CKW segments: the longer-than-planned revision of the Leibstadt nuclear plant, which is important to energy supply security; the restricted availability of various French nuclear plants; and below-average electricity production from domestic hydro plants due to dry weather. Electricity had to be bought in at higher market prices to make up the shortfall. Overall, Axpo posted earnings before interest

and tax (EBIT) of CHF 1,021 million in the reporting period (prior year: CHF 722 million). Adjusting for the negative effect from the valuation of the funds for the decommissioning and disposal of nuclear power plants (STENFO) gives EBIT of CHF 1,094 million (prior year: CHF 515 million). After deduction of the negative financial result caused by falling financial markets and foreign exchange losses, the result for the period was CHF 513 million (prior year: CHF 781 million).

Large amounts of cash tied up temporarily as collateral

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 Axpo is required to provide under stock exchange regulation to increase by CHF 2.2 billion in the reporting period, increasing net debt to CHF 2,221 million and leading to a cash outflow (operating cash flow) of CHF 1,748 million. 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 balance sheet inflation

Higher energy prices led to further inflation of Axpo's 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 credit facility to the value of EUR 2.5 billion with a sustainability component from a broad-based syndicate of banks 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.

Driving the energy transition

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. The company is already putting two new building-mounted photovoltaic installations into operation every day. 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.

Positive medium-term outlook

Axpo's strategy is proving its worth, and the company has shown itself to be robust 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.

Axpo Group key figures – first half-year 2021/22

(1 October 2021 to 31 March 2022)

	H1 2021/22 (in CHF million)	H1 2020/21 (in CHF million)
Total income	6,013	2,902
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	1 208	905
Earnings before interest and tax (EBIT, before STENFO value fluctuations and additional compensation for transmission systems)	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%	24.9%
Result for the period	513	781
as % of total income	8.5%	26.9%
Net debt	-2 221	-1 229
Cash flow used in operating activities	-1,748	-9
Net investments in non-current assets (excluding loan receivables)	-147	-80
Total assets	65,162	25,034
Equity including non-controlling interests	7,615	7,626
Employees (full-time equivalents)	5,545	5,069

About Axpo:

Axpo is driven by a single purpose – to enable a sustainable future through innovative energy solutions. Axpo is Switzerland's largest producer of renewable energy and an international leader in energy trading and the marketing of solar and wind power. Axpo combines the experience and expertise of more than 5,000 employees who are driven by a passion for innovation, collaboration and impactful change. Using cutting-edge technologies, Axpo innovates to meet the evolving needs of its customers in over 30 countries across Europe, North America and Asia.

More information

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