

The 2010/11 financial year in brief

Dear shareholders

- **Unsatisfactory result**
- **Axpo Holding AG acquires all EGL AG shares**
- **Major investments in wind and hydropower**
- **Outlook: environment will remain extremely challenging for a number of years**

2010/11 financial year shaped by a much more difficult environment

The 2010/11 financial year was shaped by an extremely difficult environment that had a negative impact on Axpo's performance. The energy policy switch introduced by the Federal Council and the Swiss parliament as a result of the accident in the Japanese nuclear power plant at Fukushima has fundamentally altered the current situation for Axpo as well as the criteria for the security of electricity supply. The long-term, phased exit from nuclear energy which is now planned not only had a decisive effect on the reporting year (writedowns on the replacement nuclear power plants project), but also introduced uncertain parameters for the future of Axpo and the security of supply in Switzerland. At present it is not clear how the threatening supply gap can be closed without replacing the existing nuclear power plants, whether and how the Federal Council's objectives can be realized in the intended time, and what the costs and finally the impact on the national economy will be.

Regulatory decisions also caused a profit contraction in the reporting year. The Federal Tribunal found that under certain conditions major customers are entitled to continue purchasing electricity at prices based on cheaper production costs instead of at market rates. With this far-reaching judgement the Federal Tribunal effectively negated the partial liberalization of the electricity market. This had a serious impact on the past financial year and will continue to negatively affect Axpo's profits in the future. The situation was made worse by an extraordinary writedown on EGL's electricity grid, and the weakness of the euro to the Swiss franc also eroded the profit. The turbulence on the financial markets and the worsening of the debt crisis on both sides of the Atlantic not only led to a flight into the Swiss franc but also depressed the performance of the Federal Decommissioning and Waste Disposal Fund. A review of the costs for decommissioning and disposal resulted in an impairment. The weak euro reduced the income on the net long position (sale of power to other countries), and earnings from the Swiss-Italian natural gas business also went down.

Axpo Holding AG acquires all EGL AG shares

Axpo Holding AG's public offer of 27 June 2011 to buy all publicly held bearer shares of EGL AG was concluded successfully. Axpo Holding AG previously owned 91% of the share capital of EGL AG. At the conclusion of the transaction, Axpo's share in EGL AG was 99.8% at the end of September 2011. With the conclusion of the offer Axpo will apply for the invalidation of the remaining shares of EGL AG, and the next step will be the delisting of the shares. The full acquisition of EGL AG gives the Group the opportunity to merge the trading business of the Group subsidiaries Axpo AG and EGL AG and various management and service functions. This will make it possible to eliminate duplication, reduce costs and concentrate skills. Axpo will also adjust the processes, systems, and structures. This will unfortunately not be possible without shedding jobs, but the downsizing will be implemented as much as possible through natural attrition and early retirements.

Major investments in hydropower in Switzerland and wind power abroad

In spite of the difficult environment Axpo successfully forged ahead with a number of complex large projects, the most notable of which is the CHF 2.1 billion expansion of the Limmern pumped-storage power plant. Linthal 2015 is the largest hydropower project in Switzerland and one of the largest in Europe. The construction team broke through in the first of the two pressure shafts in mid-October 2011. The new hydropower plant in Rheinfelden where Axpo has energy purchase rights also came on line as planned. This plant was built together with the German partners Energiedi- enst AG and EnBW Energie Baden-Württemberg AG and took eight years to complete. In addition, Axpo received the concession and building permit for the Röchlig power plant and the concession for the power plant in Russein in the canton of Graubünden was renewed. Axpo, the Swiss market leader in new renewable energies, also made encouraging progress with the expansion of this production sector. The financing for the Global Tech I project (in which EGL has a 24.1% stake) in the German North Sea could be secured and all important delivery contracts were signed for the Global Tech I offshore wind farm. Part of the plant will go on line at the end of 2012.

Outlook: environment will remain extremely challenging for a number of years

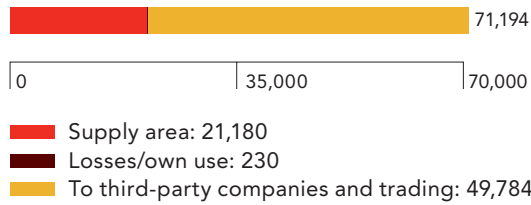
In the current financial year Axpo will implement its planned restructuring as quickly as possible in order to limit the related period of uncertainty and avoid focusing too many resources on the reorganization process. It is essential to improve the company's efficiency in order to secure a successful future for Axpo. At the same time Axpo will focus on its ongoing business, as its marketing activities and customer support services are of fundamental importance, regardless of the restructuring. The Group will also investigate all options and do its utmost to guarantee a secure and environmentally friendly supply of electricity in the future in spite of very difficult parameters and many unanswered questions related to the Energy Strategy 2050 adopted by the Federal Council and the Swiss parliament. In addition, Axpo will actively engage in the political discussion about Switzerland's energy future.

Energy business

- Electricity sales improved by 1.6%
- Less electricity generated by own power plant fleet

Energy sales

in m kWh

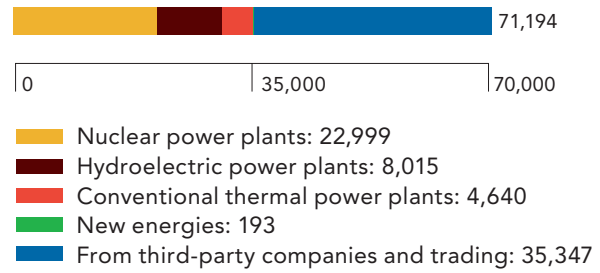


Energy sales in the supply area of Axpo AG and CKW rose by 1.6% compared to the previous year. This was mainly because it was colder at the beginning of the reporting year and in the summer months from June to August than in the previous year so that demand for electricity rose. The good economic environment in the supply area in the 2010/11 financial year also contributed to the growth in demand for electricity.

Sales to third-party companies and trading improved by 7% to 50 TWh (previous year: 47 TWh), primarily thanks to growth of 2 TWh to 8 TWh in gas sales.

Energy procurement

in m kWh



Electricity production from nuclear power was higher thanks to the improved availability of the power plants and the shorter shutdown period for maintenance compared to the previous year.

The hydroelectric power plants produced less electricity during the very dry period from January to April, but this could be partially compensated by the above-average rainfall from May to June. The total volume of electricity generated was on a par with the low level of the rather dry prior-year period.

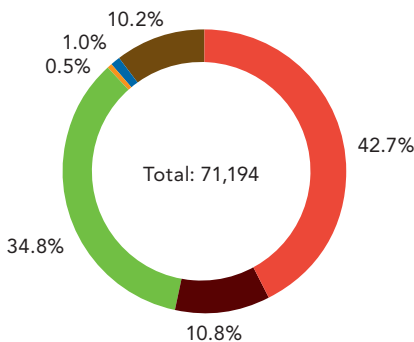
Due to the economic slowdown in Italy the Italian gas-fired combined cycle power plants could only be operated for a shorter period than in the previous year, so that electricity production from conventional thermal power plants was down.

The new energies power plants produced 5% or 9 GWh more electricity than in the previous year.

Given the lower production by our own power plant fleet and slightly higher trading volumes, Axpo had to buy more electricity from third-party companies. This was offset by the fact that the Italian gas-fired combined cycle plants used less gas while trading in gas increased.

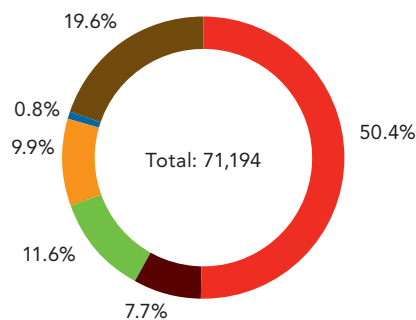
Energy sales by country

in m kWh



Energy procurement by country

in m kWh

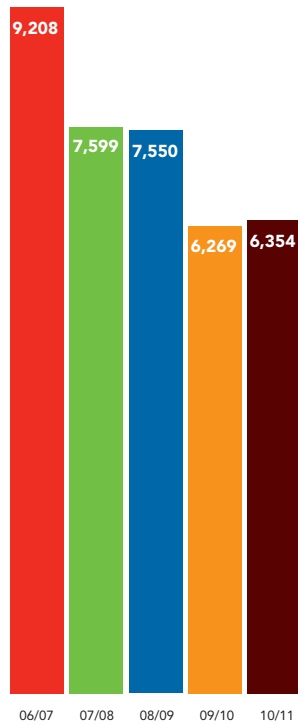


Five-year trends – key Group figures

- The following graphs show the development over the last five years of the key financial figures for the Axpo Group

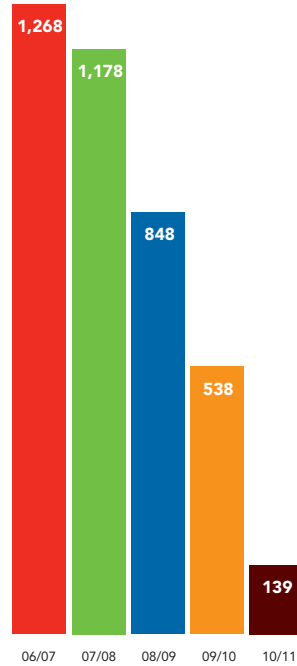
Revenues

in CHF million



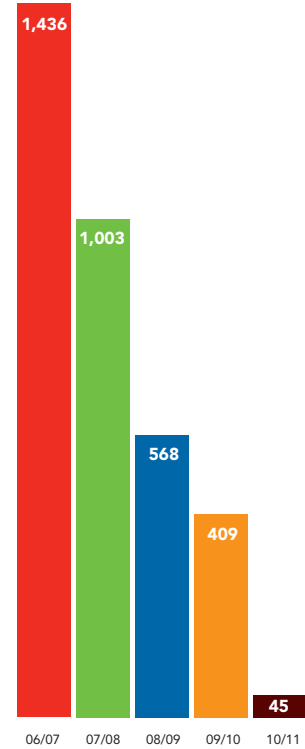
Earnings before interest and tax (EBIT)

in CHF million



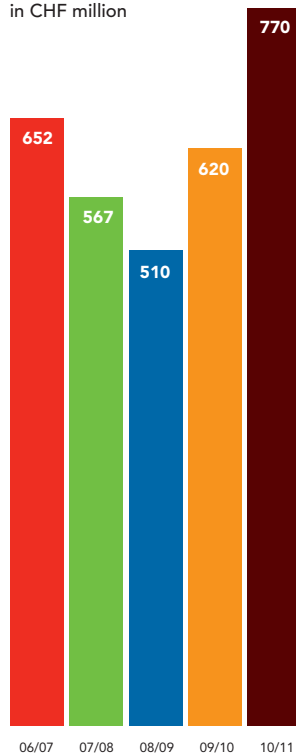
Net profit

in CHF million



Net investment in non-current assets (adjusted)

in CHF million



Free cash flow

in CHF million



Net profit

in CHF million



Financial figures

- **Unsatisfactory result**
- **Revenues slightly below previous year**
- **Exceptional items impact profit significantly**
- **Free cash flow still positive**

Unsatisfactory result

The 2010/11 financial year was overshadowed by the impact of the financial and debt crisis on financial markets and currencies, the devastating earthquake in Japan and subsequent accident in Fukushima and regulatory decisions, and the cost review for decommissioning and dismantling the nuclear power plants.

These factors reduced the consolidated net profit of the Axpo Group sharply from CHF 409 million to CHF 45 million.

Revenues slightly below previous year

At CHF 6,354 million, the Axpo Group's revenues were up 1% from the previous year (CHF 6,269 million). The price increase in the supply area of Axpo AG on 1 January 2011 had a positive effect.

The energy trading business failed to match the results of the previous year. The main reason for this was the significantly weaker result of the cross-border trade with Italy. Local business in Italy was shaped by smaller margins (due to the difference in electricity prices and the prices of fuel and certificates). The weak euro also contributed substantially to the weaker trading result. The standardized and structured energy business (origination activities) could be expanded in the reporting year and this had a positive effect on the trading results.

Exceptional items impact profit significantly

The costs for energy production and grid utilization rose out of proportion to the total output to CHF 4,091 million and were 6% or CHF 237 million higher than in the previous year (CHF 3,854 million). The high fuel costs had a negative effect as they offset the higher electricity prices and prevented the recovery of the trading margins. The performance of the Swiss nuclear fund for the partner plants at Gösgen and Leibstadt failed to meet expectations. The total writedown of the capitalized investments in the projects for nuclear power plants to replace the Beznau and Mühleberg plants also burdened the balance sheet by CHF 30 million. The annual impairment test of the production plants and energy purchase rights led to various adjustments. Energy procurement costs were reduced by CHF 89 million while depreciation was increased by CHF 74 million.

Operating expenses not related to energy or grids were lower by CHF 62 million as EGL managed to reduce its recurring costs by more than CHF 40 million within a year. The partial rulings on synthetic grid valuation issued by the Swiss Federal Electricity Commission (ECom) and the judgement by the Federal Tribunal in the Stahl Gerlafingen case resulted in charges of CHF 47 million.

Writedowns rose from CHF 311 million in the previous financial year to CHF 860 million. The increase is mainly due to the recalculation of the future costs for decommissioning and dismantling the nuclear power plants. The additional costs identified for the Beznau nuclear plant are considered to be impaired due to the valuation of the power plant because the prices for the cantonal utilities used in calculating the valuation are below market value. This led to an additional writedown of CHF 297 million. Based on the outline agreement between swissgrid ag and the owners of the grid companies and for the sake of prudence, the carrying amount of EGL's transmission grids has been adjusted to the value according to ECom's latest rate decree. This led to an additional writedown of CHF 80 million. At the same time related receivables of CHF 40 million had to be impaired. At the moment several proceedings regarding ECom's rate decrees concerning the valuation of EGL's transmission grid are pending. The aforementioned impairment of the value of the production plants and energy purchase rights increased the writedowns by CHF 74 million. Compared to the previous year, the operating profit (EBIT) of Axpo Group fell sharply by CHF 399 million (-74%) to CHF 139 million.

The financial result was CHF 32 million less than in the previous year because of the downward trend on the investment markets, which also had a negative effect on the value of the Swiss nuclear fund. Current and deferred income taxes are down from the previous year, primarily because of the lower net profit.

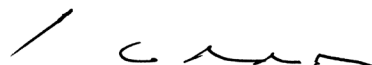
Insufficient free cash flow

The cash flow from operating activities (operating cash flow) amounted to CHF 862 million in the past financial year. This is CHF 177 million (+26%) better than in the previous year (CHF 685 million).

Net investment in non-current assets amounted to CHF 770 million (previous year: CHF 620 million). Investment funds were primarily directed to capital increases at KLL and Global Tech I, construction of a wind farm in Italy (WinBis), the stake in the geothermal project in Germany and expansion of the grid infrastructure. The investments were financed from the operating cash flow. Although the free cash flow was slightly higher than in the previous year, it was still insufficient at CHF 92 million (previous year: CHF 65 million).



Robert Lombardini
Chairman of the Board of Directors



Heinz Karrer
CEO

Axpo Group | General overview

1 October 2010 to 30 September 2011

in CHF million	AXPO AG GROUP		CKW GROUP		EGL GROUP		OTHER + CONSOLIDATION ¹⁾		AXPO GROUP	
	FY 10/11	FY 09/10	FY 10/11	FY 09/10	FY 10/11	FY 09/10	FY 10/11	FY 09/10	FY 10/11	FY 09/10

Revenues

Revenues	2,881	2,764	937	920	2,591	2,630	-55	-45	6,354	6,269
of which energy sales and grid utilization	2,840	2,709	903	883	2,574	2,610	-59	-49	6,258	6,153

EBIT

Operating profit	84	222	91	145	53	168	-89	3	139	538
as % of revenues	2.9	8.0	9.7	15.7	2.0	6.4	n.a.	n.a.	2.2	8.6

Net profit

Net profit	11	248	89	120	22	25	-77	16	45	409
as % of revenues	0.4	9.0	9.5	13.0	0.8	1.0	n.a.	n.a.	0.7	6.5

Cash flow and investments

Cash flow	510	374	195	145	133	112	24	54	862	685
Net investments in non-current assets (excl. loan receivables)	-443	-313	-90	-130	-185	-119	-52	-58	-770	-620
Free cash flow	67	61	105	15	-52	-7	-28	-4	92	65

Balance sheet

Balance sheet total	10,022	9,679	1,911	1,780	5,408	5,669	401	600	17,742	17,728
Equity incl. minority interests	4,462	4,601	1,321	1,286	1,710	1,928	107	349	7,600	8,164
as % of balance sheet total	44.5	47.5	69.1	72.3	31.6	34.0	n.a.	n.a.	42.8	46.1

Employees (full-time equivalents)

Average number of employees	1,801	1,743	1,488	1,444	769	855	357	344	4,415	4,386
-----------------------------	--------------	-------	--------------	-------	------------	-----	------------	-----	--------------	-------

¹⁾ Other + consolidation includes Axpo Holding AG and Axpo Informatik AG, together with the effects of consolidation.