

Dear Shareholders

The first half-year 2009/2010 in brief

Operating profit down 15% compared to the previous year.

Axpo posted an operating profit of CHF 416 million in the first half-year of the 2009/2010 financial year. This corresponds to a decrease of 15% compared to the previous year's value of CHF 490 million. In contrast, the operating result increased to CHF 348 million (previous year CHF 218 million). Expenditure due to financial market conditions, amounting to CHF 410 million, which placed a strain on the previous year, ceased to exist. The operating profit was adversely affected by the following influences: lower prices on the international energy markets, the consequences of new regulations in Switzerland, the acquisition costs arising as a result of the aborted power station project "Energy Plus" in Italy, as well as additional costs for the procurement of electricity due to the breakdown of the French nuclear power station in Bugey.

Expansion and optimisation of local hydropower. In June 2009, the Tierfehd pumped hydroplant in Linthal, which has a capacity of 140 megawatts (MW), was completed, following investments of more than CHF 100 million. The damage to the generator, which occurred while the hydroplant was still under guarantee, has meanwhile been repaired. The Tierfehd pumped hydroplant was put into operation at the beginning of 2010 and has been used daily ever since and thereby contributes to safeguarding the electricity supply. At present, the most significant upgrade project is "Linthal 2015," featuring the 1000-megawatt Limmern pumped hydroplant. Total investment in the project amounts to CHF 2.1 billion. After well over two years of construction, the first of two 25-tonne underground cable cars was commissioned on 23 March 2010. In September 2006, Axpo submitted the Rüchlig power station licensing project and presented this to the public in May 2009. Prior to the submission of the planning application for the 10-MW hydropower plant, the project was optimised once again in terms of construction volume and capacity. The flood defence and environmental initiatives remain untouched. The new Concession Project is scheduled for submission in summer 2010.

Increased domestic resistance against the expansion of new renewable energies – expansion of commitment abroad.

Since 2006, Axpo has already invested approximately CHF 500 million in promoting new renewable energies and a further CHF 2.5 billion will be invested by 2030. Axpo is therefore continuing to maintain its ambitious goal of contributing 40%,

i.e. around 2.2 terawatt hours (TWh), to the target defined by the Swiss Federal Office of Energy (SFOE) by 2030. This is aimed at increasing the proportion of electricity produced using new renewable energies by 5.4 TWh or around 9% of Switzerland's current electricity consumption by this time. Axpo is the largest Swiss producer of new renewable energies and focuses in Switzerland predominantly on small-scale hydropower plants and on fermentable and combustible biomass. This illustrates that new renewable energies are not exclusively met with public approval when it comes to their implementation. The wood power station in Würenlingen AG planned by Axpo Holz+Energie AG for the production of eco-friendly, carbon-neutral electricity and heat from the local, renewable resource of wood, was suspended at the beginning of 2010 due to public resistance. Opposition also mounted against the wood power stations scheduled to be constructed at both the Kaiseraugst AG and Bischofszell TG sites. The communal vote on a zone plan change, scheduled to take place in spring, was postponed until autumn 2010. On 29 May 2010, Axpo Kompogas AG opened a further fermentation plant in Volketswil ZH. In the area of small-scale hydropower plants, the communal assemblies of the municipalities of Ftan GR and Ardez GR have approved without a dissentient vote both the Tasna hydropower plant project and the granting of a licence respectively. However, the project is being delayed by several months due to objections by environmental and conservation organisations. In the German North Sea, EGL AG has obtained a 24.1% stake in the project to build an off-shore wind farm with a capacity of 400 MW.

Progress in the gas business. With the opening of two offices in Brussels and Düsseldorf, EGL AG has made further progress towards continuing to expand its origination services and business with producers and major customers. On 20 May 2010, EGL AG announced E.ON Ruhrgas as its new partner for the Trans Adriatic Pipeline (TAP) project.

Electricity shortages worse than forecast in 2005. Five years ago, the study "The Outlook for Electricity in 2020" saw Axpo initiate the discussion of the emerging electricity shortages in Switzerland. The study was revised over the course of the financial year and the new findings were presented to the media on 20 May 2010. Since few options are available, the problem of electricity shortages has intensified. New findings include the economic inefficiency of gas-combi power stations in Switzerland due to the provisions of the CO₂ Act, the pressure being exerted by the EU on privileged electricity imports from France, as well as the increasing opposition to the promotion of new renewable energies. In addition, the production of hydropower is set to decrease by around 4 TWh or approximately 11% by 2050. The insight gained back in 2005 that, despite all of the efforts to harness new renewable energies, the only way to ensure the safe and economic supply of electricity in Switzerland in the future is to replace the oldest nuclear power stations, which are likely to reach the end of their service life with effect from 2020, has been confirmed.

Security of supply comes under further scrutiny. The newly published study "The Outlook for Electricity in 2020 – New Findings" encourages Axpo to work in collaboration with BKW-FMB Energie AG to afford high priority to the replacement of the Beznau I and II and Mühleberg nuclear power stations. On 30 October 2009, Axpo and BKW submitted revised documents relating to their planning applications to the SFOE in response to the request made by the Swiss Federal Nuclear Safety Inspectorate (ENSI) in April 2009. On 1 January 2011, the SFOE will ask the cantons to issue their opinion on the three existing planning applications. They will be given three months in which to do this. Talks continue to be held regarding an agreement by the three nuclear power station operators: Axpo, BKW-FMB Energie AG and Alpiq.

Investments in the island of Beznau. Since its commissioning in 1969, the Beznau nuclear power station has produced 10% of Switzerland's power requirements in a safe, reliable and virtually CO₂-free way. During this time, Axpo has invested around CHF 1.5 billion in its constant modernisation. In November 2009, the nuclear power station celebrated its 40th anniversary by holding a large party to which members of the public were invited. The Beznau hydropower plant has submitted an early relicensing application and is planning to build a new power plant. Thus part of the emergency power supply, which had hitherto been provided by the hydropower plant, will be replaced by two independent diesel-powered emergency power plants. The planning application for the two diesel-powered emergency power plant buildings was submitted to ENSI on 17 May 2010. The public was informed of the submission of the planning application at the end of May 2010.

Sustainability is becoming an increasingly important strategy. Following the publication of the first sustainability report in 2008, Axpo made numerous efforts to further improve the posted results. In spring 2010, the second sustainability report was published together with the 2008/2009 annual report. With the issue of the Environmental Declaration for the Wildeggen-Brugg river power plant at the beginning of April 2010, Axpo is continuing to implement its commitment to sustainability and total transparency. A lifecycle assessment was carried out for the Kompogas plant in Otelfingen ZH in 2009. Back in 2008, the Beznau nuclear power station was the first nuclear power station in Switzerland to receive EPD® environmental certification. This lifecycle assessment is currently being recertified as a result of new findings regarding the cycle of materials. With a Groupwide greenhouse gas inventory and a number of economic, environmental and social initiatives, Axpo is reinforcing its commitment to sustainable, i.e. socially acceptable, eco-friendly and economic energy production.

Regulation continues. On 4 March 2010, the Swiss Federal Electricity Commission (ECom) published the definitive directive on the policy established in May 2009 regarding the 2010 power grid costs and tariffs. ECom rules that there will be a reduction in allowable operating and capital costs by approximately CHF 72 million. NOK Grid AG is affected with a loss of CHF 0.6 million, but has not appealed against the reduction. The

definitive ECom directive for the CKW subsidiary, CKW Grid AG, is yet to be announced. For the purposes of calculating the allowable costs, in 2009, ECom valued the plants owned by EGL Grid AG, which are connected to the power grid, at around CHF 100 million. In the current directive, ECom values the plants owned by EGL Grid AG at around CHF 143 million. These values are considerably lower than the value of around CHF 264 million posted in the accounts. EGL Grid AG therefore lodged an appeal against the ECom directive of March 2009 at the Swiss Federal Administrative Court on 23 April 2009. On 22 April 2010, it lodged a further appeal against the ECom directive of March 2010.

Concession contracts which have already been concluded are valid in central Switzerland. On 16 April 2010, the Swiss Competition Commission (WEKO) published an expert opinion which indicates that community concessions granted to private companies and individuals for the construction, operation and maintenance of electric distribution systems must be put out to tender in accordance with the Swiss Domestic Market Act. However, other expert opinions reached different conclusions. In its expert opinion, after verifying the obligation to tender which applies to distribution network concessions, WEKO confirmed the validity of concession contracts which have already been concluded between Centralschweizerischen Kraftwerke AG (CKW) and 67 municipalities in Lucerne. The former concession contract continues to contradict applicable federal law governing the supply of electricity in the case of 14 municipalities. Due to the unbundling of grid and energy by the new StromVG, the concession contracts need to be adjusted to federal law.

Resignations from the CKW Board of Directors and Management Board. Following agreement with the government of the Canton of Lucerne, Max Pfister stepped down from the Board of Directors on 31 March 2010. On 29 April 2010, Thomas von Weissenfluh, Head of the Energy division and member of the Management Board, announced his intention to leave CKW with effect from 31 March 2011 in order to become self-employed.

Changes to market image. In order to strengthen the Axpo brand and to align it more consistently with the future challenges presented by the market, Nordostschweizerische Kraftwerke AG (NOK) changed its name on 1 October 2009 to Axpo AG. At the same time, Axpo Holding AG and Axpo AG were given a new visual image. Since January 2010, Elektrizitätsgesellschaft Laufenburg AG has been rebranded EGL AG. Since the end of April 2010, EGL AG has also been given a new corporate design. By the end of the current 2009/2010 financial year on 30 September 2010, all of the shares in Axpo Suisse AG will be transferred from Centralschweizerischen Kraftwerke AG and EGL AG to Axpo AG, making it the sole shareholder.

Changes to the Board of Directors of Axpo Holding AG. On 12 March 2010, the General Meeting of Axpo Holding AG elected Andreas Frank from Balgach SG, CEO of Greiner Packaging AG, and Ernst Stocker from Wädenswil ZH a member of the Governing Council of the Canton of Zurich, as new members of the Board of Directors. They replace Hans-Peter Härtsch and Rita Fuhrer, who are stepping down.

Financial Comment

Energy sales up on previous year. The energy sales in the first semester 2009/2010, which stood at 35,395 million kWh, were 1144 million kWh (+3.3%) above the previous year's value. The supply sales for the winter half-year were 2.5% higher than the previous year's level due to the dry and cold weather. Sales in the gas business also increased significantly, whilst electricity trading almost reached the previous year's level.

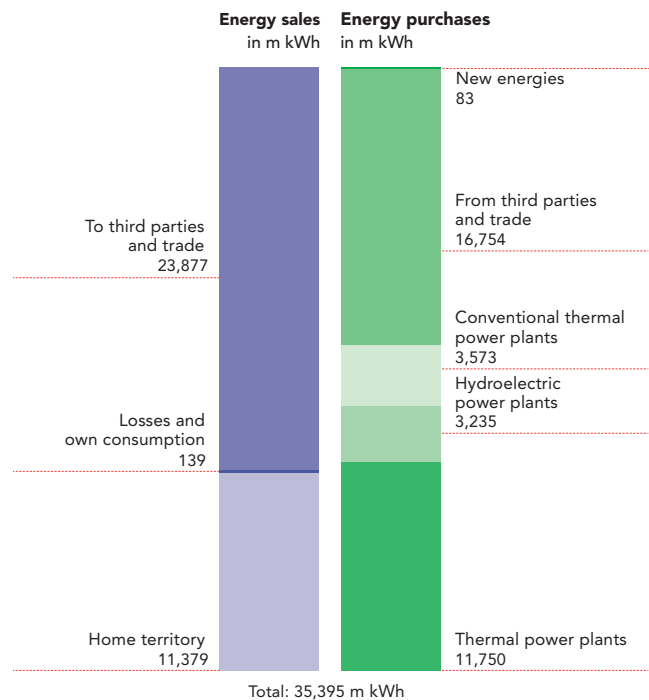
Reduction in turnover due to lower prices on the international energy markets. The Axpo Group achieved an energy turnover of CHF 3,119 million in the first half-year of the 2009/2010 financial year. This corresponds to a reduction compared to the previous year of 11%, which is predominantly due to the lower energy prices on the international wholesale markets. The return from trade in energy derivatives was CHF 199 million, which represents a pleasing result once again (previous year CHF 222 million).

Operating result influenced by special factors. The operating result for the first half-year was CHF 348 million and, thus, was clearly above the previous year's value of CHF 218 million. Both the result for the half-year under review and that of the corresponding period of the previous year were heavily influenced by special factors. Without taking these special factors into account, the operating result would have been CHF 180 million below that of the previous year. In addition, during the year under review, the acquisition costs arising as a result of the inability to sell the power station project "Energy Plus", as well as additional costs for the procurement of electricity due to the breakdown of the French nuclear power station in Bugey, had an adverse effect on the operating result. The influences of the new regulations in Switzerland, which only affected one quarter of the previous year, as well as the increase in interest expense and greater currency losses also had a negative impact on the result. The measures which have since been introduced to reduce costs and prioritise investments are being increased further.

Significant improvement in liquidity. The total assets of the Axpo Group increased by CHF 1,325 million to CHF 18,912 million as at 31 March 2010. The main reason for this rise was in particular the significant increase in the portfolio of cash and cash equivalents which resulted from the placement of bonds totalling CHF 1 billion on the Swiss capital market by Axpo Holding AG. Group free cash flow of minus CHF 90 million was achieved. Based on the processed result for the first half-year, minus the dividend paid out to the shareholders of Axpo Holding AG to the amount of CHF 139 million, equity increased by CHF 219 million compared to the previous year. The equity capital share of the balance sheet total decreased by 2.1 percentage points compared to 30 September 2009, giving a new share of 44.3%. The Axpo Group continues to be deemed to have a strong financial base.

Prospects. The basic energy market conditions are set to remain challenging. Stagnating prices in the supply business, as well as the prevailing low prices on the international energy mar-

Energy figures for the first half-year 2009/2010 of the Axpo Group



kets in the first semester, are set to continue and will therefore not lead to any significant improvements in the energy business. Against this background, it is anticipated that it will be difficult for the Axpo Group to even repeat the result achieved for the 2008/2009 financial year.

Axpo AG Group. Total revenue increased by CHF 150 million, or 10%, to CHF 1,576 million, compared to the same period of the previous year, whilst operating expenditure increased by CHF 140 million, or 13%, to CHF 1,228 million and depreciation increased by CHF 59 million to CHF 176 million. There was a marked improvement of CHF 204 million in the financial result compared to the same period of the previous year. The valuation losses of the Swiss Federal Decommissioning Fund and the Disposal Fund for nuclear power stations placed a particularly heavy strain on the financial result in the previous year. The decrease in the deferred tax rate from 20.5% to 19% also contributed to the improved operating result, reducing the tax expenditure by CHF 37 million. The posted operating result of CHF 217 million is CHF 165 million higher than the previous year's value.

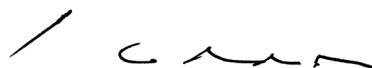
CKW Group. Total revenue increased by 13% overall to CHF 474 million. The increase was due, on the one hand, to increased optimisation as a result of more precise scheduling information. However, this served to simultaneously increase operating expenditure due to the purchasing of energy. The statutory cost-covering remuneration also resulted in an increase in total revenue. The lower annual costs of partner plants had a positive impact on operating expenditure. The operating result decreased by 55% to CHF 65 million compared to the same period of the previous year.

EGL Group. EGL achieved a gross profit margin of CHF 421 million (–4%) in the first half of the 2009/2010 financial year. The breakdown of the French nuclear power station in Bugey had a negative impact on the gross profit margin, due to the fact that alternative electricity had to be procured on the market. The

significantly lower operating result of CHF 39 million (–69%) is also due to the acquisition costs arising as a result of the inability to sell the power station project “Energy Plus” for CHF 47 million, as well as due to the lower financial result of minus CHF 54 million (–24%) and the significantly higher income taxes of CHF 53 million (+129%).



Robert Lombardini
President of the Board of Directors



Heinz Karrer
CEO

Axpo Group | Complete Overview

1 October 2009 to 31 March 2010

| In CHF millions | AXPO AG GROUP | | CKW GROUP | | EGL GROUP | | OTHER + CONSOLIDATION ¹⁾ | | AXPO GROUP | |
|-----------------|---------------|--------------|--------------|--------------|--------------|--------------|-------------------------------------|--------------|--------------|--------------|
| | 1st HY 09/10 | 1st HY 08/09 | 1st HY 09/10 | 1st HY 08/09 | 1st HY 09/10 | 1st HY 08/09 | 1st HY 09/10 | 1st HY 08/09 | 1st HY 09/10 | 1st HY 08/09 |

| Total revenue | | | | | | | | | | |
|---|--------------|-------|------------|-----|--------------|-------|------------|-----|--------------|-------|
| Total revenue | 1,576 | 1,426 | 474 | 422 | 1,555 | 2,053 | –19 | 14 | 3,586 | 3,915 |
| of which net turnover from energy and network usage | 1,441 | 1,332 | 402 | 344 | 1,320 | 1,866 | –44 | –47 | 3,119 | 3,495 |

| EBIT | | | | | | | | | | |
|-----------------------|-------------|------|-------------|------|------------|-----|-------------|------|-------------|------|
| Operating profit | 172 | 221 | 75 | 43 | 154 | 193 | 15 | 33 | 416 | 490 |
| as % of total revenue | 10.9 | 15.5 | 15.8 | 10.2 | 9.9 | 9.4 | n.a. | n.a. | 11.6 | 12.5 |

| Group profit | | | | | | | | | | |
|-----------------------|-------------|-----|-------------|------|------------|-----|-------------|------|------------|-----|
| Group profit | 217 | 52 | 65 | 143 | 38 | 123 | 28 | –100 | 348 | 218 |
| as % of total revenue | 13.8 | 3.6 | 13.7 | 33.9 | 2.5 | 6.0 | n.a. | n.a. | 9.7 | 5.6 |

| Cash flow and investments | | | | | | | | | | |
|---|-------------|------|------------|----|------------|------|------------|-----|-------------|------|
| Cash flow | 125 | 263 | 23 | 49 | –66 | –250 | 91 | 71 | 173 | 133 |
| Net investments in fixed assets (without finance leasing) | –120 | –142 | –57 | 55 | –75 | –82 | –11 | –23 | –263 | –192 |

| Balance sheet | | | | | | | | | | |
|----------------------|---------------|-------|--------------|-------|--------------|-------|-------------|------|---------------|--------|
| Total assets | 10,019 | 9,047 | 1,677 | 1,587 | 6,376 | 6,931 | 840 | –446 | 18,912 | 17,119 |
| Equity | 4,669 | 4,253 | 1,231 | 1,121 | 2,035 | 2,081 | 449 | 254 | 8,384 | 7,709 |
| as % of total assets | 46.6 | 47.0 | 73.4 | 70.6 | 31.9 | 30.0 | n.a. | n.a. | 44.3 | 45.0 |

| Employees (fulltime equivalents) | | | | | | | | | | |
|---|--------------|-------|--------------|-------|------------|-----|------------|-----|--------------|-------|
| Average head count | 1,721 | 1,593 | 1,436 | 1,410 | 856 | 705 | 341 | 287 | 4,354 | 3,995 |

¹⁾ Axpo Holding AG, Axpo Informatik AG and consolidation adjustments are included under Other + Consolidation.